

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: 21226, 21227

APPLICATION OF COLGATE OPERATING LLC
FOR COMPULSORY POOLING, NON-STANDARD
SPACING AND PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

May 28, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH, KATHLEEN MURPHY, DYLAN COSS and on Thursday, May 28, 2020, through 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:

PADILLA LAW FIRM
ERNEST PADILLA
1512 St. Frances Drive
Santa Fe, NM 87505

For EOG Resources:

LANCE HOUGH
MODRALL SPERLING ROEHL HARRIS & SISK PA
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1 HEARING EXAMINER ORTH: The first matter is Case
2 Number 21226, applicant Colgate Operating, compulsory
3 pooling, a non-standard spacing request for a well
4 that's Dawson 34.

5 Mr. Padilla, are you on the line?

6 MR. PADILLA: I'm on the line. I couldn't get on
7 the video portion of it, but I will figure it out by the
8 next meeting. But I would also like for this Case 21227, we
9 filed a companion cases, one involved the N/2 of Sections 33
10 and 34. And the other involved the N/2 Section -- they
11 involve the Dawson and Shamrock wells.

12 HEARING EXAMINER ORTH: Okay. So, Mr. Padilla,
13 excuse me for a moment, I forgot to ask folks to mute
14 themselves unless I call on them or they need to speak.

15 If you would do that, folks. And I do see case
16 21227, it's listed there under Number 12 on the worksheet,
17 Colgate Operating, again compulsory pooling, non-standard
18 spacing, and as you say the (unclear audio) having those
19 applicant's counsel, but I also have Modrall Sperling having
20 entered an appearance.

21 Who here is from Modrall Sperling?

22 MR. HOUGH: That's correct, Madam Examiner, Lance
23 Hough from the law firm of Modrall Sperling on behalf of EOG
24 Resources Inc. And really for our appearance, I just want
25 to keep it limited to simply state on the record, the

1 parties have reached an agreement regarding election of
2 payments.

3 HEARING EXAMINER ORTH: All right. Thank you for
4 that, Mr. Hough. Let me ask if there was anyone else who
5 would like to enter an appearance this morning.

6 MR. BRUCE: This is Jim Bruce representing
7 Mewbourne Oil Company, and just like Lance, Mewbourne has
8 come to terms, so they are merely entering an appearance
9 to -- they wanted the exhibits, so we do not object to the
10 matter proceeding by affidavit.

11 HEARING EXAMINER ORTH: All right. Thank you,
12 Mr. Bruce. Anyone else? Anyone else entering an appearance
13 in 21226 or 21227, Colgate Operating?

14 (No audible response.)

15 HEARING EXAMINER ORTH: No? All right. If you
16 would then, Mr. Padilla, please proceed.

17 MR. PADILLA: These applications, Ms. Examiner,
18 are compulsory pooling cases for the -- to test the First
19 Bone Springs, the Second Bone Spring and Third Bone Spring.
20 Case 2107 -- correction -- 21226, and both are assigned to
21 Second and Third Bone Spring.

22 I have the affidavit of our landman, Mark Hajdik,
23 a fairly extensive list of exhibits. I will, I think we --
24 sent those exhibits to the Modrall firm, Mr. Debrine. And I
25 apologize to Mr. Hough, I don't think that my assistant sent

1 copies to him, neither did we send to Mr. Bruce, but we will
2 make them available.

3 They are straightforward applications, compulsory
4 pooling for two mile laterals. And we have -- the second
5 affidavit we have is from a geologist by the name of Ojeda.
6 His last name is Ojeda. And other than that, it's pretty
7 straight forward. Both have been qualified before the Oil
8 Conservation Commission as expert landmen and geologist.

9 That's about it in terms of -- unless the
10 Examiner has any questions.

11 HEARING EXAMINER ORTH: Thank you, Mr. Padilla.
12 Ms. Murphy, do you have any questions of Mr. Padilla?

13 EXAMINER MURPHY: Good morning, Mr. Padilla.

14 MR. PADILLA: Good morning. How are you.

15 EXAMINER MURPHY: I'm good. I hope you are doing
16 well. I have just a couple of questions. The PDF that you
17 sent in, there were five of them, and so I just kind of,
18 quickly kind of looked. For the working interest owners,
19 what percent are you -- are you trying to compulsory pool?

20 MR. PADILLA: I think it's -- it goes to about
21 70 percent, there were just a whole bunch -- if you look at
22 the --

23 EXAMINER MURPHY: I did not know which document
24 to go into to look for that.

25 MR. PADILLA: I apologize. We did not send --

1 we did not give you the table of contents in this case, and
2 we have it now that I can submit to you, but we had to file
3 this thing twice. And notice of publication is just a whole
4 bunch of people in there with small minor interests, and
5 these come up from time to time where you have logs and that
6 sort of thing and just haven't been able to find them. But
7 the notice of publication has a whole bunch of people there.

8 (Audio interference.)

9 HEARING EXAMINER ORTH: Hold on. Hold on, Mr.
10 Padilla, someone is speaking.

11 HEARING EXAMINER ORTH: Who else is speaking?

12 (No audible response.)

13 HEARING EXAMINER ORTH: Please mute.

14 All right. I am very sorry, Mr. Padilla. Please
15 proceed.

16 MR. PADILLA: I can't tell you precisely what the
17 percentage is, but I think it's, Colgate controls about 25
18 percent and the rest are being compulsory pooled.

19 EXAMINER MURPHY: Okay.

20 MR. PADILLA: I can get that information for you
21 to be precise.

22 EXAMINER MURPHY: Two mile laterals, 21226 is
23 four wells. Is the 21227 also four wells?

24 MR. PADILLA: Yes.

25 EXAMINER MURPHY: And are they adjacent in a, in

1 a section?

2 MR. PADILLA: 226 is the N/2 of the section, and
3 227 is the S/2 of the section. The proration units are the
4 N/2 of the N/2 -- N/2 -- or S/2 of the N/2, N/2 of the S/2
5 of S/2 S/2.

6 EXAMINER MURPHY: So you are saying the notice,
7 you notified by individual letters and you also noticed in
8 the paper?

9 MR. PADILLA: Yes.

10 EXAMINER MURPHY: And that was because you get a
11 large number of small interest owners?

12 MR. PADILLA: Yes. And I think Colgate continues
13 to find -- try to locate a lot of these people, but they
14 are all over the country and you can't find -- I know that
15 we had to dismiss this case to begin with because we didn't
16 list the proration units correctly.

17 We had a whole bunch of return envelopes. That
18 was complicated because of the Corona Virus and main post
19 office closure, and then we refiled. Well, same thing
20 happened, so we got about 35, if I recall correctly, 35
21 return envelopes that were undeliverable.

22 EXAMINER MURPHY: So you had a fair amount of
23 unknowns -- or knowns, but that didn't respond?

24 MR. PADILLA: Right.

25 EXAMINER MURPHY: Do you have a fair amount of

1 unknowns, also?

2 MR. PADILLA: No. I think -- I think there may
3 be some, but I think they have -- they have traced title to
4 almost everyone and to the last known address and haven't
5 been able to find them.

6 EXAMINER MURPHY: Thank you. I have no more
7 questions.

8 HEARING EXAMINER ORTH: Thank you, Ms. Murphy.
9 Mr. Cox, do you have any questions? Or Mr. Lowe? Does
10 anyone, any technical examiner or any other technical
11 examiner have a question of Mr. Padilla?

12 TECHNICAL EXAMINER: No, ma'am. I do not.

13 HEARING EXAMINER ORTH: All right, thank you.
14 Mr. Hough, questions?

15 MR. HOUGH: No questions for me.

16 HEARING EXAMINER ORTH: All right.

17 MR. PADILLA: Let me ask a question while -- we
18 did not send the court reporter a copy of our exhibits and
19 we need to do that. Do we need to send anyone else copies
20 of our exhibits besides the court reporter?

21 HEARING EXAMINER ORTH: I don't believe so
22 because if they were uploaded, anyone can access them from
23 that web page. Is that correct?

24 EXAMINER MURPHY: And they will -- probably the
25 PDF will be entered in by the end of the day or tomorrow,

1 so --

2 HEARING EXAMINER ORTH: All right. Thank you,
3 Mr. Padilla.

4 MR. PADILLA: Thank you.

5 HEARING EXAMINER ORTH: In that case, the
6 exhibits will be accepted and the matters 21226 and 21227
7 will be taken under advisement.

8 MR. PADILLA: Did I mention, Ms. Examiner, that
9 we had two exhibits from the landman and geologist, for the
10 record. My affidavit is contained in those as the third
11 exhibit.

12 HEARING EXAMINER ORTH: Yes. And you said they
13 had been previously qualified before the Division?

14 MR. PADILLA: Right.

15 HEARING EXAMINER ORTH: All right. Thank you
16 very much.

17 MR. PADILLA: Thank you.

18 (Exhibits admitted.)

19 (Taken under advisement.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3 REPORTER'S CERTIFICATE

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

10 I FURTHER CERTIFY that I am neither employed by
11 nor related to any of the parties of attorneys in this case
12 and that I have no interest in the final disposition of this
13 case.

14 I FURTHER CERTIFY that the virtual proceeding was
15 of varying quality.

16 Dated this 28th day of May 2020.

17 /s/ Irene Delgado
18 _____
19 Irene Delgado, NMCCR 253
20 License Expires: 12-31-20
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24
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