

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 CAZA PETROLEUM, LLC
FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 15700

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 20, 2017

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

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This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, July 20, 2017, 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
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1 APPEARANCES

2 FOR APPLICANT CAZA PETROLEUM, LLC:

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15 EXHIBITS OFFERED AND ADMITTED

16 Caza Petroleum, LLC Exhibit Numbers 1 and 2
17 (Attached) --

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1 (10:40 a.m.)

2 EXAMINER JONES: Okay. Let's go back on
3 the record and call Case Number 15700, application of
4 Caza Petroleum, LLC for a nonstandard oil spacing and
5 proration unit and compulsory pooling in Lea County, New
6 Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce, of
9 Santa Fe, representing the Applicant. I have no
10 witnesses.

11 Like I indicated earlier, I just want to
12 ask advice on what you want -- what the Division wants
13 me to do on this case, if you'll turn to the exhibit I
14 gave you in terms of the land plat, two pages back.

15 This case originally sought forced pooling
16 and the formation of a nonstandard spacing and proration
17 unit. All the parties have voluntarily joined, so there
18 is no need for pooling anymore. We still need a
19 nonstandard project area. Now, this is an odd one
20 because it's a mile-and-three-quarters, and I just want
21 to explain why that is.

22 If you look at this plat, the south
23 half-southwest quarter of Section 8 is unleased federal
24 minerals. And it was on the lease sale schedule for a
25 year ago, and it was taken off by the BLM. And I think

1 later this year, it's scheduled for sale, but who knows
2 if they're going to do it.

3 The problem is twofold. Caza has certain
4 farm-out obligations that it has to meet. Otherwise, it
5 will lose some of the acreage in Section 8. But, also,
6 if this federal acreage isn't sold, it doesn't want a
7 one-and-one-half mile lateral because then they're
8 stranding that northwest-south half quarter of Section
9 8.

10 EXAMINER JONES: Right.

11 MR. BRUCE: They also have acreage in
12 Section 17 and plan to drill northward in Section 17.

13 Now, if the federal lease is issued in a
14 timely fashion, chances are they just drill two
15 one-and-a-half-mile laterals. But if the federal lease
16 isn't issued -- you know, the BLM is kind of messing up
17 the proration units in this area.

18 EXAMINER BROOKS: Yeah.

19 MR. BRUCE: So I didn't bring a witness. I
20 didn't think it was necessary. If you want me to
21 refer -- if you just want to dismiss this case -- I
22 really don't want to dismiss it because then I have to
23 give notice to everyone again, but I'll do so. Or
24 should it be referred back to the administrative docket?

25 EXAMINER BROOKS: Well, we have a strange

1 rule on nonstandard project areas. You have to give
2 notice. It doesn't require administrative application,
3 but the people you would have to notice, I believe,
4 are -- and this is the reason I was opening the rule
5 book because I'm not sure. I believe it would be only
6 the BLM because --

7 MR. BRUCE: Well, I notified everyone
8 around the entire unit, including the BLM, and I do have
9 a notice.

10 EXAMINER BROOKS: Yeah. And nobody --

11 MR. BRUCE: Nobody objected.

12 EXAMINER BROOKS: Nobody objected.

13 You notified them that it was a nonstandard
14 project area?

15 MR. BRUCE: Right. Correct.

16 EXAMINER BROOKS: Okay. Well, I'm inclined
17 to think that if you gave a valid nonstandard project
18 area notice, it seems to me that you're good to go
19 without doing anything further, because the nonstandard
20 project area -- approval of a nonstandard project area
21 does not require notice of -- it only requires that you
22 give notice and nobody protests.

23 MR. BRUCE: Okay. Well, just for the
24 record, I'll -- this is just the Affidavit of Notice I
25 normally prepare.

1 EXAMINER BROOKS: Of course, normal
2 business -- order of the dismissal, but it appears of
3 record that notice was given to all the persons required
4 for a nonstandard project area and no one protested.

5 MR. BRUCE: That is correct.

6 EXAMINER BROOKS: I think that would be the
7 way to -- we don't say we grant the nonstandard project
8 area because that's not required.

9 MR. BRUCE: Okay.

10 EXAMINER BROOKS: I think that's the best
11 way to handle it.

12 EXAMINER JONES: So a dismissal with some
13 findings?

14 EXAMINER BROOKS: Yes. And I'll prepare
15 it.

16 EXAMINER JONES: Okay. We'll find that
17 John Brown needs to quit complicating things (laughter).
18 Where is he at today? He didn't come here.

19 EXAMINER BROOKS: His body lies molding in
20 the --

21 (Laughter.)

22 MR. BRUCE: That's what he was afraid of
23 the first time he came. It turned out to be a two-day
24 hearing.

25 EXAMINER JONES: He didn't want to leave

1 The Woodlands.

2 MR. BRUCE: Yeah.

3 But yeah. If that's acceptable to the
4 Division, because they have to commence this well here
5 coming up late summer -- very late summer.

6 EXAMINER JONES: Okay. Okay. Then we'll
7 take Case 15700 under advisement.

8 (Case Number 15700 concludes, 10:44 a.m.)

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I hereby certify that the foregoing is
a 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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4 CERTIFICATE OF COURT REPORTER

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

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

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

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21



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MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20

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Date of CCR Expiration: 12/31/2017

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Paul Baca Professional Court Reporters

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