

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:

CASE NOS: 20281, 20282

Application of Caza Petroleum LLC
for compulsory pooling in
Lea County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 7, 2019, 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: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

For the Applicant: James Bruce
P.O. BOX 1056
Santa Fe, NM 87504

I N D E X

Admitted

CASE NOS. 20281 and 20282 CALLED

JOHN E. BROWN (By Affidavit) 03

RICHARD CARROLL (By Affidavit) 08

TAKEN UNDER ADVISEMENT: 09

E X H I B I T I N D E X

Admitted

Case No 20281

Exhibit 1, Attachments A-D 09

Exhibit 2, Attachment A 09

Exhibit 3 09

Case No 20282

Exhibit 1, Attachments A-D 09

Exhibit 2, Attachment A 09

Exhibit 3 09

Case Nos 20281, 20282

Joint Exhibit 4, Attachments A-G 09

1 HEARING EXAMINER: We will call Case Number 20281
2 and Case Number 20282. Call for appearance.

3 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
4 representing the applicant, and I am submitting the case by
5 affidavit -- the cases.

6 I will start out with the land testimony on Case
7 20281.

8 MR. JONES: John Brown is still working?

9 MR. BRUCE: Yeah, he is.

10 In Case 20281, the affidavit of John Brown, the
11 landman in this case, Caza seeks forced pooling of the Bone
12 Spring Formation underlying the W/2 W/2 of Section 34, 22
13 South, 35 East, Lennox 34, State Well Number 1H. There are
14 no depth severances in the Bone Spring Formation.

15 C-102 for the well is attached. It is a
16 permitted well. It's in the Rock Lake Bone Spring Pool, and
17 the API number is given.

18 Exhibit B shows the parties being pooled.

19 Exhibit -- Attachment C is the proposal letter to
20 the parties. And Attachment C on the second page also shows
21 the interests, the working interests of various parties.
22 Other than Caza, those five companies, Caza seeks to force
23 pool Gaedeke Holdings, Allar Company, Strategic Energy,
24 Highlands Energy and Chevron USA.

25 Exhibit D is an AFE for the well. The AFE is a

1 little over \$8 million, which is stated to be fair and
2 reasonable in these circumstances. Caza is requesting
3 750 -- \$7500 a month for a drilling well, 750 a month for a
4 producing well. It also requests that its operating, Caza
5 Operating LLC, be designated operator of the well.

6 Exhibit 2 is my affidavit of notice. There is
7 one green card that didn't come back, Strategic Energy
8 Income Fund. We did publish notice as against all of the
9 parties, and that's -- maybe Mr. Brooks can opine here.
10 What I have submitted to you is the -- the advertising
11 invoice with the legal notice attached.

12 It was published in the Hobbs Newspaper. I never
13 got the affidavit of publication from the Hobbs Newspaper.
14 I e-mailed them, and they are supposed to e-mail me back the
15 various affidavits of publication. There are seven of them
16 that I didn't get. I haven't received that yet.

17 If, if -- since it's only an affidavit of
18 publication, I would -- if it needs to be continued, I
19 would ask to put it on the March 21 docket. I know there is
20 a ton of cases, but it's just an affidavit of publication.
21 Otherwise, I'm sure I will get them and I can supplement the
22 record with them.

23 MR. BROOKS: I think I will have to check the
24 rule on service by publication to see if the affidavit of
25 publication is actually required or not. I do not believe

1 it is, but I wouldn't want to opine incorrectly.

2 MR. BRUCE: That's Mr. Carr's job.

3 MR. BROOKS: Although I have done that a few
4 times in my life.

5 MR. CARR: He doesn't recognize the truth.

6 MR. BRUCE: But it was, again, once again, it was
7 Strategic Energy Income Fund I did not get a green card
8 back, but I don't mind continuing it it for two weeks, but I
9 don't want to continue it for six weeks merely to submit a
10 one-page affidavit of publication.

11 MR. BROOKS: That makes sense. I don't think
12 it's necessary to continue it at all, but I want to just
13 check.

14 MR. JONES: Has it been the practice to -- was a
15 newspaper notice required?

16 MR. BROOKS: That's the question I have. I am
17 now looking to find the rule.

18 MR. JONES: Because you didn't get a green card
19 back; right?

20 MR. BROOKS: A green card is not required.

21 MR. JONES: I can make a petition to our docket
22 manager to try to get him to -- I can say, well --

23 MR. BRUCE: Just submit.

24 MR. BROOKS: The rule on proof of receipt is, I
25 recall that because I remember being very surprised when I

1 looked it up, it says that proof of receipt shall be filed
2 if available. That's kind of a non-rule.

3 Well, since it will never come up in any context
4 in all probability, and I can't find it quickly, I'm going
5 to say let's go ahead and take it under advisement.

6 MR. BRUCE: I will supplement the record with
7 that whenever I get it.

8 MR. BROOKS: Okay. We appreciate it.

9 MR. JONES: That way you don't have to wrestle
10 Terri.

11 MR. BROOKS: You don't want to wrestle Terri. I
12 will wrestle Terri.

13 MR. JONES: Or Gabe.

14 MR. BROOKS: Now, you really don't want to have
15 to wrestle Gabe.

16 MR. BRUCE: And next I'll give you the land
17 exhibits for Case 20282. And 20282 --

18 HEARING EXAMINER: We will call Case Number
19 20282. Call for appearance.

20 MR. BRUCE: Jim Bruce of Santa Fe representing
21 the applicant.

22 MR. BRUCE: The materials I just handed you are
23 virtually identical to what I just handed you for Case
24 20281.

25 The well unit for this well, the 1X34C, well

1 number, it says 1H and 2H in Paragraph 2C is the E/2 W/2 of
2 34. The prior one was the W/2 W/2.

3 There are different interest owners -- not
4 different -- there are additional interest owners in this
5 well, so -- and if you go through the affidavit, which is
6 virtually the same, you will see Attachment C which is a
7 proposal letter contains a list of the interest owners, and
8 all of the interest owners, other than Caza, are being
9 pooled, and it gives the percentage interests.

10 Exhibit 2 is my affidavit of notice, and in this
11 case two people, Strategic Energy Income Fund and Randall
12 Harris, I have no green cards back from them.

13 Exhibit 3, again, is a copy of the notice
14 published in the Hobbs Newspaper for -- again, for which I
15 did not receive an affidavit of publication.

16 MR. JONES: Was it -- do you think it was
17 published?

18 MR. BRUCE: It was published, yeah.

19 MR. JONES: Within ten days before this hearing?

20 MR. BRUCE: I know it was published because
21 they -- they -- you submit it, you submit the notice, and
22 then they ship it back to you and ask you if what you see
23 here looks good. And they say, "We'll publish it on
24 such-and-such a date." And -- and I have always gotten the
25 affidavits of notice, so I don't know what happened.

1 I guess there was seven of them outstanding as of
2 this morning, and I was looking for them when I went back to
3 my office this morning, but it wasn't happening.

4 MR. JONES: Is Randall Harris, is he okay? He
5 still --

6 MR. BRUCE: He is still -- as far as I know.

7 MR. JONES: He was the geologist for Ray Westall
8 for a long time and then switched over to Endurance.

9 MR. BRUCE: I believe Endurance sold out, but,
10 yeah, he is still around.

11 MR. JONES: But so is Ray Westall, but they are
12 not retiring their green cards.

13 MR. BRUCE: Well, Ray Westall did.

14 And then, finally, there is an affidavit of
15 Richard Carroll. That was together with the materials I
16 sent you for 20281, and it contains information on the
17 wells. They are both in the First Bone Spring test, and
18 there is a locator map, a structure map showing dipping
19 slightly to the east, an isopach map, and there are two
20 cross-sections, a structural cross-section and stratigraphic
21 cross-section which also showing the target zone which is in
22 the upper part of the First Bone Spring.

23 And then well water, horizontal well water plans
24 are also attached. And it contains the usual information.
25 The horizontal units are justified from a geologic

1 standpoint. The Bone Spring is continuous across and each
2 quarter-quarter section in the unit will contribute
3 more-or-less equally in production.

4 So with that I would move the admission of
5 Exhibits 1 through 3 in case 20281, Exhibits 1 through 3 in
6 Case 20282, and then because the geology was identical, I
7 just made one single geologic exhibit, Exhibit 4, for both
8 case. And with that I would move the admission of those
9 exhibits and ask that the case -- cases be taken under
10 advisement.

11 HEARING EXAMINER: All your exhibits are
12 admitted, and Case Number 20282 will be taken under
13 advisement.

14 So at this time we will take our lunch break, and
15 we shall reconvene at 1:30.

16 (Adjourned.)

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