

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:

ORIGINAL

APPLICATION OF MRC PERMIAN  
COMPANY FOR COMPULSORY POOLING  
AND APPROVAL OF AN UNORTHODOX  
GAS WELL LOCATION, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 15245

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 19, 2015

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMILLAN,  
Chief Examiner, and Gabriel Wade, Legal Examiner, on  
Thursday, February 19, 2015, at the New Mexico Energy,  
Minerals and Natural Resources Department, Wendell Chino  
Building, 1220 South St. Francis Drive, Porter Hall,  
Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT MRC PERMIAN COMPANY:

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4 Post Office Box 1056  
5 Santa Fe, New Mexico 87504  
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jamesbruc@aol.com

6 FOR INTERESTED PARTIES MARGARET McCLURE AND JULIUS  
7 ROBERTSON:

8 MICHAEL T. NEWELL, ESQ.  
9 HEIDEL SAMBERSON NEWELL COX  
10 311 North 1st Street  
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1 (8:41 a.m.)

2 EXAMINER McMILLAN: Call Case Number 15245,  
3 application of MRC Permian Company for compulsory  
4 pooling and approval of an unorthodox gas well location,  
5 Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of  
8 Santa Fe representing the Applicant. I have no  
9 witnesses today. I do have some notice exhibits to  
10 submit.

11 EXAMINER McMILLAN: Any other appearances?

12 MR. NEWELL: Yes, Your Honor. Michael  
13 Newell, and our firm has entered an appearance for  
14 Margaret McClure and Julius Robertson.

15 And we're concerned with the spacing. The  
16 parties being pooled, they're offset parties, so we have  
17 no objection to the pooling aspect of this application,  
18 only the offset location -- or unorthodox location, I  
19 should say.

20 MR. BRUCE: Mr. Examiner, this was heard  
21 in -- I can't remember anymore -- I think, December --  
22 November or December, and witnesses were presented both  
23 on the land and geology side. But I kept getting  
24 returned mails, returned notices, and so I had to -- had  
25 to make sure I had all the green cards. And I had to

1 publish notice.

2           So what I'm submitting today is Exhibit 6,  
3 which is the Affidavit of Notice to the parties being  
4 pooled. And most of the parties received actual notice  
5 or they didn't claim their certified mail, to which I  
6 consider tantamount to receiving actual notice. There  
7 are a few returned letters that said "undeliverable."

8           Exhibit 8 is the Affidavit of Notice to the  
9 offsets, and you will see the attachment to the notice  
10 letter does show Julius Robertson and Margaret McClure  
11 as offsets. I only received one of the letters back,  
12 Plantation Operating. But as a result, I published  
13 notice in the Hobbs newspaper, and that's marked Exhibit  
14 12. It was published February 6th, giving notice to the  
15 parties being pooled, as well as I did put Margaret  
16 McClure because at that point I didn't have a green  
17 card, and then Plantation Operating, another offset.

18           Let me just say this with respect to  
19 Mr. Newell's objection: We have spoken about this, and  
20 we're hoping to work something out. And I believe if  
21 that occurs, Mr. Newell will be able to withdraw his  
22 objection. I understand his concern. On the other  
23 hand, you know, we did notify a number of offsets, and  
24 we did state in our testimony in December the reason for  
25 the unorthodox location.

1           Two things I would point out is that a  
2 number of, you know, bigger companies like OXY USA and  
3 Mack Energy did not object to the unorthodox location  
4 maybe partly because all of the companies are now  
5 seeking unorthodox locations for these Wolfcamp gas  
6 wells. They believe the wells are -- the wells are  
7 tight, and there is no adverse effects on offsets. But  
8 like I said, I understand Mr. Newell's concern, and we  
9 hope to work this out.

10           EXAMINER McMILLAN: Okay. My question is:  
11 Where was this published, this publication of notice?

12           MR. BRUCE: It was -- it was -- I haven't  
13 gotten the Affidavit of Publication. It was published  
14 in the Hobbs Daily News-Sun.

15           EXAMINER WADE: Was that the proper notice?

16           MR. BRUCE: Or no. Excuse me. Excuse me.  
17 Not -- what am I thinking of? I'm thinking of another  
18 matter. It was published in the Carlsbad Current-Argus.

19           MR. NEWELL: And we're willing to stipulate  
20 to that. That's where our clients received -- had  
21 notice, from the newspaper, from the Carlsbad  
22 Current-Argus. We're willing to stipulate to that.

23           EXAMINER McMILLAN: Oh, okay. All right.

24           MR. BRUCE: Yeah. And Carlsbad  
25 Current-Argus always takes about a month. I've got to

1 be better. They always take about a month to get the  
2 Affidavit of Publication.

3 EXAMINER McMILLAN: Right. But you said  
4 Lea County.

5 MR. BRUCE: I know. I know.

6 EXAMINER McMILLAN: And I think that point  
7 needs to be clarified.

8 MR. BRUCE: I'm confused, Mr. Examiner  
9 (laughter).

10 MR. NEWELL: And we're willing to stipulate  
11 that it was Eddy County. But we have a notice issue,  
12 but that's not the notice issue.

13 EXAMINER McMILLAN: Okay. That point had  
14 to be clarified.

15 Yeah. I'll give you the opportunity to  
16 speak.

17 MR. NEWELL: Mr. Hearing Examiner,  
18 Ms. McClure first received notice on the -- when it was  
19 published, I think on the 6th or whatever, February.  
20 Her son contacted our firm, and we gave notice. I think  
21 there had been some communication with Mr. Bruce's  
22 office and her son prior to this. Julius Robertson and  
23 Margaret McClure were formerly married. They're  
24 divorced now. So we've entered our appearance for both  
25 of them.

1           And like Mr. Bruce said, we look forward  
2 and anticipate getting this worked out. But, you know,  
3 perhaps because they're not as sophisticated as some of  
4 the operators, what Mr. Bruce identified as being  
5 familiar with these Wolfcamp operations, they're  
6 concerned that this offset might impair their mineral  
7 interest, and they, you know, retained our firm to  
8 obviously look into this.

9           You know, to the extent there was testimony  
10 presented in December, before we got notice, then  
11 obviously, you know, I would suggest that that's not  
12 effective due process, with respect to at least  
13 Ms. McClure's rights. But, again, that being said, we  
14 anticipate working with Mr. Bruce's office and getting  
15 this worked out. Since we got notice, we've worked back  
16 and forth. We just simply didn't have enough time to  
17 try to accomplish a solution, but I think given a little  
18 more time -- you know, we're certainly headed in the  
19 right direction, so I think we'll get this worked out.  
20 We'll get the information we need, and we'll get  
21 whatever we need to feel like -- so our clients are  
22 confident that their rights are not being impaired by  
23 what's going on here.

24           But right now we're here appearing and  
25 objecting because, candidly, we don't know the rights

1 aren't being impaired. We weren't privy to the  
2 testimony in December. And the notice said "appear and  
3 have the opportunity to participate in the hearing," and  
4 that is exactly what we're doing. And so, you know, to  
5 the extent there's testimony that was presented before  
6 without the opportunity for us to cross-examine it, I  
7 think that's ineffective as to certainly Ms. McClure's  
8 interest. It can be debated as to whether it's  
9 effective to Mr. Robertson's interest. And that would  
10 be our position.

11 EXAMINER WADE: Mr. Bruce?

12 MR. BRUCE: Mr. Robertson did receive  
13 actual notice. It was signed for by him on, I think,  
14 December 8th. It's in the Affidavit of Notice.

15 MR. NEWELL: And we wouldn't disagree with  
16 that. But we believe Ms. McClure never received notice,  
17 and Mr. Robertson did. Ms. McClure didn't.

18 EXAMINER WADE: Do either of you have a  
19 timeline in mind as far as discussions go?

20 MR. BRUCE: Oh, I would think within the  
21 next few days.

22 EXAMINER WADE: Would you like to --

23 MR. BRUCE: I'm out of continuances. If  
24 Mr. Newell would request a continuance --

25 MR. NEWELL: I'll move for a continuance if

1 that's what we need to move this forward.

2 EXAMINER WADE: Well, I think we were going  
3 to leave the case open. I think we need your Affidavit  
4 of Notice.

5 MR. BRUCE: Yeah.

6 EXAMINER WADE: I was just wondering how  
7 far down the road we should delay this.

8 Well, and the second question is for the  
9 court reporter. That may help in this situation. Can  
10 we get the transcript from the original case that you  
11 may be able to review and make a decision as to whether  
12 you have an objection? That way you get to at least see  
13 some of the testimony.

14 MR. NEWELL: Sure. Absolutely. We can do  
15 it this way. Can you give Mr. Bruce and I a week to see  
16 if we can get this worked out, and then at that point,  
17 if we can't, then I would propose to pay for the cost of  
18 the transcript? And then I would suspect if you --  
19 after we got the transcript, if you would give us a week  
20 to ten days to review it and then file whatever we would  
21 need to do that.

22 EXAMINER WADE: So our next hearing date  
23 wouldn't be until two weeks from now, and I imagine it's  
24 full anyhow.

25 EXAMINER McMILLAN: Okay. Therefore, the

1 first thing I would like to do is make Exhibits 1, 2, 3  
2 and 4 as part of the record.

3 EXAMINER WADE: Unless there are any  
4 objections.

5 EXAMINER McMILLAN: Are there any  
6 objections?

7 MR. NEWELL: No objection.

8 EXAMINER McMILLAN: Okay.

9 (MRC Permian Company Exhibit Numbers 6, 8  
10 and 12 were offered and admitted into  
11 evidence.)

12 MR. BRUCE: And I spoke with Mr. Newell,  
13 and at his request, we moved it to the 19th. That would  
14 give us plenty of time.

15 EXAMINER WADE: About a month from now?

16 MR. BRUCE: Yeah, four weeks.

17 EXAMINER McMILLAN: That's actually --

18 MR. BRUCE: There's no rush in getting this  
19 done.

20 EXAMINER McMILLAN: Therefore, Case Number  
21 1525 -- excuse me -- 15245 will be continued until March  
22 the 19th.

23 EXAMINER WADE: Are we certain that's the  
24 next hearing date?

25 MR. BRUCE: Yeah. That's the one thing

1 I've learned, every other Thursday.

2 EXAMINER McMILLAN: Thank you very much.

3 And that concludes today's hearing.

4 (Case Number 15245 concludes, 8:52 a.m.)

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I do hereby certify that the foregoing is  
a true and correct record of the proceedings in  
the examiner hearing of Case No. \_\_\_\_\_,  
heard by me on \_\_\_\_\_.

\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

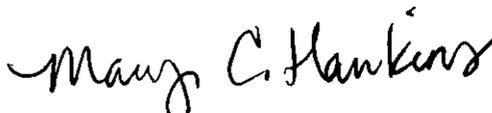
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CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.



MARY C. HANKINS, CCR, RPR  
Paul Baca Court Reporters, Inc.  
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Date of CCR Expiration: 12/31/2015