

STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

Application of Redwood Operating, LLC  
for Compulsory Pooling, Case No. 22627  
Eddy County, New Mexico Case No. 22628

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 7, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiners, John Garcia and Philip Goetze, Technical Examiners, on Thursday, April 7, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department.

Reported by: Mary Therese Macfarlane  
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A P P E A R A N C E S

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For Redwood Operating, LLC?

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C O N T E N T S

CASE NOS. 22626, 22628	PAGE
CASE CALLED:	
INQUIRY BY EXAMINER GARCIA:	10
INQUIRY BY EXAMINER BRANCARD:	12
CONTINUED TO MAY DOCKET:	31

1  
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I N D E X O F W I T N E S S E S

REDWOOD OPERATING, LLC EXHIBITS:

ADMITTED

A

B

C     Affidavit of Derik Smith (Landman)

C-1   Resume

C-2   C-102s

C-3   Tract Map and Ownership Interests

C-4   Lease Amendment

C-5   Well Proposal, AFE

C-6   Chronology of Contacts

D     Affidavit of Charles Sadler (Geologist)

D-1   Regional Locator Map

D-2   Project Area Map

D-3   Structure Map and Type Log

D-4   Structre Map and Cross Section

E     Notice Affidavit

F     Notice of Publication

1 (Time noted 11:12 a.m.)

2 EXAMINER BRANCARD: With that I will call Cases  
3 22627, 22628, Redwood Operating, LLC.

4 MR. RANKIN: Mr. Examiner, Adam Rankin with  
5 Holland & Hart appearing on behalf of the applicant in  
6 these two cases, Redwood Operating, LLC.

7 MR. PADILLA: Mr. Examiner, Ernest L. Padilla,  
8 Padilla Law Firm, appearing for Anne Landrith Holdings,  
9 Inc.

10 My understanding is that from yesterday,  
11 was that Ann Landrith Holdings had reached agreement with  
12 the applicant, so we don't have opposition to an affidavit  
13 case, and I'll be quiet now.

14 EXAMINER BRANCARD: Thank you.

15 And then I have an entry Sabinal Energy.

16 MR. JONES: Good morning, Mr. Examiner. Blake  
17 Jones of Steptoe & Johnson on behalf of Sabinal Energy  
18 Operating.

19 EXAMINER BRANCARD: Does Sabinal Energy oppose  
20 this case going forward by affidavit?

21 MR. JONES: We do not, and we likewise have  
22 reached an agreement with Redwood, so we do not oppose.

23 EXAMINER BRANCARD: Thank you.

24 All right. With that, any other entries of  
25 appearance, I guess, for Cases 22627, 22628.

1                   Hearing none, Mr. Rankin you may proceed.

2                   MR. RANKIN: Thank you, Mr. Examiner.

3                   In this case Redwood Operating seeks to  
4 pool two separate units comprised of approximately 200  
5 acres, more or less, within the southwest quarter of the  
6 northwest quarter of Section 18, Township 18 South, Range  
7 27 East in the south half of the north half of Section 13,  
8 Township 18 South, Range 26 East.

9                   This acreage is the same in both cases. In  
10 Case 22627, because of a depth ownership severance Redwood  
11 is seeking to pool only from the top of the Yeso Formation  
12 to 3,000 feet, and in Case 22628 Redwood is seeking to  
13 pool from below 3,000 feet to the base of the Yeso  
14 Formation.

15                   In Case 22627 Redwood is dedicating,  
16 proposing to dedicate the Kaiser 18 No.1H well to the  
17 spacing unit, and the second case it is proposing to  
18 dedicate the Kaiser 18 4H well to the deeper interval, the  
19 deeper spacing unit.

20                   Exhibits were filed on Tuesday, A  
21 through F. Exhibit A is the Compulsory Pooling Checklist  
22 for each of the cases, identifying the Pool Code, the  
23 wells that need to be dedicated, the acreage, and the  
24 other necessary elements of the pooling case

25                   Exhibit B is a copy of each of the

1 applications filed in these two cases.

2 C is the affidavit of Mr. Derik Smith. Mr.  
3 Derik Smith is a landman who works for Redwood. He has  
4 not previously testified before the Division and has not  
5 had his credentials as an expert in land matters accepted,  
6 so we have reviewed his education and work experience and  
7 provided his exhibit as C-1 to his affidavit.

8 We ask that Mr. Smith be admitted as an  
9 expert in petroleum land matters at this time unless there  
10 are any objections.

11 EXAMINER BRANCARD: Any objections? Hearing  
12 none, so admitted.

13 MR. RANKIN: Thank you, Mr. Examiner. The rest  
14 of Mr. Smith's affidavit he reviews the facts of each  
15 case: the spacing units, the depth severance, and the  
16 well that identifies the depth severance.

17 Exhibit C-2 the are the C-102s that were  
18 prepared for each of the wells, identifying the dedicated  
19 acreage and the pools with respect to each spacing unit.

20 Exhibit C-3 is the ownership interest by tract  
21 and on a spacing unit basis. It also identifies the  
22 parties that they are seeking to pool in each case.

23 Now, in Case 22627, Mr, examiner if you  
24 will scroll to the ownership interest chart, you will see  
25 that Redwood has identified the owners to be pooled within

1 the spacing unit.

2                   They have identified Lindrith Holdings,  
3 Roscommon, AmeriPermian Holdings. Each of those are  
4 lessors whose interests the lease instruments do not  
5 permit pooling beyond 40 acres. As Mr. Padilla has  
6 indicated, they have reached agreement to ratify their  
7 lease agreement with Ann Lindrith Holdings. Redwood has  
8 also reached agreement to do the same with Roscommon and  
9 AmeriPermian, therefore they are not seeking to pool any  
10 of those interest owners in the spacing unit.

11                   However, if you scroll down to the last  
12 page of that exhibit you'll see there is a list of  
13 overrides that Redwood is seeking to pool in this Case  
14 22627, and there are two owners identified there who are  
15 overrides that Redwood seeks to pool.

16                   As to Case 22628, you will see the same,  
17 uh, similar breakdown of ownership interest. In this case  
18 they are seeking to pool -- they were seeking to pool the  
19 same lessors. Those parties have reached agreement so  
20 they will be excluded from compulsory pooling, but they  
21 are also seeking to pool some additional working interests  
22 identified on the list.

23                   As Mr. Blake Jones noted, they have reached  
24 agreement with Sabinal Energy Operating to enter into a  
25 JOA. We expect that JOA to be signed and executed

1     shortly, and when it is completed we will notify the  
2     Division that Sabinal will be dismissed from pooling.

3                     In addition to the working interests they  
4     are seeking to pool, the last page of the exhibit you will  
5     see that there are additional overrides that Redwood is  
6     seeking to pool, as well.

7                     Exhibit C-4 is no longer relevant. Those  
8     are the lease amendments that we were proposing to these  
9     parties for the lessors.

10                    Exhibit C-5 is a copy of the well proposals  
11    and the AFEs that were sent to the working interest owners  
12    in the deeper case.

13                    Exhibit C-6 is a copy of the Chronolgy of  
14    Contacts with both the lessors and the working interests.

15                    Exhibit D is a copy of the affidavit  
16    prepared by Redwood's geologist Mr. Charles Sadler. He  
17    has previously testified before the Division and has been  
18    accepted as an expert in petroleum geology matters.

19                    Exhibit D-1 is a Location Map for the  
20    project identifying the approximate area of the Kaiser  
21    well spacing unit.

22                    D-2 is a closer view of the proposed  
23    spacing unit outlined yellow identifying the acreage.

24                    Exhibit D-3 is a Structure Map inset  
25    showing the \*\* Paddock doctors tax a.m. wells proposed in

1 these cases. The Paddock is the shallower interval within  
2 the Yeso Formation that is the subject for the first case,  
3 Case 22627. That red line is the completed interval for  
4 the deeper zone in the Blineberry, which is the subject of  
5 second case.

6 On the left you will see a type log that  
7 identifies the approximate landing points for the two  
8 wells as well as the location of the depth severance on  
9 the type log.

10 Exhibit D-4 is a combined exhibit showing  
11 the Structure Map on the right with the contour interval  
12 of 10 feet identifying the spacing unit in yellow, as well  
13 as the location of wells used to construct the Structure  
14 Cross Section on the left, A to A prime, from, let's see,  
15 looks like they did it -- looks like -- it may have been  
16 swapped, I'm just noticing that now. A to A prime goes  
17 east to west but the Structure Map -- I'll confirm that.  
18 I believe that it should be west to east and the log  
19 should be west to east, but I'll confirm that. That may  
20 have been a typo where the A an A prime re there.

21 But, in any event, these logs show what Mr.  
22 Sadler has identified as logs that are representative of  
23 the geology and that the target intervals are consistent  
24 throughout the spacing unit.

25 He testifies in his opinion that these

1 spacing units are suitable for horizontal development and  
2 that there are no impediments to drilling horizontal  
3 wells.

4 Exhibit E is the affidavit that we prepared  
5 indicating that we provided Notice to each of the parties  
6 that were presented to us by Redwood. The following pages  
7 show that we sent out notice on March 18th to each of  
8 those parties in each case, and the following page is a  
9 copy of the United States Postal Service report reflecting  
10 the status of each of those Notice Letters.

11 And then on the last page you will see is a  
12 copy of the Affidavit of Publication reflecting that we  
13 published Notice in the Carlsbad Current Argus identifying  
14 each party by name.

15 With that, Mr. Examiner, unless there are  
16 any questions I would ask that these cases be taken under  
17 advisement, and I will confirm the orientation of the logs  
18 in the Structural Cross Section.

19 EXAMINER BRANCARD: Mr. Garcia, questions?

20 EXAMINER GARCIA: Mr. Rankin, you lost me a  
21 little on the interest breakdown. I have a simple  
22 question. Is it accurate on who's being pooled?

23 MR. RANKIN: What we need to do, Mr. Garcia, is  
24 update this exhibit, because since Tuesday we've entered  
25 agreement with each of those three fee mineral owners you

1 will see on both interest breakdowns. So I would need to  
2 amend this exhibit to reflect that those parties are no  
3 longer being pooled. And they are not cost-bearing in any  
4 event, so they wouldn't have incurred any of the risk  
5 charges.

6 But I will update the exhibit to show that  
7 they are no longer being pooled.

8 The working interests on Case 22628 is  
9 accurate; however, as we've stated, the Sabinal interest  
10 is we expect a JOA to be executed and finalized here  
11 shortly, in which case they will be dismissed from the  
12 pooling, and we will give Notice to the Division when that  
13 occurs.

14 EXAMINER GARCIA: Okay. And that's why the  
15 checklist for Case 22627 has no supervision rates or risk  
16 charges, it's not working interest being pooled?

17 MR. RANKIN: Let me make sure. I believe  
18 because --

19 EXAMINER GARCIA: One case has the rate, one  
20 doesn't

21 MR. RANKIN: that's exactly why, because the  
22 shallow, case the only part -- there were no working  
23 interests being pooled. So that the deep case only  
24 applies to the working interest owners.

25 EXAMINER GARCIA: And then a quick question.

1                   Your C-102 I rarely see 1.25 five miles, so  
2    is there any stranded acreage because of that 1.25 miles  
3    to the east?

4                   MR. RANKIN: There is not. There are vertical  
5    wells to the east, which is why they chose not to extend  
6    their spacing unit in that direction.

7                   EXAMINER GARCIA: Thank you. That's all my  
8    questions.

9                   EXAMINER BRANCARD: Okay. I've got a list here.  
10   I hope I don't forget everything.

11                   Let's start from the beginning of your  
12    exhibits, Mr. Rankin.

13                   Your checklists are not signed, which means  
14    we can't believe a word that you have said in there.

15                   MR. RANKIN: I see that. I apologize. I missed  
16    that. I'll make sure to get those corrected.

17                   EXAMINER GARCIA: Bill is going to fire me for  
18    not catching that.

19                   EXAMINER BRANCARD: I know that you usually get  
20    them.

21                   All right. So let's look at -- I'm just  
22    looking at the -27 case.

23                   So Exhibit C-3 is the Ownership Schedule.  
24    So if I understand correctly you have listed all these  
25    people who are lessors who own a fee interest in the

1 minerals but have leased their interest, you listed them  
2 all on this chart but you're no longer going to pool any  
3 of them. Is that correct?

4 MR. RANKIN: That is correct. As of -- well,  
5 since the time this exhibit was filed Redwood has entered  
6 into agreement with each of those three parties that were  
7 identified as owners to be pooled.

8 EXAMINER BRANCARD: I mean, you list other fee  
9 mineral owners here, Henry, Jefferson Law Firm, the  
10 Emmerson Family, Hume-Burtus, but you weren't intending on  
11 pooling them at all?

12 MR. RANKIN: At all. They are owners not being  
13 pooled because their lease instruments provide for the  
14 operator to pool this acreage in the size proposed.

15 EXAMINER BRANCARD: Okay. Good.

16 And I'm glad we are not pooling them  
17 because I had no idea what you were actually pooling in  
18 trying to pool a lessor. But maybe in your new Exhibit  
19 C-3 you can just get rid of all of them. Right?

20 MR. RANKIN: Yeah. There's no need to include  
21 them in the revised exhibits.

22 EXAMINER BRANCARD: Let me see. I was looking  
23 at -- so Exhibit C-4 is also we just ignore.

24 MR. RANKIN: Yes.

25 MR. BRANCARD: Now, Exhibit C-5, that's your

1 letter from your landman sending out a Well Proposal,  
2 right?

3 MR. RANKIN: Correct.

4 EXAMINER BRANCARD: Yet it's dated three days  
5 ago.

6 MR. RANKIN: I think, Mr. Examiner, that might  
7 be the same issue that Ms. Hardy had, where that field was  
8 automatically updated when it was sent to us. So I will  
9 have that corrected to whatever date it was -- in fact,  
10 Mr. Examiner, I think it was just updated, you know, by  
11 the Word documents. So I -- I don't know what date it  
12 actually was sent, but I will get one that has the actual  
13 date that it was sent.

14 EXAMINER BRANCARD: Okay. All right.

15 Let's go back to Exhibit C-3. And what  
16 puzzles me about Exhibit C-3 is that I go through all  
17 these names of interest owners here and there's not one  
18 mention of Redwood Resources, Redwood Operating.

19 MR. RANKIN: Mr. Examiner, you'll note --

20 EXAMINER BRANCARD: So how can you have a  
21 compulsory pooling application being submitted by somebody  
22 who is not an interest owner?

23 MR. RANKIN: Mr. Examiner, you will note on  
24 Exhibit B, which is the applications filed in each of  
25 these cases, that Redwood Operating is a contract operator

1 for Pecos Oil & Gas, LLC, which is a working interest  
2 owner in the proposed horizontal spacing unit.

3 EXAMINER BRANCARD: I guess I am just puzzled by  
4 what authority does a contract operator have to apply for  
5 compulsory pooling when they don't have a mineral  
6 interest? The Oil and Gas Act, 70-2-17 refers to "owners  
7 applying for pooling." Redwood Operating is not an owner.

8 MR. RANKIN: That is correct. Pecos Oil & Gas,  
9 LLC, is the working interest owner in the spacing unit  
10 that has the authority to pool, and Redwood is the  
11 contract operator for the working interest owner.

12 EXAMINER BRANCARD: So what we really need is  
13 Pecos Oil & Gas to apply for pooling, not the contractor.  
14 Like your law firm, they're a contractor.

15 MR. RANKIN: Mr. Examiner, I suppose in my  
16 understanding by identifying Pecos Oil & Gas in the  
17 applications we had satisfied that requirement to identify  
18 the owner who had the right to pool.

19 EXAMINER BRANCARD: Right. But if they have the  
20 right to pool, that means they would be the applicant.  
21 They can contract with whoever to operate the whole  
22 shebang for them, but they would need to be the applicant,  
23 because they are the interest owner.

24 So I'm not sure where we go with this.

25 MR. RANKIN: I guess, Mr. Examiner, I will wait

1 for direction from you. Would you recommend that we file  
2 a Notice of Intervention, or how would you propose that we  
3 proceed if you have got concerns about how that was  
4 presented?

5 MR. BRANCARD: I mean, I assume Pecos is fine  
6 with this, although we've no writing or any indication  
7 that they have any relationship with Redwood, other than  
8 Redwood's word. You know, something goes bad at the well,  
9 Redwood skips town and Pecos is like, "Redwood who?"

10 Really I think you need to file a new  
11 application with the name Pecos.

12 MR. FELDEWERT: Mr. Brancard, can I step in?

13 EXAMINER BRANCARD: Oh, yes. Mr. Feldewert.

14 MR. FELDEWERT: So a couple of things: No. 1,  
15 when parties have been filing applications they identify  
16 the OGRID number for purposes of the application and the  
17 Checklist and the Pooling Order, and we've traditionally  
18 done that.

19 Traditionally the contract operator is  
20 named as the applicant with reference in the application  
21 and the information about that they're the contract  
22 operator for the mineral for purposes of issuing the  
23 Pooling Orders. That's what you've always done.

24 EXAMINER BRANCARD: I guess I am not aware of  
25 this happening any time before. I mean, the companies we

1 are dealing with here is Mewbourne, Matador. All your  
2 clients, they all own a working interest. They are an  
3 interest owner, and it appears from this that Redwood is  
4 not an interest owner.

5 MR. FELDEWERT: I would submit to you that is  
6 not the case in terms of other -- of parties who regularly  
7 appear before the Division. They have entities that own  
8 the mineral interest and they have entities that are  
9 operators. It is the operator that has traditionally  
10 applied for the pooling application because they are going  
11 to be named the operator under the Pooling Order. They  
12 have the OGRID number.

13 EXAMINER BRANCARD: Well, maybe Pecos can get an  
14 OGRID number, if they don't have one. It's not that hard.

15 MR. FELDEWERT: But the OGRID number falls on  
16 the operator. They have to be a bonded operator.

17 EXAMINER BRANCARD: Yeah. Well, they can always  
18 transfer their working interest. But they haven't. I  
19 mean, only a working interest operator has the right to  
20 drill the well.

21 MR. FELDEWERT: Or their designee.

22 EXAMINER BRANCARD: They can hire whoever they  
23 want as a drilling contractor, but the Oil & Gas Act says  
24 mineral owners apply for pooling because you're pooling  
25 the interest of other mineral owners.

1 I mean, if you can point out examples where  
2 we've done this, that would be great, but I haven't seen  
3 it.

4 MR. FELDEWERT: It says parties who have the  
5 right to drill. Parties who have the right to drill.

6 EXAMINER BRANCARD: How do I know whether  
7 Redwood has the right drill? I mean, that's a working  
8 interest that comes out of a real property document. I  
9 mean, if Pecos Oil & Gas no longer has the right to drill,  
10 then they shouldn't be listed as a working interest owner.

11 MR. RANKIN: Mr. Examiner, I guess Mr. Feldewert  
12 and I may confer, but I guess if there are -- if we could  
13 follow up with you to explain the basis for this approach  
14 and demonstrate prior practice, I think we would like to  
15 have the opportunity to do so.

16 EXAMINER BRANCARD: Well, if it complies with  
17 the Oil and Gas Act. You know.

18 You know, by the time you figure all that  
19 out it might be easier to file a new application. It  
20 seems, like you've managed to get rid of most of  
21 the oppos- -- any people who would be, you know, affected  
22 by this, there are just now one or two people you're  
23 trying to pool, so it wouldn't be that difficult to do.

24 MR. RANKIN: There may be the timing issues, Mr.  
25 Examiner, that would come into consideration.

1           MR. FELDEWERT: Mr. Examiner I would point you  
2 to 70-2-18A: Is the operator's obligation to obtain the  
3 Pooling Order.

4           The operator here is going to be Redwood.  
5 (Reading) It shall be the obligation of the operator...

6           EXAMINER BRANCARD: (Note: Pause.) And that  
7 flows from 70-2-17C, which refers to: One such separate  
8 owner or owners who has the right to drill and proposes a  
9 well, the Division may pool these lands.

10           You know, at this point I have no idea who  
11 Redwood is. You have not provided us any documentation  
12 about who Redwood is. And I'm not sure that --

13           MR. FELDEWERT: But --

14           EXAMINER BRANCARD: But I mean owning a mineral  
15 interest is clearly how one gets pooling. You have one  
16 mineral interest and you want to combine with other  
17 mineral interests.

18           MR. FELDEWERT: Well, so they have their -- that  
19 mineral owner has their contract operator, who is bonded  
20 with the Division, apply for the pooling application and  
21 provide their OGRID number for purposes of the Checklist  
22 and the Pooling Order.

23           EXAMINER BRANCARD: You know, Pecos --

24           MR. FELDEWERT: We are designated -- go ahead.

25           EXAMINER BRANCARD: Pecos and Redwood could

1 apply together. At this point Pecos doesn't exist. I  
2 mean, even though you're saying they own all these  
3 minerals, they have not made an appearance in this case.  
4 We have no idea who they are, but yet they are the one who  
5 should be pooling.

6 MR. FELDEWERT: How do you square that with  
7 70-2-18?

8 EXAMINER BRANCARD: I'm looking at 17, which  
9 creates the whole authority to pool.

10 MR. FELDEWERT: I'm looking at 70-2-18 that sets  
11 forth the obligation to combine the tracts and to apply.

12 (Note: Pause.)

13 EXAMINER BRANCARD: Well, the Oil & Gas Act does  
14 not define what an operator is, but it does define what an  
15 owner is, and "an owner" is the language that's used in  
16 17.

17 Now opening a can of worms here where  
18 somebody can just come in and say: Hey, we have no  
19 interest here, but, you know, we want to pool all this and  
20 take it over.

21 MR. RANKIN: The Division does define an  
22 operator, and the Division defines the operator as the  
23 person who is duly authorized, manages and leases  
24 development for (inaudible) and property's operation.

25 MR. LEAVITT: Uh, Mr. Examiner, my name is Adam

1 Leavitt, and I'm a narrow (phonetic) owner representing  
2 Ann Landrith Holdings.

3 If it pleases you, and my attorney Ernest  
4 Padilla, I might be able to offer some insight.

5 EXAMINER BRANCARD: Mr. Padilla?

6 MR. PADILLA: I have no objection to what Mr.  
7 Leavitt wants to say. If he has some additional  
8 information that's helpful, it would be fine.

9 MR. LEAVITT: What I was --

10 MR. PADILLA: I don't know whether Mr. Rankin  
11 would have something to say about that.

12 MR. RANKIN: I don't know what Mr. Leavitt may  
13 say, say but I guess I will maybe have the opportunity to  
14 respond to whatever he has to say.

15 EXAMINER GARCIA: Mr. Brancard, do we need to  
16 swear him in at all?

17 EXAMINER BRANCARD: Yes, we do.

18 ADAM LEAVITT,  
19 having been duly sworn, testified as follows:

20 MR. LEAVITT: So when I was communicating with  
21 the landman, whose name was Tony Pyle, he was representing  
22 I don't even know what company, but in the original  
23 mineral lease amendment that he wanted me to sign there  
24 were three entities listed, of which Pecos was one of  
25 them. And as we got further down the negotiation those

1 entities slowly wound up into one, only Pecos.

2                   When I did research on Pecos to find out  
3 who the manager or owner is, I think he was listed as  
4 Manager in Texas, but it was registered in the State of  
5 Delaware and there was no way to identify who the  
6 ownership was or the managers were, based upon the State  
7 of Delaware.

8                   You know, I don't know what all that means,  
9 I'm not an expert, but in my business opinion it seems to  
10 me like they were using that as a confusing  
11 tactic/negotiation tool to actually negotiate good faith  
12 with me, the mineral owner manager of Ann Landrith  
13 Holdings, LLC.

14                   I would be really interestsed in hearing  
15 what Adam has to say.

16                   EXAMINER BRANCARD: Thank you.

17                   Okay. So Mr. Rankin, it appears that you  
18 would like to push this issue.

19                   MR. RANKIN: Mr. Examiner, I believe we can  
20 demonstrate that not only is it supported by the statute  
21 which authorizes and requires the operator to make  
22 application for pooling but that it has been a  
23 longstanding practice by entities that regularly appear  
24 before the Division who separate out their entities so  
25 that one entity may own the mineral interest and another

1 is the operator with responsibility for doing and  
2 producing the properties; and that the operators are the  
3 ones who file for pooling, because, as Mr. Feldewert  
4 pointed out, they are the ones under the statute charged  
5 with that requirement.

6 EXAMINER BRANCARD: Okay. Are you claiming that  
7 Redwood is a related interest of Pecos?

8 MR. RANKIN: Mr. Examiner, I cannot assert  
9 whether they are related or not. I can tell you that they  
10 are privity by contract because Pecos has authorized  
11 Redwood Operating, as a contract operator, to drill and  
12 develop these properties on its behalf.

13 EXAMINER BRANCARD: Because, you know, the  
14 example that you-all may be referring to are sophisticated  
15 oil and gas companies that have, you know, one arm for  
16 ownership and one arm for operating, and we see them use  
17 various names in these proceedings; however, we sort of  
18 assume that they are all part of the same family and  
19 therefore don't question which name is used.

20 I'm not sensing that's what's going on  
21 here. In fact, frankly, we at the OCD have no idea what  
22 the relationship is between Pecos and Redwood other than  
23 this assertion of contract operator. So I think it's one  
24 thing to argue the Act. I think you have to present us  
25 with facts that show this relationship here: A contract,

1 an agreement, something between the mineral rights owner  
2 and this entity that is seeking to do the pooling. I  
3 mean, that seems really basic to establish your claim  
4 here. All right?

5 MR. RANKIN: Understood, Mr. Examiner, I guess,  
6 but that's the allegation that was presented in the  
7 application.

8 EXAMINER BRANCARD: Right. We don't have  
9 anything from Pecos saying, you know: We hereby authorize  
10 Redwood to do this on behalf of us, or an agreement that  
11 says Redwood is authorized to pool on our behalf, et  
12 cetera.

13 So that, at minimum, I think is what is  
14 needed here.

15 MR. FELDEWERT: So Mr. Brancard, may I? I think  
16 I understand your point. And I don't have -- I'm sorry, I  
17 don't have the affidavit in front me. Is it to your point  
18 that there's nothing in the affidavit to indicate that  
19 Redwood is the contract operator on behalf of the mineral  
20 owner that's seeking to pool?

21 EXAMINER BRANCARD: That's one of my concerns.  
22 The other concern is this little debate we're having about  
23 what is the Oil and Gas Act part.

24 MR. FELDEWERT: Well, Mr. Examiner --

25 MR. RANKIN: Mr. Examiner, I guess --

1                   EXAMINER BRANCARD:  Sorry, Mr. Rankin.  Let me  
2  finish.

3                   I think yes, you'll need to somehow show  
4  that, like I said earlier, Redwood has authorized -- I'm  
5  sorry, Pecos.  You need something from Pecos saying we  
6  authorize Redwood to be our contract operator and to  
7  pursue pooling of our mineral interest with the interests  
8  of others.  I think that's something we need.  Otherwise,  
9  any -- you know, any Billy Bob can show up here and want  
10 to start pooling people and drilling wells.

11                  MR. FELDEWERT:  Well, I mean Mr. -- Leavitt,  
12 right?  I'm sorry, Leavitt.  I mean, he pointed out that  
13 the entity that approached him and has been in negotiation  
14 with him was Pecos, the mineral owner as established in  
15 the affidavits.  So it sounds like the link we're missing  
16 is you're saying there's nothing in the record to  
17 establish that Redwood is the contract operator for Pecos  
18 and therefore is the entity that would be required to  
19 apply for pooling under the language of 17-2-18.

20                  EXAMINER BRANCARD:  At this point there's  
21 nothing in the record that indicates that Redwood has any  
22 authority to pool this property, other than an assertion  
23 we are the contract operator, which obviously could be  
24 quite a self-serving assertion.

25                  MR. FELDEWERT:  Pecos -- okay.

1 MR. RANKIN: And Mr. Smith has that in his  
2 affidavit that they are the contract operator for Pecos.

3 But to your point, Mr. Examiner, there's no  
4 documentation or exhibit reflecting that relationship.

5 EXAMINER BRANCARD: Something in particular  
6 signed by Pecos.

7 MR. FELDEWERT: I'm with you. Like an affidavit  
8 from Pecos saying --

9 EXAMINER BRANCARD: A contract or -- or an  
10 affidavit saying we have a contract. We don't really want  
11 to show it to you but we have a contract.

12 MR. FELDEWERT: That's what I'm thinking.  
13 Sometimes the contracts, there's reasons why, you know,  
14 you wouldn't want the contracts in the public record.

15 But if your point is, and I think it's well  
16 taken, that there's nothing, no affidavit from Pecos, the  
17 mineral owner, noting its relationship with the designated  
18 operator, I understand that. That could be cured, I would  
19 think, with a supplementation of the record.

20 MR. LEAVITT: One slight correction. When I  
21 originally was communicating with this landman Tony Pyle,  
22 the only two entity names that I saw were TC Minerals and  
23 Redwood Operating. So, you know. And then these three  
24 other entities.

25 So, you know, it's pretty confusing when

1 you really look at it from a mineral owner's perspective.

2 MR. FELDEWERT: Mr. Leavitt, you know who you're  
3 dealing with, right?

4 MR. LEAVITT: I think I do now, because the end  
5 that we actually executed was Pecos, so Pecos is the only  
6 one of the three, even though the entity that's supposed  
7 to be paying us, is Redwood.

8 So I've got Redwood letterhead and Pecos  
9 signing the mineral lease agreement. It's still pretty  
10 confusing to me. I think I trust it.

11 MR. FELDEWERT: Okay. Good. So I mean you're  
12 not objecting to the efforts here to pool the acreage so  
13 that it can be developed, are you?

14 MR. LEAVITT: Not at the moment. You know, I  
15 have access to a landman, they expressed some concerns,  
16 but at the moment no, I'm not objecting.

17 MR. FELDEWERT: So I understand, you have the  
18 same confusion that the Division has, and my point being,  
19 Mr. Brancard, it seems to me that this can be cured with a  
20 supplemental affidavit from someone at Pecos confirming  
21 that the entity that has filed the application, Redwood,  
22 is their contract operator.

23 EXAMINER BRANCARD: I think it needs to do more  
24 than just say contract operator, because I don't know what  
25 that means. I think you need, Pecos needs to say that

1 Redwood, you know, is authorized on our behalf to pool the  
2 minerals in this particular area. Essentially they are  
3 acting as an agent for Pecos in some way.

4 MR. FELDEWERT: Yes.

5 EXAMINER BRANCARD: Mr. Garcia.

6 EXAMINER GARCIA: Do we need whatever affidavit  
7 we get to say "authorized and responsible"? Because, I  
8 mean, owners tend to handle the same OGRIDS over and over.  
9 We tend to see 400 OGRIDS plus. And contracts break and  
10 it's always always a blame game and its OCD's job to fix  
11 it, in their eyes.

12 My concern is you have a contract. What  
13 happens if it breaks? Who is responsible, and this and  
14 that? You know, Pecos isn't in our system at all, Redwood  
15 is. I might get in trouble, but Redwood seems to be a  
16 subsidiary of Mac Energy. The contact people are all the  
17 same for Mac Energy. So it's just interesting on who the  
18 operator is.

19 MR. FELDEWERT: Well, I think you can get some  
20 comfort from the fact that the Pooling Order will name  
21 Redwood the Operator, have their OGRID. Redwood would be  
22 filing the necessary forms as the bonded operator for this  
23 acreage. I mean, they have to have their bonds and  
24 they've got to be meeting all the obligations that the  
25 Division has for an operator under whether you file a

1 C-102 for a voluntary unit or file a C-102 under a force  
2 pooling unit.

3 EXAMINER GARCIA: I guess my concern is I don't  
4 have the statutes memorized like all of you, but I get a  
5 large amount of calls from operators saying: So and So  
6 Company is not paying me. So who is responsible for paying  
7 those interests? It sounds like Mr. Adams, signing the  
8 JOA for Pecos, but is Redwood responsible?

9 So that's where my interest is. I get a  
10 large number of phone calls from operators. Probably --  
11 I mean we're talking about hundreds.

12 MR. FELDEWERT: You mean working interest  
13 owners?

14 EXAMINER GARCIA: Working interest, mineral  
15 owners. I get calls from everybody.

16 MR. FELDEWERT: I would direct them to the  
17 operator.

18 EXAMINER GARCIA: You can imagine not everyone's  
19 a fan of that.

20 MR. BRANCARD: Well, you know, to respond to Mr.  
21 Rankin's point that we do define operator broadly in our  
22 regulations, that's the point. We need somebody who is  
23 responsible for a whole lot of obligations, like when  
24 stuff spills on the ground and things don't get done in  
25 time. We need to have an operator responsible. And

1 that's, I guess, Mr. Feldewert's point here, is that we  
2 will know who the operator is and it will be somebody who  
3 has an OGRID, et cetera. But that's different than the  
4 ability to pool, which is old fashioned, 87 years old in  
5 our statute, and so we are sort of stuck with a lot of the  
6 language that's there from those days.

7 So here is what I propose to do: I don't  
8 know -- I mean, let me just try, Mr. Feldewert/Mr. Rankin.

9 What we are throwing at you here, along  
10 with a whole bunch of changes/clean up that you need to do  
11 with the exhibits, is that going to take at least a month  
12 or more?

13 MR. RANKIN: Mr. Examiner, I do not believe it  
14 will take a month. I believe the changes to the ownership  
15 exhibit can be done quickly, and I believe that we can  
16 quickly turn around an affidavit and/or exhibits that  
17 reflect the relationship between Redwood and the mineral  
18 owner Pecos Oil & Gas. So I think we can do that in short  
19 order. I believe that we can anticipate being able to do  
20 it in a week's time, and if there's some reason that would  
21 prevent us from doing it in less than that, I would let  
22 you know before the end of the day.

23 EXAMINER BRANCARD: Not like you can't find  
24 Pecos.

25 MR. RANKIN: That is not a problem, Mr.

1 Examiner. I just need a chance to talk to the client, but  
2 I believe that we can get you what you need, what we think  
3 you need, expressed to us here in very short order.

4 EXAMINER BRANCARD: Okay. Here is what we're going  
5 to do. Cases 22627, 22628 will be continued to the May  
6 docket, and at that time there is a list of items that  
7 Redwood is responsible for providing to us, including a  
8 Revised Exhibit C-3, Revised Exhibit C-5, signed  
9 checklists, and, most importantly, documentation that  
10 provides that Redwood is authorized to seek pooling on  
11 behalf of Pecos Oil & Gas, the mineral interest owner.

12 MR. RANKIN: We will do so.

13 EXAMINER BRANCARD: All right. Any questions?

14 MR. RANKIN: Nor from me. Thank you.

15 EXAMINER BRANCARD: Thank you.

16 MR. FELDEWERT: Thank you.

17 (Time noted 11:58 a.m.)

18 (Note: The lunch recess was taken.)

19 (Time noted 1:01 p.m.)

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25

1 STATE OF NEW MEXICO )

2 : ss

3 COUNTY OF TAOS )

4

5

REPORTER'S CERTIFICATE

6

I, MARY THERESE MACFARLANE, New Mexico Reporter

7

CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 7,

8

2022, the proceedings in the above-captioned matter were

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shorthand the proceedings set forth herein, and the

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12

the best of my ability and control.

13

I FURTHER CERTIFY that I am neither employed by

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rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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