

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:

Application of Monzano, LLC for
approval of the Vindicator Canyon
State Exploratory Unit in
Lea County, New Mexico

Case No. 21463

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

THURSDAY, OCTOBER 22, 2020

This matter came on for hearing before the
New Mexico Oil Conservation Division, FELICIA ORTH,
Hearing Examiner, LEONARD LOWE, Technical Examiner,
via Cisco Webex Virtual Meeting Platform

Reported by: Mary Therese Macfarlane
New Mexico CCR No. 122
PAUL BACA PROFESSIONAL COURT REPORTERS
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4	STATEMENT BY MR. RANKIN:	4
5	INQUIRY BY TECHNICAL EXAMINER LOWE:	7
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8 INDEX OF WITNESSES

9 WITNESSES (By affidavit)

10	NICK McCLELLAND (Landman):	5
11	JOHN WORRALL (Geologist):	6

12

13 INDEX OF EXHIBITS

14	Exhibit No.	ADMITTED
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15 TESTIMONY OF NICK McCLELLAND

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19 TESTIMONY OF JOHN WORRAL

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1 (Time Noted 8:54 a.m.)

2 HEARING EXAMINER ORTH: Moving then to the next
3 matter, which is 21463. Manzano is the applicant. It's
4 an application for an exploratory unit. The well name is
5 Deep Spark.

6 Who is here for Holland & Hart for the
7 Applicant?

8 MR. RANKIN: Good morning, Madam Hearing
9 Officer. Adam Rankin appearing on behalf of the applicant
10 in this cases, Monzano, LLC.

11 HEARING EXAMINER ORTH: Thank you, Mr. Rankin.

12 We have entries of appearance from
13 Marathon.

14 MS. BENNETT: Good morning, Madam Examiner.
15 This is Deana Bennett on behalf of Marathon Oil Permian,
16 LLC.

17 HEARING EXAMINER ORTH: Thank you. Texas
18 Standard Oil?

19 MR. BRUCE: Jim Bruce here for Texas Standard.

20 HEARING EXAMINER ORTH: Thank you. And BTA Oil?

21 MS. HARDY: Good morning. Dana Hardy with the
22 Santa Fe office of Hinkle Shanor on behalf of BTA Oil
23 Producers, LLC.

24 HEARING EXAMINER ORTH: Thank you. Let me pause
25 for a moment to see if there are any other appearances.

1 Hearing none, do I understand this matter
2 will be presented by affidavit?

3 MR. RANKIN: Correct.

4 HEARING EXAMINER ORTH: All right. I don't hear
5 any objections. Would go ahead, please, Mr. Rankin.

6 MR. RANKIN: Thank you, Madam Examiner.

7 I have submitted two exhibits in the
8 exhibit packet yesterday -- or on Tuesday in this case.

9 The First exhibit is the affidavit of Nick
10 McClelland. He's a landman with Manzano. He's previously
11 testified before the Division and had his credentials as
12 an expert in petroleum land matters accepted as a matter
13 of record.

14 In his affidavit Mr. McClelland reviews the
15 proposed voluntary unit, including the reduction and
16 exclusion -- reduction in acreage and exclusion of certain
17 tracts from the unit in agreement with the parties who
18 have requested to be excluded from the unit. Accordingly
19 we have excluded the east half of Section 20 and all of
20 Section 21 and 22 in Township 17 South, Range 36 East.
21 Otherwise, Mr. McClelland testifies that the unit now
22 consists of approximately 6,000 acres in Lea County. He
23 describes the unit area with the exclusion of that
24 acreage, and then testifies regarding the proposed unit
25 agreement, which is attached as Exhibit A to his

1 affidavit, as well as the parties who have agreed to the
2 unit, their interest by tract, and a map depicting the
3 unit acreage.

4 Also attached to Mr. McClelland's affidavit
5 is preliminary approval from the State Land Office. This
6 will be a State, New Mexico State Land Office Unit. And
7 Exhibit A-2 to his affidavit is a copy of the preliminary
8 approval letter provided by the State Land Office
9 indicating their approval of the proposed unit, as it has
10 been revised to exclude that acreage.

11 Exhibit B to the exhibit packet is a copy
12 of the affidavit of Mr. John Worrall, who is a geologist
13 with the company. Mr. Worrall testifies regarding the
14 acreage and the geology that comprises the acreage in the
15 unit.

16 Exhibit B-1 to his exhibit, his affidavit,
17 is a copy of the Type Log depicting the proposed unitized
18 interval.

19 Within that log, Exhibit B-2 is a structure
20 map that shows the location of the type log within the
21 proposed unit area, as well as the unit boundary, and it's
22 centered on the stop of Strawn Formation.

23 Exhibit B-3 is a cross section A to A prime
24 which generally tracks from west to east, depicting the
25 target interval, as well as the location of the existing

1 well that will be the first well in the unit next, Exhibit
2 B-4 is a cross section, B to B prime, which generally
3 trends from the northwest to the southeast across the unit
4 area, and again shows the location of the target area of
5 the initial well, as well as additional targets that the
6 company plans to develop during the development of this
7 unit acreage.

8 With that, Madam Examiner, there are no
9 other exhibits. Because it's a voluntary unit no Notice
10 was provided.

11 If there are any questions, I would be
12 happy to try to address them at this time, but with that I
13 would ask that the Exhibits A and B, along with their
14 attachments be accepted into the record.

15 HEARING EXAMINER ORTH: All right. Thank you,
16 Mr. Rankin.

17 Let me pause for a moment to see if any of
18 the other parties entering an appearance have a question.

19 No.

20 Mr. Lowe, do you have a question?

21 TECHNICAL EXAMINER LOWE: Yes, I do have a few
22 questions for Mr. Rankin.

23 Good morning, Mr. Rankin. How are you?

24 MR. RANKIN: Good morning.

25 TECHNICAL EXAMINER LOWE: The case, just to

1 confirm for me, this is Case No. 21463.

2 MR. RANKIN: Correct.

3 TECHNICAL EXAMINER LOWE: Okay. Uhm, is Manzano
4 confident that typed section from the unitized (inaudible)
5 will conform with the definition of the new pool,
6 especially as additional information is required to
7 drill while drilling?

8 MR. RANKIN: Mr. Lowe, will you rephrase your
9 question or explain what you mean by it's unclear.

10 TECHNICAL EXAMINER LOWE: Okay. One of the --
11 did Manzano talk to a district geologist and make sure
12 this area matched?

13 MR. RANKIN: Matched what?

14 TECHNICAL EXAMINER LOWE: What you are
15 requesting for the pool, for the section that you're
16 looking at.

17 MR. RANKIN: Well, I don't know if they have
18 spoken with the district geologist or not, but I guess the
19 question you're asking is whether or not -- I guess I'm
20 not clear exactly what you want to know. Whether the
21 interval matches what?

22 TECHNICAL EXAMINER LOWE: Okay.

23 MR. RANKIN: You want to know whether the
24 unitized interval will match up with the -- uh, the
25 pooling area?

1 TECHNICAL EXAMINER LOWE: The area you're
2 looking at. And just basically everything is, I guess,
3 confident in what is being requested of the OCD in all
4 this effort.

5 MR. RANKIN: So I can get back to you on that.
6 I'm not sure if they have discussed the proposed acreage
7 with the district geologist.

8 TECHNICAL EXAMINER LOWE: Okay. Does Manzano
9 have a legal commitment from the New Mexico State Land
10 Office for approval date of the unit?

11 MR. RANKIN: They do have the preliminary
12 approval from the State Land Office as to this revised
13 acreage, which is Exhibit A-2 in the exhibit packet. From
14 Mr. Scott Dobson.

15 TECHNICAL EXAMINER LOWE: Okay.

16 MR. RANKIN: Or actually it's from the
17 Commissioner herself.

18 TECHNICAL EXAMINER LOWE: Okay. I'm still
19 looking.

20 Do you have a C-102 in your exhibits?

21 MR. RANKIN: We did not include a C-102 in the
22 exhibits. There is an existing well which will be renamed
23 once the unit is formed, but -- so there is one well that
24 exists, so I can provide you the C-102 for that well.

25 TECHNICAL EXAMINER LOWE: Okay.

1 MR. RANKIN: It is not in the exhibit package.

2 TECHNICAL EXAMINER LOWE: Yeah. I didn't see it
3 in your exhibits.

4 I thought if a map -- uhm, is there any
5 likelihood for acreage not to be developed because of your
6 approval -- or our approval?

7 MR. RANKIN: In other words, are you
8 suggesting -- are you asking whether there would be any
9 stranded as a result of the approval?

10 TECHNICAL EXAMINER LOWE: Yes.

11 MR. RANKIN: My understanding, Mr. Lowe, is that
12 the applicant intends to develop all the acreage within
13 the unit.

14 TECHNICAL EXAMINER LOWE: Okay.

15 MR. Rankin: And because of the unit's shape,
16 you know, there will have to be some acreage outside of
17 the unit that will be combined with it.

18 TECHNICAL EXAMINER LOWE: I'm still looking
19 through your exhibits here.

20 Okay. I think that's all I have for now.
21 Thank you, Mr. Rankin.

22 MR. RANKIN: Mr. Lowe, would you like us to
23 submit to you a copy of the C-108 for the existing well?

24 TECHNICAL EXAMINER LOWE: Sure. If you could
25 just email it to the hearings email, that would be great.

1 MR. RANKIN: I'd be happy to do that.

2 TECHNICAL EXAMINER LOWE: Thank you.

3 HEARING EXAMINER ORTH: Thank you, Mr. Lowe and
4 Mr. Rankin. Your exhibits are accepted and the matter
5 will be taken under advisement.

6 MR. RANKIN: Thank you very much, Madam Hearing
7 Officer. I have no further questions. I appreciate your
8 time.

9 HEARING EXAMINER ORTH: Thank you.

10 (Time noted 9:09 a.m.)

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1 STATE OF NEW MEXICO)
2 : SS
3 COUNTY OF TAOS)

4
5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, October
8 22, 2020, the proceedings in the above-captioned matter
9 were 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 MacFarlane

19 _____

20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
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