

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 NO: 21576

APPLICATION OF SPC RESOURCES LLC
TO AMEND ORDER NOS R-21100
EDDY COUNTY, NEW MEXICO.

CASE NO: 21577

APPLICATION OF SPC RESOURCES LLC
TO AMEND ORDER NOS R-21096
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
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A P P E A R A N C E S

For the Applicant:

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For Elaine Murphy:

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I N D E X

CASE CALLED	
SUMMARY OF CASE AND EXHIBITS	03
TAKEN UNDER ADVISEMENT	12
REPORTER CERTIFICATE	13

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

	Admitted
All Exhibits and Attachments	12

1 HEARING OFFICER BRANCARD: We will now move on to
2 Case 21576. I don't know if you want to consolidate that
3 with 21577. We will find out. Holland & Hart, please,
4 thank you.

5 MS. LUCK: Good morning, Mr. Examiner. This is
6 Kaitlyn Luck with the Santa Fe office of Holland & Hart on
7 behalf of the applicant, SPC Resources LLC. And these two
8 cases generally follow the same format and same request as
9 the prior two cases, so we can consolidate them for purposes
10 of covering the materials and towards the end I will mention
11 the different acreage in the second case.

12 HEARING OFFICER BRANCARD: Thank you. Other
13 appearances on this case?

14 MR. GALLEGOS: This is Gene Gallegos appearing
15 for Elaine D. Murphy.

16 HEARING OFFICER BRANCARD: Thank you. Modrall
17 firm?

18 MS. BENNETT: Good morning. This is Deana
19 Bennett on behalf of the City of Carlsbad. Thank you very
20 much. And I should mention that the City of Carlsbad does
21 not oppose these cases going by affidavit and does not have
22 any objection to the exhibits. Thank you.

23 HEARING OFFICER BRANCARD: Mr. Gallegos, do
24 you --

25 MR. GALLEGOS: We do not oppose the application

1 and have no objection to the admission of the exhibits.

2 HEARING OFFICER BRANCARD: Thank you. Any other
3 appearances?

4 MR. TURNER: Robert Turner on behalf of Diana
5 Johnson, an heir of Willy Fay Johnson.

6 HEARING OFFICER BRANCARD: Can you repeat your
7 client name again, please?

8 MR. TURNER: Diane Johnson.

9 HEARING OFFICER BRANCARD: Okay.

10 MR. TURNER: And she is the heir of Willy Fay
11 Johnson, and we do not object to the application or the
12 affidavits.

13 HEARING OFFICER BRANCARD: Okay. And Mr. Turner,
14 did I skip over you in the previous case? Were you
15 interested in that one, too, or just these.

16 MR. TURNER: My understanding we were just
17 involved in the 21577 case.

18 HEARING OFFICER BRANCARD: Okay, excellent.
19 Thank you.

20 HEARING OFFICER BRANCARD: Okay. Ms. Luck, you
21 may proceed.

22 MS. LUCK: Thank you again. In this case,
23 starting off with 21576, Santo is seeking an order amending
24 order R-21100. And SPC filed its exhibits in these cases on
25 Tuesday. In that exhibit packet you will find before you

1 starting off the application of SPC Resources to amend that
2 order. And then the next Exhibit is Exhibit B, which is the
3 affidavit of Colleen Bradley who is the landman for SPC
4 Resources.

5 Her affidavit reflects that Division Order
6 R-21100 was entered in February of 2020, and it created a
7 635.06 acre standard horizontal spacing unit underlying Lots
8 1 through 4 in the S/2 of the N/2 of irregular Section 5,
9 and Lots 1 through 5, the SE/4 NW/4 and N/2 equivalent of
10 irregular Section 6, and this is all in Township 22 South,
11 Range 27 East, and this is in Eddy County, New Mexico.

12 And at this point SPC is seeking to amend that
13 order to pool the additional interest owners under the terms
14 of that order. SPC is also seeking to allow for an
15 extension of time to join the initial well under the order,
16 to update the name and location of the proposed well, and to
17 conform the order to the amended order template as stated in
18 the Division Director's April 9, 2020 letter.

19 With Ms. Bradley's affidavit she includes a copy
20 of the original order of Exhibit B-1. As Exhibit B-2 she
21 provides a unit recap reflecting that SPC is seeking to pool
22 the additional interest owners, and she also provides a map
23 with that recap just reflecting that SPC is seeking to pool
24 the interest in the Wolfcamp formation in this case.

25 Next up, her Exhibit B-3 she provides a C-102 for

1 the well dedicated to this unit which is now called
2 (unclear) 402H well.

3 Last she provides the names and addresses of each
4 of the interest owners who were pooled under the original
5 order as well as the tracking information and the notice
6 letters reflecting each of those interest owners received
7 notice of this hearing regarding this amended application.

8 Finally, in the Exhibit packet as Exhibit C is
9 the notice of publication reflecting that notice of this
10 hearing was timely provided to each of the interest owners
11 directed by name and the county where these wells are
12 located.

13 And then just briefly turning to Case 21577, this
14 case follows the same format as the previous format where
15 SPC is again seeking to reopen an order to pool additional
16 interest owners to allow for an extension of time for
17 drilling the initial wells, to update the names and location
18 of the proposed well, and to update the order to the amended
19 order template as described in the April 9 letter of the
20 Division Director.

21 I want to just mention briefly that Case 21577
22 relates to Division Order R-21096. This order was also
23 entered in February of 2020, but in this case Santo sought
24 and obtained a 1267.10 acre standard horizontal spacing
25 unit, and this is in the W/2 of the E/2 of Section 12,

1 township 22 South, Range 26 East, and the W/2 of the E/2 of
2 irregular Section 7 in Township 22 South, Range 27 East in
3 Eddy County, New Mexico.

4 This unit was treated in the Wolfcamp formation
5 and dedicated the unit to the Caveman wells, which are now
6 called the Caveman 402H and Caveman 442H well. Just like in
7 the prior case, Ms. Bradley provides the order, the C-102,
8 the tracking unit recap, as well as the notice reflecting
9 that notice of this hearing was timely provided for this
10 case as well.

11 So with that, I would ask that the Division take
12 under advisement both of these cases, 21576 and 21577, and I
13 would also move the admission of Exhibit A through C in both
14 cases.

15 HEARING OFFICER BRANCARD: Thank you. I will
16 first go to the parties if they have any questions.
17 Mr. Gallegos, start with you.

18 MR. GALLEGOS: Thank you, yes. Ms. Luck, with
19 reference to 21576, the Betty well case, so on your, on your
20 Exhibit B-2, and the various colors, is it to be understood
21 that the heavy black line indicates the limits of the City
22 of Carlsbad, so essentially all the spacing unit is within
23 the city. Is that -- is that --

24 MS. LUCK: That's correct. There's a small
25 portion in the SE/4 of the spacing unit that's not included,

1 but that's noted (garbled audio).

2 MR. GALLEGOS: So if we take a look then at your
3 C-102 for the Betty well, that's B-3, can you orient us on
4 the, on B-2 as to, as to the surface hole location?

5 MS. LUCK: And I think it looks like (garbled
6 audio) --

7 REPORTER: I'm sorry, Ms. Luck, Ms. Luck, I need
8 for Mr. Gallegos to mute himself --

9 MS. LUCK: (Garbled audio.)

10 REPORTER: Ms. Luck, I did not hear what you said
11 because there was echo. Mr. Gallegos, you need to mute
12 yourself when you are not speaking, please. Ms. Luck can
13 you repeat what you just said?

14 MS. LUCK: Yes. The C-102 is included with the
15 packet as Exhibit B-3 and indicates on Page 19 of the PDF
16 packet that the surface hole location is located in the Unit
17 H of Section 5.

18 MR. GALLEGOS: Ms. Luck, I see that, but that
19 wasn't quite the question. I maybe did not make it clear.
20 If we look at B-2, can you orient us as to where that
21 surface hole location is shown on that, on that plat?

22 MS. LUCK: Yeah, I'm sorry. The surface hole
23 location isn't shown on that plat. That's not something we
24 had included on this general unit recap map. This is more
25 for purposes of showing the significant number of interests

1 within the unit. So the C-102 doesn't show the surface hole
2 location.

3 MR. GALLEGOS: I realize it's not shown. I was
4 just asking if you were able to, to indicate that location.
5 If you're not, then we understand that to be the case.

6 MS. LUCK: Well, certainly. I mean, it would be
7 located in the SE/4 of the NE/4, I believe, and so it would
8 certainly be above where that city limit line is -- sorry,
9 it would be below where the city limit line is.

10 MR. GALLEGOS: It would be below. In other
11 words, that small area that is not within the city, that
12 lower SE/4, if we can use that term, that's where you are
13 saying the Betty well location would be?

14 MS. LUCK: Yeah, that's my understanding,
15 correct.

16 MR. GALLEGOS: Then to B-3, which is the C-102,
17 you see the surface hole location and we see the first line,
18 and the line across what would presumably be the lateral is
19 a red dotted line. What is the -- what is that meant to be?

20 MS. LUCK: The red dotted line indicates the
21 directional drilling that occurs between the surface hole
22 location and completed interval as well, so the horizontal
23 portion of the well, I guess you could say the completed
24 interval -- the surface location, sorry.

25 MR. GALLEGOS: So it just struck me, because none

1 of the other C-102s indicate the lateral in a solid line,
2 and I was just wondering if there is some significance to
3 this being a red dotted line to indicate uncertainty or
4 what. Why does that differ from your other C-102s?

5 MS. LUCK: I'm not sure there is anything
6 significant on that. I think it's just more a surveyor
7 preference. And if you like, I can confirm, but I don't
8 think there is anything significant to that red dot.

9 MR. GALLEGOS: Thank you. That concludes my
10 question. Thanks.

11 HEARING OFFICER BRANCARD: Thank you,
12 Mr. Gallegos. Ms. Bennett, any questions?

13 MS. BENNETT: No questions. Thank you.

14 HEARING OFFICER BRANCARD: Thank you.
15 Mr. Turner?

16 MR. TURNER: No questions, thank you.

17 HEARING OFFICER BRANCARD: Thank you. And with
18 that, we will admit the exhibits that have been submitted,
19 and we will take cases 21576 -- I'm sorry, Ms. Murphy, I
20 forgot to ask. Do you have questions?

21 UNIDENTIFIED SPEAKER: Yes, I'm speaking on
22 behalf of Mrs. Murphy. I just want to point out that the
23 hearing for the SPC Resources wells that were just discussed
24 were not sufficiently publicly announced as far as I know
25 because the Carlsbad Current Argus dated the hearing as

1 January, as taking place on January 7, 2021.

2 Then extensive searching on the OCD website did
3 not reveal a revised date or a revised link to this meeting,
4 and so consequently the public was not sufficiently
5 informed, in my opinion, and that's what I'm disputing.

6 HEARING OFFICER BRANCARD: Who is this speaking
7 on behalf of Ms. Murphy?

8 UNIDENTIFIED SPEAKER: This is a family member.
9 She's sitting here.

10 HEARING OFFICER BRANCARD: We need a name for the
11 record.

12 MS. ELAINE MURPHY: For the record, it's Elaine
13 Murphy.

14 HEARING OFFICER BRANCARD: And you are an
15 interest owner?

16 UNIDENTIFIED SPEAKER: Yes.

17 MS. ELAINE MURPHY: Yes.

18 HEARING OFFICER BRANCARD: Okay. Kathleen
19 Murphy, do you have any questions?

20 TECHNICAL EXAMINER MURPHY: I do have one
21 statement, no relation, but I was getting ready to remind
22 SPC for their filled out C-102s, that one of those needs the
23 dedicated acreage, and so I will look for those to be
24 completely filled in on the C-102s. Thank you.

25 HEARING OFFICER BRANCARD: Thank you.

1 MS. LUCK: We can submit those, the C-102s for
2 you. Thank you. And I would like to make one more point,
3 if I may, Mr. Examiner.

4 HEARING OFFICER BRANCARD: Sure.

5 MS. LUCK: Just in response to Ms. Elaine
6 Murphy's comment, it's our understanding her interests were
7 a lease, and so there would not be a notice directed to her
8 by name because her interest is a lease at this point and
9 also then any interest that she might be an heir to.

10 And then with regard to hearing date, we did
11 publish for the original hearing because this case was
12 applied for at the January 7 hearing. But per the normal
13 procedure, Santo filed a continuance timely and at the
14 January 7 hearing a hearing date was issued for today.

15 HEARING OFFICER BRANCARD: Thank you. And with
16 that I will take cases 21576 and 21577 under advisement.
17 Thank you, Ms. Luck.

18 (Exhibits admitted.)

19 (Taken under advisement.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

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

Dated this 21st day of January 2021.

/s/ Irene Delgado

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