

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:

CASES NOS. 21078, 21079 and 21239

Application of Colgate Corporation for Compulsory pooling
in Eddy County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

FRIDAY, AUGUST 14, 2020

SANTA FE, NEW MEXICO

This matter came on for hearing by Webex
Videoconferencing before the New Mexico Oil Conservation
Division ExaminerS FELICIA ORTH and KURT SIMMONS on
Friday, August 14, 2020

Reported by: Mary Therese Macfarlane
New Mexico CCR 122
PAUL BACA COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexixco 87187
(505) 842-9241

A P P E A R A N C E S

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 2 For the Applicant: Ernest L. Padilla, Esq.
 Padilla Law Firm
 3 1512 St. Francis Drive
 Santa Fe, NM 87505
 4 (505) 988-7677
 5
 For EOG RESOURCES: Darin C. Savage, Esq.
 6 Abadie & Schill
 214 Mackenzie Street
 7 Santa Fe, NM 87501
 (970) 385-4401
 8 darin@abadieschill.com.
 9
 For Apache Corporation: Candace Callahan, Esq.
 10 Beatty & Wozniak, PC
 500 Don Gaspar Avenue
 11 Santa Fe, NM 87505
 (505) 983-8545
 12 ccallahanbwenergy.com
 13

I N D E X

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 15 CASE NOS. 21078, 21079, 21239

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APPLICANT'S WITNESSES:	OFFERED	ADMITTED
17 MARK HADJIK: (BY AFFIDAVIT)	6	9
18 SERGIO OJEDA: (BY AFFIDAVIT)	6	9
19 TAKEN UNDER ADVISEMENT:		9

20

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

21

APPLICANT EXHIBITS	OFFERED	ADMITTED
22 EXHIBIT A	8	9
23 EXHIBIT B	8	9
24 EXHIBIT C	8	9

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1 (Time noted: 8:45 a.m.)

2 HEARING EXAMINER ORTH: Once again we'll get
3 started.

4 My name is Felicia Orth, the examiner
5 appointed by the Director of the Oil and Conservation
6 Division. I'll be conducting the hearing this morning,
7 August 14th, in matters 21078, 21079 and 21239. These are
8 Applications by Colgate Operating relating to the Big
9 Burro wells and the Weaver wells. If counsel would make
10 there appearances.

11 Mr. Padilla, would you like to go first?

12 MR. PADILLA: Yes. Ernest L. Padilla for
13 Colgate Operating, LLC, the Applicant in all of these
14 cases.

15 HEARING EXAMINER ORTH: Thank you.

16 Ms. Callahan.

17 MS. CALLAHAN: Candace Callahan appearing for
18 Apache Corporation.

19 HEARING EXAMINER ORTH: Good morning.

20 MS. CALLAHAN: Good morning.

21 HEARING EXAMINER ORTH: Mr. Savage.

22 MR. SAVAGE: Yes, Madam Examiner. Darin Savage
23 with Lavadie & Schill. We have EOG Resources,
24 Incorporated.

25 HEARING EXAMINER ORTH: Okay. Thank you.

1 Is there anyone else this morning making an
2 appearance?

3 All right. We are recording this morning.
4 There were technical differences in having a court
5 reporter join us so we are making a recording, and a
6 transcript will be made as necessary following this event.
7 I'm not sure how to share a copy of the recording; I know
8 it's possible. So if you would like a copy of the audio
9 recording before the transcript is made, please contact
10 Marlene.

11 Let me ask the technical examiners to
12 introduce themselves.

13 Mr. Simmons, would you like to start?

14 EXAMINER SIMMONS: Sure. Good morning.
15 Pleasure to be here, and sorry for the technical
16 difficulties getting started.

17 HEARING EXAMINER ORTH: Thank you, Mr. Simmons.

18 Let's see. Mr. Cox?

19 MR. COX: I'm actually just going to be here for
20 a moment. Kurt will be your main technical examiner.

21 HEARING EXAMINER ORTH: All right. Thank you.
22 I think earlier I saw Mr. Garcia. I don't know if he is
23 still on.

24 MR. COX: No, ma'am. He was just checking in to
25 make sure we were able to log in.

1 HEARING EXAMINER ORTH: Okay. Thank you.

2 Is there anyone else who would like to
3 introduce themselves before we begin?

4 No?

5 All right. So I know that in the imaging
6 system on line we have Exhibits A, B, and C. We have
7 compulsory pooling checklists for these cases. I saw a
8 prehearing statement from Ms. Callahan indicating that she
9 would not be presenting witnesses this morning.

10 So is there anything we need to talk about
11 before we begin with Mr. Padilla?

12 If counsel would make their appearances. Mr.
13 Padilla, if you would go first.

14 MR. PADILLA: Madam Examiner, we're going to
15 present this case through affidavit, which, my
16 understanding, no one objects to, including EOG and
17 Apache.

18 Let me preface my remarks also by saying
19 that EOG and Colgate have settled or traded acreage. I'm
20 not sure what the effect of that, uh, trade or settlement
21 was. Mr. Savage can tell us more about that.

22 With Apache, we have settled. Apache has
23 withdrawn its application for competing (inaudible).

24 And I have three affidavits. The first is
25 the affidavit of the landman Mark Hadjik. He has

1 previously testified before the Oil Conservation Division
2 and had his credentials entered as a matter of record.
3 And we also have the affidavit of the geologist. His name
4 is Sergio Ojeda, and he also has been qualified before the
5 Conservation Division.

6 These applications involve wells in
7 Sections 27 and 28. The Big Burro cases involve the south
8 half of Sections 27 and 28; the Weaver wells involve the
9 north half of Sections 27 and 28, and they are in 19
10 South, Range 28 East in Eddy County.

11 I think the affidavits are pretty
12 straightforward. They contain who the parties that are
13 being pooled, and there aren't very many at this point.
14 The major contentions were between Apache and Colgate. No
15 one else entered appearances.

16 The, uh -- and they're just laydown units,
17 and drilling is going to be east/west. And they intend to
18 test the Second and the Third Bone Spring wells, as
19 outlined in the applications and the various submittals.

20 The geological presentation is for all of
21 Sections 28 and 29. So they're grouped together, and the
22 geology is pretty uniform there. The conclusion reached
23 by the geologist is that all 40 acres involved in the --
24 encountered by the wells will contribute more or less
25 equally to production from the wells.

1 The geological submittals include isopachs,
2 cross sections, some structural, uh, maps and -- for both
3 the Second Bone and the Third Bone.

4 I don't see anything else. I don't want to
5 get into a complete reading of the affidavits, and all I
6 have to offer is that these are pretty straightforward
7 applications at this point.

8 And my affidavit includes Notices of
9 Publication.

10 And one thing that we did do here, and I
11 should point out, is that with respect to land, originally
12 these wells had AFEs at roughly \$9 million. That has been
13 revised and new affidavits included in the packets give
14 new cost estimates of \$6.4 million more or less. So Covid
15 has improved things in this regard as far as drilling
16 wells are concerned.

17 But other than that -- let me go back to my
18 affidavit.

19 We have Noticed everyone that -- and we
20 have had to file Notices of Publication, and they're
21 included in there for people that could not be found. And
22 also originally the Big Burro cases were filed by the
23 Modrall Law Firm, and due to a conflict I took them over,
24 and then I filed the Weaver cases for the Applicant.

25 Other than that, this is, like I said

1 before, a straightforward case, and I think our
2 application is complete in terms of affidavits presented.

3 And I request that Exhibits A, B and C be
4 admitted and that the case be taken under advisement.

5 HEARING EXAMINER ORTH: Thank you very much, Mr.
6 Padilla.

7 Ms. Callahan, do you have any questions of
8 Mr. Padilla?

9 MS. CALLAHAN: No, I have no questions. Thank
10 you.

11 HEARING EXAMINER ORTH: Thank you.

12 Mr. Savage, do you have questions?

13 MR. SAVAGE: Madam Examiner, I just want to
14 reiterate that what Mr. Padilla said is true and correct,
15 that EOG and Colgate have concluded a deal on that and we
16 are just monitoring and continuing an appearance because
17 EOG has some interest with Apache previously.

18 So no questions.

19 HEARING EXAMINER ORTH: All right. Thank you.

20 Mr. Simmons, do you have questions of
21 Mr. Padilla?

22 EXAMINER SIMMONS: I did have a question. I
23 noticed that EOG has a Special Pay Provision that they
24 want included. Is that still on the table or was that
25 excluded by the agreement that the parties reached?

1 MR. PADILLA: I'll let -- well, Mr. Savage
2 probably knows more on that, but I -- my understanding is
3 that EOG is completely out and Colgate will not have any
4 objection to the Special Pay Provision but it's been
5 excluded through the settlement, or made inapplicable to
6 it.

7 MR. SAVAGE: Yes. Mr. Examiner, that is true.
8 They closed on a deal. That was a prior consideration and
9 is no longer applicable.

10 MR. SIMMONS: Okay. Great. Normally when those
11 are included we need to have that on the checklist. And I
12 looked at the checklist before the hearing and it wasn't
13 included, so, uhm...

14 But in the future when the parties do have
15 those, please be sure to put those on there, because the
16 people writing up the Orders are not always the same
17 sitting in the hearings and may not be aware that there is
18 special request of that sort to be included.

19 But thank you for clarifying that for us
20 today.

21 MR. SAVAGE: Thank you.

22 HEARING EXAMINER ORTH: Anything else?

23 From anyone? No?

24 In that case Exhibits A, B and C are
25 admitted and the matter will be taken under advisement.

1 Thank you all very much for participating
2 this morning, and I do apologize for the late start.
3 We'll see if we can't get this recording transcribed for
4 the record.

5 Have a great rest of the day. Thank you.

6 MR. SAVAGE: Thank you. Have a good weekend..

7 (Time noted: 8:57 a.m.)

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1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Friday, August 14,
8 2020, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

18 /s/ Mary Therese MacFarlane

19 _____

20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
License Expires: 12/31/2020

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