

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: 20859

APPLICATION OF SPC RESOURCES LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 14, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS LEONARD LOWE, KATHLEEN MURPHY, PHILLIP GOETZE, and LEGAL EXAMINER ERIC AMES, on Thursday, November 14, 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

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I N D E X

CASE NO. 20859 CALLED

NICOLE SINGER (By Affidavit) 04

JOHN WEIHE (By Affidavit) 06

TAKEN UNDER ADVISEMENT: 08

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

Admitted

Exhibit A and Attachments 08

Exhibit B and Attachments 08

1 HEARING EXAMINER LOWE: We will now call case
2 Number 20859, SPC Resources for compulsory pooling. Call
3 for appearance.

4 MS. LUCK: Kaitlyn Luck with the Santa Fe office
5 of Holland & Hart on behalf of applicant SPC Resources LLC.

6 HEARING EXAMINER LOWE: Any other appearances?

7 MR. PADILLA: Mr. Examiner, Ernest Padilla on
8 behalf of BK Exploration. I have no witness and we do not
9 object to it being presented by affidavit.

10 HEARING EXAMINER LOWE: Mr. Bruce.

11 MR. BRUCE: Mr. Examiner, Jim Bruce representing
12 Mewborne Oil Company. I have no witnesses and do not object
13 to the case being presented by affidavit.

14 HEARING EXAMINER LOWE: Okay. You may proceed.

15 MS. LUCK: Thank you. In this case SPC
16 understands that none of the parties who have entered an
17 appearance oppose to it being presented by affidavit. So
18 SPC prepared two affidavits for this case, Exhibit A and B,
19 and each have corresponding attachments.

20 SPC presented a similar case at the September 19
21 docket. This is Case 20762 which was mentioned in the last
22 presentation. And again, it provides a lot of the
23 background and the detail of the history of efforts that SPC
24 was trying to make in this case to enter voluntary
25 agreements with everyone in this case.

1 So Exhibit A is the affidavit of Nicole Singer,
2 who, again, is SPC's land and legal manager. She previously
3 testified before the Division, and she is familiar with the
4 application filed by SPC Resources in this case.

5 Her Exhibit A-1 is the project locator map
6 identifying the proposed horizontal spacing unit in this
7 case, and it includes only fee land. This A-1 map
8 identifies the wellbore for the well in this spacing unit
9 which is the Betty WCXY 2H well.

10 And this spacing unit is the N/2 equivalent of
11 Sections 5 and 6 in Township 22 South, Range 27 East in Eddy
12 County, New Mexico. These wells located in the Purple Sage
13 Wolfcamp Pool and comply with the setbacks for that pool.

14 Her Exhibit A-2 is again a tract map for the City
15 of Carlsbad for the N/2 of Sections 5 and 6. Again, it
16 shows that solid black line is the outline of the City of
17 Carlsbad and the spacing unit is outlined in red. There is
18 a legend up in the top right-hand corner which indicates
19 what each of the colored shading means.

20 Her Exhibit A-3 is the C-102 for this Wolfcamp
21 well. As I mentioned, this is in the Purple Sage Wolfcamp
22 Gas Pool and will be using 320-acre pooling blocks.

23 Her Exhibit A-4 is the unit recap showing the
24 percentages of ownership in the spacing unit as between the
25 working interest owners and the unleased mineral interest

1 owners.

2 SPC is also seeking to pool overrides and we
3 provided notice of the hearing to the overrides. Her
4 Exhibit A-5 again breaks down each of the working interest
5 owners in this 635.07 acre spacing unit. And the working
6 interest highlighted in gray are the interests that SPC is
7 seeking to pool in this case. And there is additional
8 coloring that reflects that SPC has tentative agreements
9 with some of the working interest owners. And then there
10 are again a couple of parties that SPC was unable to locate,
11 and so we did make several attempts to locate them, and we
12 also published notice of this hearing to those working
13 interest owners.

14 Her Exhibit A-6 a copy of the well proposal
15 letter for the Betty 56 Wolfcamp XY 2H well together with
16 the AFE. She talks about -- testifies that the costs are
17 consistent with what other operators have incurred drilling
18 similar horizontal wells in the area.

19 Her affidavit then describes the efforts as
20 succinctly as possible that SPC took to locate all of the
21 unleased mineral interest owners underlying the City of
22 Carlsbad, and that includes the letter that is behind Tab
23 A-7, which was originally sent to unleased mineral interest
24 owners, but by no means is the entire extent of the efforts
25 that were taken to contact those unleased mineral interest

1 owners or to reach an agreement with them.

2 And again, to this day, SPC is the continuing to
3 work with the unleased mineral interest owners as well as
4 working interest owners to reach an agreement with each of
5 them and will advise the Division after this hearing if SPC
6 is able to reach an agreement with any uncommitted parties
7 before an order is issued.

8 Her Exhibit A-8 is the letter providing notice of
9 this hearing, and then SPC was tasked with sending the mail
10 out of the notice of this hearing, and that's why those are
11 included with her affidavit.

12 So she includes behind A-9 the tracking
13 information for the working interest, A-10 are the
14 overrides, and A-11 are the unleased mineral interest
15 owners.

16 She also notes in her affidavit that SPC is
17 seeking overhead administrative rates of 8,000 per month
18 while drilling, 800 while producing.

19 And then finally A-12 is the notice of
20 publication that was an affidavit reflecting that notice was
21 published in the Carlsbad Current Argus on October 30, and
22 again, it lists all the parties that SPC seeks to pool in
23 this case.

24 And next turning to Exhibit B, affidavit of John
25 Weihe. He is the exploration manager for SPC and has

1 previously testified about his efforts in researching the
2 geology underneath the City of Carlsbad in Case 20762. In
3 this case, though, SPC is turning to Wolfcamp A with its
4 Betty well.

5 SPC Exhibit B-1 is the subsea structure map
6 prepared for the Wolfcamp A structure. He outlines the
7 spacing unit in green and notes the wellbore in the middle
8 of the N/2 there on that exhibit.

9 Turning to Exhibit B-2, this is the base map for
10 his cross section and he indicates the wells used to create
11 the cross section on this map as well as nearby producing
12 wells, four wells for which an AP has been filed.

13 And then finally his Exhibit B-3 is a cross
14 section for the Wolfcamp, and he notes the target intervals
15 with an arrow on right side of the cross section.

16 In his opinion this structure appropriate for
17 horizontal development and the laydown orientation is the
18 preferred orientation for horizontal well development.

19 So with that, that concludes all of SPC's
20 exhibits, and I would move the admission of both Exhibit A
21 and B and corresponding attachments.

22 MR. PADILLA: No objection.

23 MR. BRUCE: No objection.

24 MS. LUCK: I can answer any questions you might
25 have.

1 HEARING EXAMINER LOWE: So Exhibits A and B will
2 be accepted for this case.

3 (Exhibits A and B admitted.)

4 MS. LUCK: Thank you.

5 HEARING EXAMINER LOWE: Ms. Murphy?

6 EXAMINER MURPHY: No questions.

7 HEARING EXAMINER LOWE: Mr. Goetze?

8 EXAMINER GOETZE: No questions.

9 HEARING EXAMINER LOWE: Mr. Ames?

10 MR. AMES: No.

11 MS. LUCK: Again, I will confirm whether the City
12 of Carlsbad and Eddy County have committed to this project,
13 and I will report back when I submit the Exhibit A's. So I
14 ask that case Number 20859 be taken under advisement.

15 HEARING EXAMINER LOWE: Okay. Case Number 20859
16 will be taken under advisement.

17 MS. LUCK: Thank you.

18 (Case 20859 taken under advisement.)

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