

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: 21574

APPLICATION OF SPC RESOURCES LLC
TO AMEND ORDER NOS R-21104 & 21104-A,
EDDY COUNTY, NEW MEXICO.

CASE NOS: 21575

APPLICATION OF SPC RESOURCES LLC
TO AMEND ORDER NOS R-21123 & 21123-A,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

JANUARY 21, 2021

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
BILL BRANCARD and TECHNICAL EXAMINER KATHLEEN MURPHY on
Thursday, January 21, 2021, through the Webex Platform.

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

SUMMARY OF CASE AND EXHIBITS 03

TAKEN UNDER ADVISEMENT 11

REPORTER CERTIFICATE 12

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

Admitted

All Exhibits and Attachments 11

1 HEARING OFFICER BRANCARD: We're really moving
2 here today. Okay. So case 21574, and this is SPC
3 Resources, Holland & Hart, it looks like there are several
4 cases all lined up here. Who is here from Holland & Hart?

5 MS. LUCK: Good morning again. This is Kaitlyn
6 Luck with the Santa Fe office of Holland & Hart on behalf of
7 the applicant in these two cases, 21574 and 21575.

8 HEARING OFFICER BRANCARD: Okay. Thank you. And
9 you are -- two cases.

10 MR. GALLEGOS: Mr. Examiner (garbled audio)
11 representing Elaine Murphy, and we have entered an
12 appearance in the case. We do not oppose the application,
13 but we are here just (garbled audio) information.

14 HEARING OFFICER BRANCARD: Okay. We are
15 hearing two cases. I will call for appearances.
16 Mr. Gallegos, on behalf of the City of Carlsbad; is that
17 right, or Elaine Murphy?

18 MR. GALLEGOS: (Garbled audio) -- on behalf of
19 Elaine Murphy.

20 REPORTER: I'm sorry, this is the reporter and
21 I'm getting a lot of feedback. So if people can mute
22 themselves when they're not speaking.

23 HEARING OFFICER BRANCARD: Okay. We'll try.

24 MS. BENNETT: Good morning, Mr. Examiner. This
25 is Deana Bennett on behalf of the City of Carlsbad.

1 HEARING OFFICER BRANCARD: Any other appearances?

2 (No audible response.)

3 HEARING OFFICER BRANCARD: All right. Hearing
4 none, do the other parties have any objection to this case
5 being done by affidavit?

6 MR. GALLEGOS: No objection on the part of Elaine
7 Murphy, and we do not objection the admission of the
8 exhibits.

9 HEARING OFFICER BRANCARD: Thank you.

10 MS. BENNETT: This is Deana Bennett on behalf of
11 the City of Carlsbad. No objection to the cases proceeding
12 by affidavit and no objection to the exhibits being
13 admitted.

14 HEARING OFFICER BRANCARD: Excellent. Thank you.

15 MS. BENNETT: Thank you.

16 HEARING OFFICER BRANCARD: Ms. Luck, you may
17 proceed.

18 MS. LUCK: I would like to start off by noting
19 that SPC filed the exhibits on Tuesday, that was on January
20 19, and we noticed after the exhibits were filed that there
21 was a typo on our Exhibit C5 and it didn't include our unit
22 recap in Exhibit C5. So we filed revised exhibits
23 yesterday, which just simply included the map with the
24 correct date on it and unit recap, so those are the only two
25 revised in the exhibit packet, but I wanted to point that

1 out for the Division.

2 Starting with our first Exhibit in this case is
3 the application of SPC Resources to amend two orders, order
4 R-21104 and 21104A. And then Exhibit B is the application
5 of SPC Resources to amend Orders R-21123 and R-21123A.

6 In both of these cases SPC is seeking to reopen
7 and amend these four orders to pool additional interest
8 owners under the terms of the orders and to allow for an
9 extension of time for drilling the well under the orders, as
10 well as to update names and locations of the proposed wells
11 and to conform the order to the amended order as described
12 in the Division director's letter from April 9 of 2020.

13 Within the Exhibit packet is Exhibit C, which is
14 the affidavit of Santo's landman, Colleen Bradley. In her
15 affidavit she explains that Santo obtained these pooling
16 orders in early 2020, and they pooled the Bone Spring and
17 Wolfcamp formation in 273 acre approximately spacing
18 units -- excuse me -- approximately 470 acre spacing unit in
19 the SW/4 of irregular Section 5 in lot 6 and 7, and the east
20 half of the SW/4, and as well as the S/2 of the (unclear) of
21 irregular Section 6. This is in Township 22, Range 27 East
22 in Eddy County, New Mexico.

23 In Case 21574, that relates to the Bone Spring
24 order, and Ms. Bradley's affidavit explains she provides a
25 copy of that, both of those Bone Spring orders, as well as a

1 unit recap for the interest in the Bone Spring formation.
2 She also provides Exhibit C3 a copy of the C-102 the Barney
3 Bone Spring wells that is proposed within the Bone Spring
4 unit. Finally she indicates SPC is seeking a one year
5 extension of the drilling deadline to February 13 of 2022.

6 In Case 21575, just like the prior case, SPC is
7 seeking to pool the same acreage, but this time in the
8 Wolfcamp formation. So again Ms. Bradley provides the
9 pooling order for the Wolfcamp formation as well as a unit
10 recap and a map reflecting the interest to be pooled in this
11 case, as well as the form C-102 for each of the Barney wells
12 in the Wolfcamp formation.

13 Finally, Ms. Bradley provides the names and
14 address for each of the interest owners that are pooled into
15 the two units in the Bone Spring and Wolfcamp formation, and
16 she provides copies of the letter providing notice of this
17 hearing to each of the interest owners to be pooled, as well
18 as proof they were served by certified mail.

19 And then last in the exhibit packet is a copy of
20 the notice of publication just reflecting that notice of
21 this hearing was timely published to each interest owner by
22 name and the county where these wells are to be located.

23 So with that, I would move the admission of
24 Exhibits A through D and request that both of these two
25 cases be taken under advisement.

1 HEARING OFFICER BRANCARD: Thank you. First I
2 just -- the parties indicated they have no objection to the
3 exhibits. I just want to make sure, counsel indicated she
4 had filed revised exhibits, and that parties don't have any
5 objection to the revised exhibits that were filed.

6 MR. GALLEGOS: No objection --

7 MS. BENNETT: This is Deana Bennett, no
8 objection.

9 MR. GALLEGOS: -- we have no objection.

10 HEARING OFFICER BRANCARD: Sorry. Ms. Murphy,
11 any questions?

12 TECHNICAL EXAMINER MURPHY: I just have a quick
13 question. Ms. Luck, what was the revision in the exhibit?
14 I thought you said D or E? E5 or D5?

15 MS. LUCK: C, as in cat, C5. The original
16 package of exhibits just had a map with a wrong date on it,
17 and it didn't include the recap for the Wolfcamp formation,
18 so the revised packet has the right date and has the unit
19 recap for the Wolfcamp formation.

20 TECHNICAL EXAMINER MURPHY: And one last
21 question, and I remember these cases, there are a huge
22 amount of people or interests to find. Is that pretty much
23 reduced? Are most people or operators -- not operators, but
24 are most of them found at this point? You had to open it to
25 bring in additional interest owners.

1 MS. LUCK: To answer that question, I think it's
2 correct that Santo has done due diligence to accurately
3 identify each of the interest owners and title records, but
4 due to the fact it's showing still occurring under the City
5 of Carlsbad, there is still a significant number of interest
6 owners that their interests have not been able to be
7 acquired by Santo or another operator, and so there was
8 still a significant amount of notices provided to each of
9 those interest owners in spacing units under the city.

10 TECHNICAL EXAMINER MURPHY: Thank you.

11 HEARING OFFICER BRANCARD: Thank you. So I will
12 just check in with the parties if there are any other
13 questions or statements. Mr. Gallegos, start with you.

14 MR. GALLEGOS: Thank you, Mr. Examiner. Ms.
15 Luck, could we go to Exhibit C3. Those are C-102s. One is
16 for the Bone Spring well and one is for the Wolfcamp well.

17 MS. LUCK: Yeah, I think (garbled audio) in front
18 of me I think.

19 MR. GALLEGOS: The question, Ms. Bradley's
20 affidavit says there are location changes in the, in these
21 wells. Can you explain the change, from where to what we
22 see on the C-102s?

23 MS. LUCK: In Ms. Bradley's affidavit --
24 (Garbled audio.)

25 HEARING OFFICER BRANCARD: Hang on, Ms. Luck.

1 Could you wait a second?

2 Gene, I think you need to mute yourself once you
3 are done. We are getting an echo. Go ahead, Ms. Luck.

4 MR. LUCK: So Ms. Bradley's affidavit describes
5 the changes to the location of these wells as from the
6 original pooling orders, so the C-102s that are included in
7 the packet are the correct unit locations now as planned by
8 Santo.

9 So originally the location was going to be in N
10 and now it's in M. So N as in Nancy was moved to M as in
11 Mary.

12 MR. GALLEGOS: Let me ask you then a few
13 questions about Exhibit C5. That's the colored plat that
14 shows the city. And first of all, there's a reference in
15 the upper right hand, a Wolfcamp unit map and then a heavy
16 black line sort of across -- what does that indicate?

17 MS. LUCK: A heavy black line indicates the city
18 limits of Carlsbad.

19 (Garbled audio.)

20 MR. GALLEGOS: What we see on the right-hand
21 side, kind of a burnt orange color, all of that indicates
22 leasehold by SPC?

23 MS. LUCK: So I think for clarification, the
24 legend indicates that if it's solid yellow, that's been
25 leased by SPC. So you can see within the city there are

1 portions, or within the units there are portions of that
2 solid yellow. But if there are areas that are, I guess,
3 with diagonal grid lines through yellow areas, that would
4 reflect areas that have been leased by other working
5 interest owners.

6 MR. GALLEGOS: Let me see if I understand you.
7 If we are talking about the part that's to the right, it
8 doesn't show the various lots and so forth. It's kind of a,
9 a checker or crosshatched different yellow, you are saying
10 that's leasehold other than SPC?

11 MS. LUCK: Well, so I think that the hatched area
12 that you are talking about is a combination of leases where
13 SPC and other working interest owners own together. And so
14 in this area where you are talking about where there is the
15 thick black line and then the diagonal gray line over
16 yellow, that's leasehold area that's shared between SPC and
17 other working interests.

18 MR. GALLEGOS: Okay. Thank you. That's my
19 questions on this case.

20 HEARING OFFICER BRANCARD: Thank you. Ms.
21 Bennett, any questions?

22 MS. BENNETT: No questions.

23 HEARING OFFICER BRANCARD: Thank you. Ms. Murphy
24 are you done with your questions?

25 TECHNICAL EXAMINER MURPHY: I'm done with my

1 questions, thank you.

2 HEARING OFFICER BRANCARD: So with that we will
3 consolidate cases 21574 and 21575 and they will be taken
4 under advisement. Thank you everyone.

5 (Exhibits not objected to.)

6 (Taken under advisement.)

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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 virtual proceedings in stenographic shorthand and
9 that the foregoing pages are a true and correct transcript
10 of those proceedings to the best of my ability.

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

15 I FURTHER CERTIFY that the Virtual Proceeding was
16 of poor to good quality.

17 Dated this 21st day of January 2021.

18

/s/ Irene Delgado

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Irene Delgado, NMCCR 253
License Expires: 12-31-21

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