

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 COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 16360

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, September 6, 2018, 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

APPEARANCES

FOR APPLICANT CAZA PETROLEUM, LLC:

JAMES G. BRUCE, ESQ.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043  
jamesbruc@aol.com

FOR INTERESTED PARTIES MRC DELAWARE RESOURCES, LLC, MRC  
EXPLORER RESOURCES, LLC and MRC SPIRAL RESOURCES, LLC:

JULIA BROGGI, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jbroggi@hollandhart.com

INDEX

	PAGE
Case Number 16360 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	9
Certificate of Court Reporter	10

EXHIBITS OFFERED AND ADMITTED

Caza Petroleum, LLC Exhibit Numbers 1 through 4	7
---	---

1 (3:06 p.m.)

2 EXAMINER McMILLAN: Case 16360, application  
3 of Caza Petroleum LLC for compulsory pooling, Eddy  
4 County, New Mexico.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of  
7 Santa Fe representing the Applicant. I'm doing this  
8 case by affidavit.

9 EXAMINER McMILLAN: Any other appearances?

10 MS. BROGGI: Julia Broggi, with Holland &  
11 Hart, on behalf of MRC Delaware Resources, LLC and MRC  
12 Explorer Resources, LLC and MRC Spiral Resources, LLC.

13 EXAMINER McMILLAN: And does Matador, et.  
14 al., have any objections to --

15 MS. BROGGI: No, no objections.

16 EXAMINER McMILLAN: Go ahead. Please  
17 proceed.

18 MR. BRUCE: Mr. Examiner, I've submitted  
19 three exhibits to you. Exhibit 1 is the affidavit of  
20 John Brown, the landman for Caza who was previously  
21 qualified by the Division as an expert petroleum  
22 landman.

23 The purpose of this case is to force pool  
24 interest owners into a 640-acre horizontal spacing unit  
25 in the Wolfcamp Formation, the Purple Sage; Wolfcamp Gas

1 Pool. The unit is the north half of 22 and the north  
2 half of 21, 23 South, 27 East. And the subject well is  
3 the Forehand Ranch, 22-21 State Well #2H. The first  
4 take point is in the southeast quarter-northeast quarter  
5 of 22, and the last take point is in the  
6 southwest-northwest of Section 21.

7 If you'll go to the end of the landman's  
8 affidavit, you'll see an approved APD for this well,  
9 which gives the API number, which is 44621. Also  
10 attached is a C-102, which was prepared late last year.  
11 For some reason, someone showed that the well unit was  
12 320 acres being comprised of 40-acre tracts. It's  
13 actually four quarter sections. And this well was  
14 before the pool rules, so we will have to submit a new  
15 C-102 showing that they will the use the 100-foot  
16 setbacks. This well is proposed only. There are no  
17 depth severances in the Wolfcamp.

18 Attachment B to the exhibit lists all of  
19 the interest owners in the well and their interests.  
20 There were no unlocatable owners. At this point, Caza  
21 seeks to force pool everyone except itself, of course.

22 Attachment C is the proposal letter which  
23 was sent to all of the interest owners.

24 And Attachment D is the APD -- or excuse  
25 me -- the AFE for the well, which shows an approximate

1 cost of \$13.3 million.

2 Caza has the right to pool the overriding  
3 royalty owners in the well unit. The AFE amount is  
4 stated to be fair and reasonable, comparable to the cost  
5 of other wells of this type in Eddy County. They are  
6 requesting 7,500 and 750 a month for overhead rates as  
7 adjusted by the COPAS accounting procedure. Caza  
8 requests a cost plus 200 percent risk charge and that  
9 Caza Operating, LLC be named operator of the well.  
10 That's their operating entity.

11 Exhibit 2 is my Affidavit of Notice even  
12 though -- the first letter is the notice to the interest  
13 owners. I did not receive a couple of green cards back,  
14 and a couple of letters were returned to me even though  
15 Caza states in its affidavit that they have never  
16 received -- that all interest owners were locatable.

17 But Exhibit 3 is the Affidavit of  
18 Publication, and those who did not receive green cards  
19 received constructive notice. There are additional  
20 letters besides the original letter of notice. One, we  
21 notified the Land Office just as a courtesy notice. And  
22 then a subsequent notice went out to COG Operating, and  
23 they received -- they returned the green card. And then  
24 a subsequent notice also went out to Matador Delaware  
25 Resources, and all the Matador entities did return their

1 green cards.

2                   Exhibit 4 is the affidavit of Jordan  
3 Carrell, the geologist, also previously qualified as an  
4 expert by the Division. A structure map is attached as  
5 Attachment A, outlining the well unit, and it also  
6 identifies a couple of cross sections. The structure  
7 dips slightly to the east. They didn't quite comply  
8 with your 25-foot thing, but it's close, 40 feet.

9                   Attachment B is an isopach of the Wolfcamp  
10 A, the Upper Wolfcamp, showing that the proposed well  
11 path is pretty similar, right around 350 to 380 feet of  
12 gross thickness.

13                   Attachment C is a cross section of the  
14 well. Again, the Wolfcamp -- it shows the Wolfcamp  
15 target in the middle, between the top of the Wolfcamp  
16 and the Wolfcamp B. Each quarter section in the unit  
17 will contribute more or less equally to production, and  
18 the target zone is continuous across the well unit, and  
19 there is no faulting.

20                   The geologist states in his affidavit that  
21 in this area, as in surrounding townships, Wolfcamp  
22 wells are drilled as both stand-up and lay-down units,  
23 and Caza sees no difference in the production quality  
24 from either a stand-up or a lay-down.

25                   And then Attachment D shows the proposed

1 wellbore sketch and the footages. Again, we will have  
2 to correct the footages since they are now going to have  
3 100-foot offsets at the end -- at the beginning and end  
4 of the unit.

5 Both affidavits state that the granting of  
6 this application is in the interest of conservation and  
7 the prevention of waste.

8 And I would move the admission of Exhibits  
9 1 through 4 and ask that the case be taken under  
10 advisement.

11 MS. BROGGI: No objection.

12 (Caza Petroleum, Inc. Exhibit Numbers 1  
13 through 4 are offered into evidence.)

14 EXAMINER McMILLAN: Okay. Are there any  
15 depth severances?

16 MR. BRUCE: No.

17 EXAMINER McMILLAN: Okay. I don't agree  
18 with your statement about the 100 foot. I thought there  
19 was -- I thought the Purple Sage had 330.

20 MR. BRUCE: Oh, that's right. It is 330.  
21 Yeah. Sorry.

22 EXAMINER BROOKS: Yes, that is true. I had  
23 not picked up on the fact that it was Purple Sage.

24 MR. BRUCE: That's right. It is 330.

25 But I'd ask that the case be taken under

1 advisement.

2 EXAMINER BROOKS: With regard to the people  
3 that you got letters returned from and that you served  
4 by publication, did the landman, in covering his  
5 affidavit, do his diligence to obtain --

6 MR. BRUCE: In Subparagraph 2E, he states  
7 that a proposal letter was sent to the interest owners,  
8 that they made numerous phone calls, they talked with  
9 everyone. Everyone received their correspondence. The  
10 only person they haven't phone calls with or any  
11 correspondence with was Haycor, Inc., which hasn't  
12 responded. But I did get a green card back from Haycor.  
13 But Caza had contacts with every other interest owner  
14 other than Haycor.

15 EXAMINER BROOKS: Okay. Including those  
16 whose --

17 MR. BRUCE: Envelopes were returned.

18 EXAMINER BROOKS: -- were returned?

19 I don't know that we follow a consistent  
20 policy on that, when you get notice letters back. So  
21 I'm not going to make you redo this one for that, but in  
22 the future, I'd like to get -- I want to get everybody  
23 on board with having something in the record to show  
24 there was due diligence to find better addresses if  
25 there is -- now, if they get it back and it doesn't



1 indicate that there was anything wrong with the address,  
2 that's a different situation. But we don't know, just  
3 if you got it back, what notification.

4 MR. BRUCE: Other than that, the landman  
5 did state he had contacts with everyone.

6 EXAMINER BROOKS: We'll accept it for  
7 purposes of this case.

8 MR. BRUCE: And I am done with this matter  
9 and ask that it be taken under advisement.

10 MS. BROGGI: No objection.

11 EXAMINER McMILLAN: Case 16360 shall be  
12 taken under advisement.

13 Let's take a ten-minute break.

14 (Case Number 16360 concludes, 3:16 p.m.)  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3


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.

20 DATED THIS 28th day of September 2018.

21   
22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters