

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: 21047

APPLICATION OF SOUTHWEST ROYALTIES INC.,
FOR APPROVAL OF EXPANSION OF PRESSURE
MAINTENANCE PROJECT,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 30, 2020

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH, LEONARD LOWE, KATHLEEN MURPHY, DYLAN COSS and SCOTT COX on Thursday, April 30, 2020 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
PAUL BACA PROFESSIONAL COURT REPORTERS
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A P P E A R A N C E S

For the Applicant:

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I N D E X

CASE CALLED

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1 HEARING EXAMINER ORTH: All right. Let's move
2 then to the fourth matter. This is Case Number 21047. The
3 applicant is Southwest Royalties case, the well name is
4 Flying M.

5 Is there someone from Hinkle Shanor here?

6 MS. HARDY: Good morning, Madam Examiner. Dana
7 Hardy with the Santa Fe office of Hinkle Shanor on behalf of
8 Southwest Royalties.

9 HEARING EXAMINER ORTH: Thank you. Let me take a
10 moment to see if there is anyone else who is making an
11 appearance in this matter.

12 (No response.)

13 HEARING EXAMINER ORTH: No? Please go ahead.

14 MS. HARDY: Thank you. There has been no
15 opposition to Southwest's application to proceed by
16 affidavit. The application seeks authorization to expand
17 the Flying M San Andres Pressure Maintenance Project in Lea
18 County by converting three producers to injectors and
19 expanding the project area to include the NE/4 of Section
20 31, Township 9 South, Range 33 East.

21 This project was initially approved by order
22 issued in 1967, Order R-3229, and the project has
23 subsequently been expanded by orders issued in 1969, 1998
24 and 2003, and Southwest Royalties was on the project in
25 1997, so they have been operating it for 23 years,

1 approximately. The project area is 4960 acres, 24
2 producers, and nine injectors.

3 The expansion will include 5,120 acres, 23
4 producers and 12 injectors. The exhibits that are included
5 in your packet include first the application and the form
6 C-108 attached to the application as Exhibit A.

7 Exhibit Number 2 is a self-affirmed statement of
8 Todd Yocham. Mr. Yocham is a petroleum engineer with 35
9 years experience in the Permian Basin. He has not testified
10 before the Division. The sum of his qualifications is
11 attached to the statement as Exhibit A.

12 Mr. Yocham's statement addresses issues related
13 to the history of the project, engineering, geology,
14 hydrology and notice. He discusses the main topics
15 addressed in the C-108, and also provides a plat, type log,
16 structure map and cross section.

17 He explains the injection fluids will be confined
18 to the injection interval and will not impact hydrocarbon
19 bearing or fresh water zones.

20 Mr. Yocham sent notice in Paragraphs 30 through
21 42 of the statement, he explained that notice of the C-108
22 was published and sent to all affected parties including the
23 Bureau of Land Management and State Land Office and no
24 objections were received.

25 Documents related to notice of the hearing are

1 provided in Exhibit H and I to Mr. Yocham's statement.

2 Notice was sent by certified mail to all affected parties
3 more than 20 days prior to the hearing, and notice was also
4 published more than ten business days prior to the hearing.
5 So Mr. Yocham states the Division notice requirements have
6 been met.

7 He also explains that Southwest Royalties spoke
8 with the State Land Office regarding this application, and
9 understands the State Land Office does not oppose. Mr.
10 Yocham concludes that the granting of SRI's application will
11 serve the interest of conservation, the prevention of waste,
12 and the protection of correlative rights.

13 Exhibit 3 included in the packet is the
14 self-affirmed statement of Tanner Culp. Mr. Culp is a
15 reservoir engineer. He has not previously testified before
16 the Division, and a summary of his qualifications is
17 attached to the statement as Exhibit A. Mr. Culp addresses
18 issues related to the current estimated time of the project
19 with and without the proposed expansion.

20 The exhibits include a production curve with
21 current estimate of decline of the project. He provides
22 type and decline curves that are specific to two leases that
23 are within the project include two of the proposed injection
24 wells, the Gonzales 31 federal lease and the McGuffin lease.

25 He also provides as a final exhibit to his

1 statement, Exhibit G, incremental production economic
2 summary, and he concludes that the proposed expansion will
3 be economic and will increase production within the project,
4 and that the granting of the application is in the interest
5 of conservation, the protection of correlative rights and
6 prevention of waste.

7 So I believe that Southwest Royalties has
8 provided all information that is necessary to support the
9 application, and I would ask that the self-affirmed
10 statements be accepted as expert testimony and that the
11 exhibits be admitted into the record and that the case be
12 taken under advisement.

13 HEARING EXAMINER ORTH: All right. Thank you,
14 Ms. Hardy. Mr. Coss, do you have questions of Ms. Hardy?

15 EXAMINER COSS: Good morning, Ms. Hardy.

16 MS. HARDY: Good morning.

17 EXAMINER COSS: Thanks for the testimony. The
18 only thing that I would say on this case is to advise your
19 client -- we're not going to be able to approve or review
20 this material. Southwest Royalties is currently out of
21 compliance due to too many inactive wells, so we are not
22 going to be able to approve any C-108s while they are in
23 this status.

24 MS. HARDY: Okay. I will let them know that, and
25 then as soon as they correct that, we would need to resubmit

1 the application?

2 EXAMINER COSS: We are going to accept the
3 application. The application -- if we get to reviewing it,
4 it won't be able to be approved and might be denied if, upon
5 review, kind of further technical review, they are not in
6 compliance. And I believe Ms. Murphy is joining me now, and
7 she is the one that brought that to my attention, so I
8 imagine she might have a few more questions for you.

9 EXAMINER MURPHY: Good morning, Ms. Hardy. There
10 is a spot on our website that you can look up for the
11 financial assurance and inactive wells, and I will say that
12 I only saw this, got this on my radar yesterday, but I will,
13 it's a very interesting project. You don't often see stuff
14 that's from the '60s being a waterflood, so I look forward
15 to looking at it, and like I said, I could -- I looked
16 through the exhibits a bit yesterday, and I was thinking
17 this would be at the end, so I was very excited that it was
18 the next one on the radar, so thank you. But after we get
19 into compliance, we can look at it, so --

20 MS. HARDY: Okay, thank you.

21 HEARING EXAMINER ORTH: Thank you, Ms. Murphy.
22 And Mr. Cox, do you have questions of Ms. Hardy?

23 EXAMINER COX: No, ma'am, not at this time.

24 HEARING EXAMINER ORTH: Thank you, Ms. Hardy.

25 Your packet is accepted with the caveats you just heard and

1 will be taken under advisement.

2 MS. HARDY: Thank you.

3 (Exhibits admitted.)

4 (Taken under advisement with caveats as stated.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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6 I, IRENE DELGADO, New Mexico Certified Court
7 Reporter, CCR 253, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that the
9 foregoing pages are a true and correct transcript of those
10 proceedings that were reduced to printed form by me to the
11 best of my ability.

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

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

19 Dated this 30th day of April 2020.

20

/s/ Irene Delgado

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Irene Delgado, NMCCR 253
License Expires: 12-31-20

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