

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: 21806 - 21808

APPLICATION OF FRANKLIN MOUNTAIN ENERGY
LLC FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
APRIL 8, 2021
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER DEAN McCLURE on
Thursday, April 8, 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:

DEANA BENNETT
MODRALL SPERLING ROEHL HARRIS & SISK PA
500 4th Street, NW, Suite 1000
Albuquerque, NM 87102
505-848-9710

I N D E X

| | |
|------------------------------|----|
| CASE CALLED | |
| SUMMARY OF CASE AND EXHIBITS | 03 |
| TAKEN UNDER ADVISEMENT | 09 |
| REPORTER CERTIFICATE | 10 |

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

| | |
|--------------------------|----------|
| | Admitted |
| Exhibits and Attachments | 09 |

1 HEARING EXAMINER BRANCARD: Call Item 35, et
2 cetera, Cases 21806 and, I believe, 21807, 21808, Franklin
3 Mountain, Modrall Sperling Law Firm. Ms. Bennett, I think
4 you are muted.

5 MS. BENNETT: Thank you. Deana Bennett, Modrall
6 Sperling on behalf of Franklin Mountain Energy LLC. And I
7 intend to put these cases on by affidavit. There are no
8 other parties that have entered an appearance in the cases
9 that I'm aware of.

10 HEARING EXAMINER BRANCARD: Am I correct the
11 three cases are consolidated?

12 MS. BENNETT: Yes. We did submit three different
13 exhibit packets because we submitted these through the
14 electronic portal, and I would like to thank Marlene for her
15 patience with me as I navigate the electronic filing portal.
16 I certainly appreciate all the help she has given me in
17 terms of those filings. We prepared three separate exhibit
18 packets, but the cases are consolidated for hearing.

19 HEARING EXAMINER BRANCARD: At this point are
20 there any other parties of interest in cases 21806, 21807
21 and 21808?

22 (No audible response.)

23 HEARING EXAMINER BRANCARD: Hearing none, you may
24 proceed, Ms. Bennett.

25 MS. BENNETT: Thank you. What I would like to do

1 first is give a brief overview of the hearing materials of
2 the exhibits that you have in front of you, and then I will
3 go through each packet -- not in terrible detail, but enough
4 to give you a sense of what's in each packet and to be
5 available for any questions.

6 So what we have provided are three separate
7 exhibit packets, one for each case. And the exhibit packets
8 follow the same general format which is the compulsory
9 pooling checklist is Exhibit A. Behind the compulsory
10 pooling checklist is the affidavit of Shelly Albrecht, the
11 land professional. And Ms. Albrecht has previously
12 testified before the Division and her credentials have been
13 accepted as a matter of record.

14 Behind her affidavit we include the usual
15 documents which are the C-102s, the proposal letters, AFEs,
16 the lease tract maps and unit recapitulation. Also behind
17 her affidavit is my notice affidavit showing that notice was
18 timely mailed and also that we timely published notice of
19 this hearing.

20 The second major portions of the materials is the
21 geology study prepared by Mr. Kessel, and Mr. Kessel has
22 previously testified before the Division and his credentials
23 were accepted as a matter of record. And he includes in his
24 exhibits a locator map showing the location of the proposed
25 unit in relation to the Capitan Reef, a gunbarrel view of

1 the proposed wells and then a geology study with usual
2 documents, structure map, cross reference, locator, the
3 cross section, as well as the isochore.

4 And then his final slide is an excerpt from the
5 Snee Zoback paper showing the justification for the
6 orientation of the wells. Those are the exhibits in
7 general, an outline of the exhibits in general in all three
8 packets.

9 The first case on the docket is 21806. In case
10 21806, franklin Mountain Energy is proposing two wells, and
11 those wells will be dedicated to a unit covering the W/2 of
12 Sections 1 and 12. And in this case there is a proximity
13 tract well, and that's the Clincher Fed Com 702H Well, and
14 we have identified its location both in the compulsory
15 pooling checklist as well as in the affidavit of Ms.
16 Albrecht. And the C-102s also show the first take point and
17 last take point.

18 There is only one party to be pooled, one working
19 interest owner to the pooled in all three cases, and that's
20 Oxy. And the lease recapitulation exhibit shows the minimal
21 amount of interest that Oxy has in these cases. In this
22 case Oxy's interest is less than 5 percent. So Franklin
23 Mountain Energy seeks to pool Oxy and the overriding royalty
24 interest owners and we have proceeded a list of parties to
25 be pooled in the materials.

1 With that I will turn to Case 21807 unless the
2 examiners would like to ask questions on a case by case
3 basis as opposed to all three cases at the end. Your
4 preference, whatever you sire.

5 HEARING EXAMINER BRANCARD: I think we will wait
6 until the end.

7 MS. BENNETT: Case 21807 also involved a Wolfcamp
8 well, and in that case Franklin Mountain Energy seeks to
9 dedicate the Clincher Fed Com 701H Well to a standard
10 horizontal spacing unit, and it covers the W/2 W/2 of
11 Section 1 and 12 and E/2 E/2 of Sections 2 and 11. And
12 again, this is a proximity tract well. It's closer to the
13 section lines between 1 and 12 and 2 and 11 and 330 feet,
14 and the Division pool allows for inclusion of the proximity
15 acreage under those circumstances.

16 Again, the only party to be pooled here is --
17 only working interest -- excuse me -- to be pooled is Oxy,
18 and again Oxy's interest is less than 5 percent. And we
19 have also included the list of the parties to be pooled in
20 the materials including the working interest of Oxy and
21 royalty interest owners.

22 Turning to Case 21808, Franklin Mountain Energy
23 is proposing a Bone Spring unit, and this unit is dedicated
24 to the Clincher Fed Com 501H well, and that well -- well,
25 excuse me -- the unit is in the W/2 W/2 of Sections 1 and 12

1 and it's a standard spacing unit.

2 And here again, Oxy is the only working that
3 Franklin Mountain Energy seeks to pool, and Oxy's interest
4 in this unit is 9.7 percent. And we have included in the
5 exhibit packet a list of the overrides and the royalty
6 interest owners that Franklin Mountain Energy seeks to pool
7 in addition to Oxy.

8 And Oxy did receive notice of the proposal
9 letters or received the proposal letters from Franklin
10 Mountain Energy as Ms. Albrecht's summary of contacts
11 explains in these three cases, and Oxy also had notice of
12 this hearing, and Oxy has not objected or otherwise raised
13 any questions about the pooling matters before the Division
14 today, so I guess Oxy is fine with everything.

15 So with that I will pause for a moment and see if
16 you have any questions for me.

17 HEARING EXAMINER BRANCARD: No. Please proceed.
18 Thank you.

19 MS. BENNETT: I think that actually concludes my
20 presentation. As I mentioned my geology exhibits, I didn't
21 go into detail, but the geology exhibits for each case
22 demonstrates that each of the cross section wells that the
23 geologist used that were representative of the wells in this
24 area.

25 And the geologist testifies in his affidavit

1 that, in his view, the wells are justified and units are
2 justified from a geologic perspective, and that each
3 quarter-quarter section is expected to contribute more or
4 less equally, and that there is no impediment to the wells
5 either structurally or geologically, no pinchouts, faults or
6 et cetera. From the geologist's perspective these wells and
7 units are all justified and are in the prevention of waste
8 and protection of correlative rights.

9 So with that I don't have anything further to add
10 and I stand for any questions.

11 HEARING EXAMINER BRANCARD: Thank you. Mr.
12 McClure?

13 TECHNICAL EXAMINER McCLURE: I was going to say,
14 on these particular cases, upon better review we may
15 actually have some questions considering that you were
16 referring that it -- does it actually go through the
17 Capitan -- they all go under the Capitan Reef. Is that what
18 we are referring to right now for these wells?

19 MS. BENNETT: Within what I would say are the
20 boundaries of the Capitan Reef, but they are not, as far as
21 I know, I mean I would have to follow up on this question,
22 but I don't think that they are necessarily penetrating the
23 Capitan Reef. They are just within the boundary of what's
24 been designated as, you know, the Capitan Reef.

25 TECHNICAL EXAMINER McCLURE: Yeah, yeah, yeah,

1 should be underneath the Capitan Reef is where we should be
2 looking at for the Bone Spring. But I think they are, as
3 far as the pinchouts and such, at least in the Bone Spring,
4 I'm not sure, without better review it's hard for me to put
5 these questions out right now.

6 At this particular juncture, I guess I don't have
7 any more questions involving this, but we shouldn't have any
8 problems with asking questions later, is that correct,
9 Mr. Brancard, if we do take it under advisement?

10 HEARING EXAMINER BRANCARD: No, you should be
11 able to ask questions.

12 TECHNICAL EXAMINER McCLURE: With that thought in
13 mind, then I have no questions at this time for these cases.

14 HEARING EXAMINER BRANCARD: Thank you. Are there
15 any other interested persons in this matter?

16 HEARING EXAMINER BRANCARD: Hearing none, Ms.
17 Bennett, do you want to summarize?

18 MS. BENNETT: Yes. I would ask that exhibits in
19 Case Numbers 21806, 21807, and 21808 be admitted into the
20 record and that these three cases be taken under advisement.

21 HEARING EXAMINER BRANCARD: Thank you. With
22 that, the exhibits in these cases will be admitted and Cases
23 21806, 21807, and 21808 will be taken under advisement.

24 (Exhibits admitted.)

25 (Taken under advisement.)

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STATE OF NEW MEXICO
COUNTY OF BERNALILLO

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 8th day of April 2021.

/s/ Irene Delgado

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