

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Application of Mewbourne Oil Company Case No. 21860
for Compulsory Pooling, Eddy County,
New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING.

MOTION FOR CONTINUANCE

THURSDAY, JUNE 17, 2021

This matter came on for hearing before the
New Mexico Oil Conservation Division, Legal
Examiner William Brancard, Technical Examiner
Leonard Lowe, on Thursday, June 17, 2021, via
the Webex Virtual Conferencing Platform.

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1 (Time noted 8:19 a.m)

2 EXAMINER BRANCARD: With that we go to No. 2 on
3 the agenda, Case 21860, Longfellow. Montgomery & Andrews.

4 MS. SHAHEEN: Good morning everyone. Sharon
5 Shaheen on behalf of Longfellow Energy.

6 EXAMINER BRANCARD: And I have an entry from
7 Contango, Cavin & Ingram.

8 MR. MORGAN: Yes. Good morning, everyone.
9 Scott Morgan with Cavin, Ingram on behalf of Contango.

10 EXAMINER BRANCARD: Okay.

11 Spur Energy, Holland & Hart?

12 MR. RANKIN: Good morning, Mr. Hearing Examiner.
13 Adam Rankin appearing on behalf of Spur Energy Partners
14 with the law firm of Holland & Hart.

15 EXAMINER BRANCARD: BF Petroleum, Hinkle Shanor.

16 Mr. Rodriguez, I think you're muted.

17 MR. RODRIGUEZ: There we go. Can you hear me?

18 EXAMINER BRANCARD: We can now, yes.

19 MR. RODRIGUEZ: Michael Rodriguez with Hinkle
20 Shanor on behalf of BF Petroleum.

21 EXAMINER BRANCARD: Are there any other parties
22 for Case 21860? (Note: Pause.) Hearing none.

23 So we have a motion for continuance, I
24 believe filed by Contango, which has been opposed by
25 Longfellow. Mr. Morgan, can you please explain your

1 interest in this case, your client's interest in this
2 case.

3 MR. MORGAN: Mr. Examiner, thank you. Yes.

4 Contango operates some relatively shallow
5 vertical wells in this field. The proposed Longfellow
6 well will be a horizontal with a lateral that lands very
7 close and just below Contango's wells. And just to go
8 through, just to be clear, we are not necessarily today
9 opposing the well in being drilled, we are just trying to
10 gather some additional information on what the effect of
11 those Longfellow wells may be. The continuance requested,
12 you know, for 28 days from today.

13 You know, hearing there's 110 cases on that
14 July 15 docket may stretch that a little bit.

15 Just to give a brief history: The well
16 Charles State No. 18 well which is operated by Contango
17 was damaged between March 24th and March 28th and was
18 finally returned to production on April 16th. And that
19 damage was caused by the fracking of another well that was
20 approximately, you know, 150 feet away.

21 The reason for the request is to analyze a
22 little bit more of that data now that that well is back on
23 line to actually see what the effect of that damage was
24 and what the effect of the fracks immediately below and
25 150 feet away from that well are. Part of that is looking

1 at, in this particular instance and that particular
2 instance, what the actual drainage radius of the wells
3 are, and what the effect of the fracking of the new wells
4 happens to be.

5 We've just hit that 60 days and now we need
6 that additional time to analyze what that data looks like.

7 Just as an example, the vertical, this well
8 Charles State No. 18 is now producing over five times as
9 much water as previously was produced prior to the
10 fracking of that Spur well. In this particular instance
11 with respect to Longfellow and Spur, that prior Spur well
12 landed about 150 feet or so away from Contango's existing
13 well. In this case the Longfellow well will likely land
14 much closer, like half the distance, closer to about 75
15 feet.

16 So the purpose, I guess, for the
17 continuance is to continue to analyze that data. Now that
18 we have 60 days worth of data, to analyze whether a non
19 perforation zone or an NPZ in that lateral might be
20 appropriate. My understanding from the materials filed by
21 Longfellow is that have expect approximately 2500 barrels
22 of oil per day from their set of five wells that have been
23 proposed, but a nonperforation zone of maybe 50 or 60 feet
24 with respect to Contango's wells would really only reduce
25 their overall daily production by somewhere between four

1 to five barrels of oil a day.

2 So we're asking for that time to do a
3 little bit more of that analysis, and what additional
4 information might be helpful in those Notices, as far as
5 those new fracks.

6 So that is kind of the basis of our
7 request.

8 EXAMINER BRANCARD: Okay. So you're saying the
9 proposed well is 75 feet. Is that vertically or
10 horizontally from an existing Contango well?

11 MR. MORGAN: So horizontally it will be
12 approximately 75 feet. Vertically it's less than 200 is
13 my understanding, but I would have to double check that
14 figure. Close enough that we believe it important to
15 analyze some additional data.

16 EXAMINER BRANCARD: Ms. Shaheen?

17 MS. SHAHEEN: Thank you, Mr. Examiner.

18 I understand that the damage that resulted
19 here on Contango's well resulted from Spur's failure to
20 notify Contango that it would be fracking the well that
21 impacted Contango's well. Longfellow will obviously be
22 providing the requisite Notice to Contango so that it can
23 take the appropriate measures to protect its well, which
24 would include suspended operations and perhaps some other
25 measures that can be taken. So with that proper Notice

1 Contango can protect its well.

2 So that's the first point.

3 The second point is that information
4 related to a well from a mile away that was impacted by
5 another operator's horizontal well won't necessarily be
6 informative here. My understanding is that impact on
7 vertical wells from horizontal drilling and fracking vary
8 widely and can, in fact, actually improve, in some
9 instances, production in the vertical well.

10 So whatever data they get from this
11 particular well that they are concerned about now that was
12 previously damaged by Spur's fracking won't necessarily
13 inform the Division or Contango or Longfellow with respect
14 to impact that could possibly occur given that Longfellow
15 will be giving them the necessary Notice before fracking.

16 So we are prepared to go forward by
17 affidavit. We don't believe that Contango's issue is
18 relevant to the drilling of these Marley wells, because
19 it's unrelated.

20 EXAMINER BRANCARD: Thank you.

21 Mr. Rankin, any comments from Spur Energy?

22 MR. RANKIN: Mr. Hearing Examiner, no comments
23 at this time from Spur.

24 EXAMINER BRANCARD: Mr. Rodriguez, BF Petroleum.

25 MR. RODRIGUEZ: Mr. Examiner, BF Petroleum

1 doesn't take a position in this matter, they are simply
2 preserving their right to a de novo hearing.

3 EXAMINER BRANCARD: Thank you.

4 MR. MORGAN: Mr. Examiner, might I addresses
5 just briefly a couple of those arguments?

6 EXAMINER BRANCARD: Certainly, sir.

7 MR. MORGAN: I appreciate that, sir. Thank you.

8 The argument that with the proper Notice
9 the frack damage, you know potential frack hit may be
10 mitigated, while that is true, the issue here is not just
11 whether damage will occur to that wellbore and that well
12 based on the fracking but we need to be looking what the
13 future production might be.

14 So there's two damage calculations that
15 have to happen. Not just physical damage as in the prior
16 case but als the effect on production, both the primary
17 production, as well as what may happen to secondary
18 production. You know, the injection for secondary
19 recovery there if there are fracks that go into that
20 formation -- which lead me to kind of that discussion.

21 As much as these wells are approximately
22 one mile away, they are approximately the same depth, they
23 are producing from the same formation, the same horizon,
24 and so that information with respect to wells one mile
25 away is absolutely important to inform, because these are

1 the same depths, same formation, so that geologic and the
2 reserve information is nearly identical.

3 MS. SHAHEEN: If I have may just briefly,
4 Mr. Examiner.

5 EXAMINER BRANCARD: Briefly.

6 MS. SHAHEEN: Mr. Morgan mentioned the word
7 damages. Damages is not within the purview of the
8 Division's authority. If Contango is concerned about
9 damages that's something that needs to be taken up with
10 the court.

11 EXAMINER BRANCARD: But our concern is with
12 correlative rights here, and so if we can prevent damages,
13 prevent damaging correlative rights, then I think we might
14 have a role to play.

15 But this is a fairly novel issue for the
16 Division, although not a novel issue for those of you
17 working in the oil field, when frack hits are happening
18 from time to time. And as Ms. Shaheen points out, they
19 are not always negative. So if we are going to discuss a
20 frack hit possibility and whether correlative rights are
21 involved, I think that's a significant issue that needs to
22 be discussed at a contested hearing.

23 And so I think at this point we would be
24 looking for August 19th as a contested hearing on this
25 matter, unless you-all manage to resolve your differences

1 beforehand.

2 MR. MORGAN: August 19 works for us, but I
3 promise to do my best to resolve beforehand.

4 MS. SHAHEEN: Unfortunately August 19 does not
5 work for Longfellow. If we could perhaps have the first
6 September docket date?

7 EXAMINER BRANCARD: Marlene, you gave me -- tell
8 me what dates are good for us going forward. What are
9 they again?

10 MS. SALVIDREZ: September 8 is available.
11 September 23rd is full, so if September 8th doesn't work
12 we will have to go on to October.

13 EXAMINER BRANCARD: Okay.

14 MS. SHAHEEN: Is there a possibility that August
15 5th would work?

16 EXAMINER BRANCARD: I don't know that we know
17 yet how many cases we have for August 5th.

18 Mr. Morgan, September 8th?

19 MR. MORGAN: Mr. Examiner, that would work for
20 Contango at this point.

21 EXAMINER BRANCARD: Okay. I'll check quickly
22 with the other parties.

23 Spur?

24 MR. RANKIN: No objection.

25 EXAMINER BRANCARD: BF Petroleum?

1 MR. RODRIGUEZ: No objection.

2 EXAMINER BRANCARD: All right. Let's set this
3 for September 8th, and I will issue a Prehearing Order in
4 this matter.

5 Thank you.

6 MR. MORGAN: Thank you, Mr. Examiner.

7 EXAMINER BRANCARD: Hopefully this can get
8 resolved.

9 MS. SHAHEEN: Thank you, Mr. Examiner.

10 (Time noted 8:27 a.m.)

11 (Note: Another case was heard.

12 EXAMINER BRANCARD: I just want to go back to
13 Cases 21860. I think we made a little glitch there. I
14 said we were setting the case for September 8th. I think
15 it actually is September 9th is the docket. September 8
16 is a Special Hearing docket.

17 Got that, Mr. Morgan?

18 MR. MORGAN: Mr. Examiner, yes. Thank you.

19 EXAMINER BRANCARD: Thank you.

20 (Time noted 8:34 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 Thursday, June 17,
8 2021, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
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11 foregoing pages are a true and correct transcription to
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13 I FURTHER CERTIFY that I am neither employed by
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18 /s/ Mary Macfarlane
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