

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 SAN JUAN RESOURCES, INC.  
for Approval of the Lindrith East (Deep)  
Unit, Rio Arriba County, New Mexico

Case No. 22399

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, JANUARY 6, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Hearing Examiner, John Garcia and Philip Goetz Technical Examiners, on Thursday, January 6, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

Reported by: Mary Therese Macfarlane  
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A P P E A R A N C E S

FOR SAN JUAN RESOURCES, INC.:

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1 (Time noted 11:41 a.m.)

2 EXAMINER BRANCARD: Okay. We have three  
3 significant cases coming up here, and I wonder if we could  
4 get maybe one of them done before we take a lunch break,  
5 or should we just take a lunch break. 22239, San Juan  
6 Resources, Holland & Hart.

7 MR. FELDEWERT: Mr. Examiner, Michael Feldewert  
8 with the Santa Fe office of Holland & Hart on behalf of  
9 the applicant.

10 EXAMINER BRANCARD: Okay. Mr. Feldewert, how  
11 long do you think this case will go for?

12 MR. FELDEWERT: We have no other parties  
13 appeared, we've submitted our exhibits, which are  
14 affidavits, so it should not be any longer than your  
15 standard cases that you have been dealing with this  
16 morning.

17 EXAMINER BRANCARD: All right. Well, let us go  
18 forward, then.

19 Mr. Garcia, are you okay with that?

20 EXAMINER GARCIA: Yes.

21 EXAMINER BRANCARD: Mr. Baca, how are you doing?

22 MR. BACA: We're good.

23 EXAMINER BRANCARD: All right. Let's proceed,  
24 then, with Case 22399.

25 Are there any other interested persons for

1 Case 22399?

2 Hearing none, Mr. Feldewert you may  
3 proceed.

4 MR. FELDEWERT: Thank you, Mr. Examiner.

5 In this matter San Juan Resources seeks an  
6 Order from the Division approving the Lindrith East (Deep)  
7 Unit, which is a voluntary unit agreement for 8,800 acres  
8 in Rio Arriba County. It is primarily federal lands, 86  
9 percent of the acreage is federal Land, but we have a  
10 little more than 13 percent of Fee, or what is also termed  
11 Patented Lands, which is why we are here before the  
12 Division.

13 This is developed in the Mancos Formation  
14 and the Deeper Dakota Formation initially, but you will  
15 see it's all intervals below the top of the Mancos  
16 Formation.

17 Our hearing package contains our  
18 Application, and then we have Exhibit A, which is the  
19 affidavit of Jerry McKeugh, who is a landman who has  
20 previously testified before the Division. He is the one  
21 that put this together, and he has confirmed for you the  
22 legal description of the acreage that's involved in this  
23 unit, the unitized interval, as well.

24 He provides under his affidavit as Exhibit  
25 A-1 a copy of the unit agreement and the referenced

1 exhibits. And that unit agreement, as you will see from  
2 Exhibit A-2 has been approved by the BLM. We have  
3 received their preliminary -- or I should say their  
4 Logical Designation Letter. It's no longer a preliminary  
5 approval.

6 And Exhibit A-3 contains a Draft Form C-102  
7 for the initial obligation well that is referenced in the  
8 BLM's approval letter and I believe in the unit.

9 Exhibit B is the affidavit of Mr. Boshier  
10 He's a geologist, Richard Boshier. He has not previously  
11 testified before the Division, so Exhibit B-1 outlines his  
12 educational background, his significant work experience,  
13 which, Mr. Examiner, qualifies him to testify as an expert  
14 in petroleum geology.

15 He provides under Exhibit B-2 the deep Type  
16 Log as referenced in the unit agreement and identifies in  
17 that Type Log the initial development targets. There is  
18 some intervals in the Mancos and some intervals in the  
19 Dakota that they hope to target.

20 Exhibits B-3 through B-7 then contains  
21 Structure Maps for both the Mancos and the Dakota. It  
22 also contains for each zone both a Stratigraphic and then  
23 a Structural Cross Section for the Mancos and the Dakota.  
24 And he offers his opinion that the unit area can be  
25 effectively developed under a unitized plan of operation,

1 and that these targeted formations exist across the  
2 proposed unitized area.

3 Exhibit C is my affidavit providing Notice  
4 of this hearing by Certified Mail to a record title owner  
5 and then some royalty owners and overriding royalty owners  
6 in the unit area that we hope will ratify the joint  
7 agreement. But, nonetheless, they are getting Notice of  
8 the hearing in the event they have some concerns.

9 Exhibit D is an Affidavit of Publication.  
10 I can tell you that we sent that request and information  
11 to the Rio Grande Sun on Friday December 17th, well in  
12 advance of the deadline, but unbeknownst to us they don't  
13 publish until a Thursday, so you will see that it did not  
14 get published in the newspaper until December 23rd.

15 With that said, Mr. Brancard you recall Mr.  
16 Rankin did raise an issue about how you calculate the  
17 10-day period, and I did look at the Division's rules on  
18 the computation of time, and it does talk about not  
19 including Saturdays, Sundays, or legal holidays. You then  
20 go to look at what a legal holiday is, and they  
21 specifically identify January 1st for New Year's and  
22 December 25th for Christmas. Both of those dates fell on  
23 the weekend. So it does not appear to me that you would  
24 count the Friday before the weekend or the Monday after  
25 those weekend holidays as not a business day, and if that

1 is the case then the publication by the Rio Grande Sun on  
2 December 23rd is timely.

3                   So that's my input. We ask that  
4 Exhibits A, B, C and D be admitted, and that the matter be  
5 taken under advisement. And of course I'm available to  
6 answer any questions. Mr. Jerry McKeugh is also  
7 available, if we need him, to address any inquiries you  
8 may have. Or you Mr. Garcia, or I see Mr. Goetz, so here  
9 we go.

10                   EXAMINER GOETZ: Yes. I'm going to ask Mr.  
11 Brancard if I could participate.

12                   EXAMINER BRANCARD: Most certainly.

13                   Let's start with Mr. Garcia, or do you want  
14 to defer to Mr. Goetz?

15                   EXAMINER GARCIA: I could start. I think I'll  
16 be quicker than Mr. Goetz.

17                   I guess the point of the 8800 unit before  
18 OCD kind of confuses me in general since OCD typically  
19 doesn't do units for primary production is my  
20 understanding.

21                   But my question is I didn't see any, like,  
22 any plans for development for the 8800 acres. I saw one  
23 C-102, I believe in the exhibits which is one well for  
24 kind of 8800 acres is kind of hard to justify future plans  
25 for development or anything like that. So it would have

1    been nice to see things like that, or if we can get things  
2    like that. I guess I include time lines, well count. The  
3    formation, I think is all going to be in the Mancos, I  
4    think you said.

5                    I guess I just kind of need some more  
6    details personally.

7                    MR. FELDEWERT: Let me say this.

8                    You know, we -- 86 percent of this is  
9    federal lands, so, as you know, the process is the company  
10   goes to the Bureau of Land Management, they present the  
11   idea to the Bureau, the Bureau comes up with the  
12   obligation well that they want to see to hold the unit,  
13   and thereafter there are yearly filings of development  
14   plans for the continuation of this federal unit timely.

15                   Typically where we've had circumstances  
16   where the Division, we understood the Division wanted us  
17   to come before them, and that is when there's State lands  
18   or some Fee lands involved, we have not typically provided  
19   all of the development plans and all of the information  
20   that goes to the BLM, or in the case of State Land Office  
21   to the State Land Office.

22                    So that's why it was not provided here.

23                    EXAMINER GARCIA: Yeah, I understand. Units are  
24   kind of a gray area for me. Personally it would have been  
25   nice to see, if I was tasked to review this case and write

1 Orders and justify approval of 8800 acres -- you know, we  
2 get lot of is this acreage going to be used, is it going  
3 to be wasted. It's easier for us to review cases when we  
4 have information.

5 I understand BLM reviews it first, but OCD  
6 I believe reserves the right to always add additional COAs  
7 on top of BLM approval.

8 That is all I had. I would like additional  
9 details. I will pass to Mr. Goetz.

10 EXAMINER BRANCARD: Mr. Goetz.

11 EXAMINER GOETZ: Thank you, Mr. Brancard.

12 In the affidavit on the development we see  
13 a preliminary target of being the Mancos, and we do have  
14 the Gavilan Mancos as being capable of covering the unit.  
15 Secondary target is the Dakota. Do we have an existing  
16 pool in there or is this something that would have to be  
17 created or addressed, or are we going to have several  
18 Dakota pools?

19 MR. FELDEWERT: Well, of course that is an issue  
20 for the Division. We don't control the pools.

21 There are certainly a Mancos pool up there.  
22 In the initial obligation well is, as I understand it, in  
23 the Mancos.

24 So at this point I don't know, and I don't  
25 believe -- well, the applicant doesn't know, because we

1 had -- I tell you, we had to contact the district office  
2 to figure out where the Mancos pool is, and it took them  
3 quite some time for them to get back to us. Not their  
4 fault, but it took a little time for them to get back and  
5 determine the pool.

6 We did not inquire about the Dakota pools  
7 principally because the obligation well was in the Mancos.

8 EXAMINER GOETZ: Yes. But you're also using  
9 this unit to explore possibly the Mancos, so I'm just --  
10 our concerns with that -- can you hear me?

11 MR. FELDEWERT: I can hear you. Yeah, I can  
12 hear you.

13 EXAMINER GOETZ: In the last Order we wrote for  
14 DJR, we had to specify that a pool had to be created.

15 So yes, this is something that we would  
16 have to include in our exercise of blessing a unit.

17 MR. FELDEWERT: Let me interrupt you there, Mr.  
18 Goetz. I mean, I know a little bit of what you're talking  
19 about.

20 I think -- you know, as you know, there's  
21 circumstances up there where at times the unit area will  
22 encompass more than one pool, and then the question  
23 becomes: Okay, does the Division want to contract one  
24 pool, expand the other pool, do they want to create their  
25 own new pool.



1                   EXAMINER BRANCARD: Can you spell your name for  
2 the record?

3                   THE WITNESS: It's M-c-H-e-u-g-h.

4   EXAMINATION

5 BY MR. FELDEWERT.

6           **Q. Mr. McKeugh, do you have any knowledge about the**  
7 **Dakota pools that may or may not be applicable to your**  
8 **unit acreage?**

9           A. I have a little bit but I'm not sure where this  
10 is going with these wells here.

11                           If you look in the north, northwest of our  
12 unit you'll see the Lindrith Unit Area. There's some  
13 Dakota well up there that were in the West Lindrith Dog  
14 (phonetic) Dakota Pool.

15                           I don't think the Commission could  
16 differentiate when they are just Dakota wells, they still  
17 called them the West Lindrith Gallup Dakota.

18                           So the Basin Dakota is across this area,  
19 too. Wells don't really act like Basin Dakota wells, but  
20 they -- they are a lot more oily and just your basic gas,  
21 but they are still in the same constituent, same formation  
22 as in this area, so...

23                           You asked about penetrations of wells. I'm  
24 looking at a map up here that I had pulled up here in my  
25 files. Wait a sec here.

1                   We have about 10 or 12 penetrations across  
2 the Lindrith Unit -- excuse me, across the -- in the  
3 Lindrith Unit we have penetrations in the Dakota in 25,  
4 24, 14, 3, 11 and 12. So...

5   EXAMINATION

6 BY EXAMINER GOETZ:

7           **Q. In this proposed unit you don't have any**  
8 **vertical wells, or...**

9           A. No, most of those wells I'm referring to are  
10 (inaudible).

11          **Q. That's fine.**

12          A. We don't offer any wells in this proposed unit.

13          **Q. Just two other questions which would be probably**  
14 **more of Mr. Feldewert.**

15                                   **The affidavit of the landman says that you**  
16 **have 35 percent of the total working interest committed at**  
17 **this time. Has that gotten anywhere?**

18           MR. FELDEWERT: It would be Mr. McKeugh that  
19 could testify to that. I think he can, uh...

20          A. I think we've about 83 percent of the working  
21 interest owners out there, working interest owners in the  
22 Mancos and below, so I mean we've leases going back to the  
23 late '40s and current Fee leases, so it's quite a cross  
24 section of leases.

25                                   So we've been in the process of getting the

1 ratifications. I think since we filed that affidavit last  
2 week we're probably up to about, oh, 45, 50 percent that  
3 are assigned. So we are still awaiting those, just  
4 working on that.

5 **Q. So any of these interests affected by depth**  
6 **severance?**

7 A. Yes. Although their interests in the unit are  
8 not. Just from the top of Mancos on down that's very  
9 consistent, but -- I think that's 100 percent consistent,  
10 Mr. Goetz. They don't get broken up in the Lower Mancos.  
11 Usually the biggest cut-off is below the base of the PC.

12 MR. GOETZ: Okay. Just want to make sure, again  
13 going back through our history we created some problems as  
14 a result of not asking those questions.

15 MR. McKeugh: No, those are good questions.  
16 Those are good questions.

17 MR. GOETZ: Anyhow, that's all I have.

18 Mr. Brancard.

19 EXAMINER BRANCARD: Yes.

20 EXAMINATION

21 BY EXAMINER BRANCARD:

22 **Q. I'm trying to get a sense of where this unit is.**  
23 **Is the south end of the unit touching the Jicarilla Apache**  
24 **Reservation?**

25 A. Yes, sir, that's correct.

1           **Q.    Was Notice provided to the Jicarilla Apache**  
2 **Tribe?**

3           A.    No.

4           EXAMINER BRANCARD:   So, Mr. Feldewert, when you  
5 say that the BLM has approved the unit, are you talking  
6 about the entire 880 acres -- 8800 acres?

7           MR. FELDEWERT:   Yes.   If you look at Exhibit A-2  
8 it references the 8,800 acres

9           EXAMINER BRANCARD:   Okay.

10          MR. FELDEWERT:   Yes.

11          **Q.    (Continued) So what you brought before us is**  
12 **exactly what the BLM has already --**

13          A.    Exactly.   Exactly.

14          EXAMINER BRANCARD:   And you're asking for our  
15 blessing of some sort?

16          MR. FELDEWERT:   Well, Mr. Brancard, you and I  
17 have had discussions about this in the past.   You have  
18 made very clear if it's 100 percent federal acreage we  
19 don't need to come before the Division unless the BLM says  
20 otherwise.   Here we have a little over 13 percent that's  
21 not federal acreage.   Traditionally I think the Division  
22 has -- we've come before the Division to provide a forum  
23 if anyone objects, and to provide an Order approving the  
24 unit with respect to the fee or state acreages, and it's  
25 usually done by exactly what we presented today.

1           EXAMINER BRANCARD: So going forward, though,  
2 the administration of the unit, and as you discussed, it  
3 would be largely -- the plans will be taken to the BLM,  
4 correct? They will be the ones that will be administering  
5 how San Juan Resources will develop it.

6           MR. FELDEWERT: Jerry, are you familiar...

7           MR. McKEUGH: That's correct. Yeah, that's  
8 correct.

9           MR. FELDEWERT: I was just trying to find a  
10 portion of the Interim Agreement that references that, but  
11 that's my understanding, yes.

12           EXAMINER BRANCARD: So it's really not -- if we  
13 approve this in some fashion we really are not involved in  
14 the administration as you stated.

15           MR. FELDEWERT: Correct.

16           EXAMINER BRANCARD: It's a federal unit.

17           MR. FELDEWERT: It's a federal unit, yes.

18           EXAMINER BRANCARD: And a federal Unit Agreement  
19 Form.

20           MR. FELDEWERT: Correct. It's what they call --  
21 I believe they call it Federal Fee, perhaps.

22           EXAMINER BRANCARD: Okay. It's a certain type  
23 of agreement they have.

24           MR. McKEUGH: This is --

25           MR. FELDEWERT: This certainly follows the

1 federal form, because they wouldn't approve it unless you  
2 followed the federal form you had to follow. They control  
3 this.

4 EXAMINER BRANCARD: Okay. I don't mind, and I  
5 think it's a good precedent to have the OCD review these  
6 and ask questions like we are today, and give some form of  
7 blessing going forward, but this is a federal unit.

8 MR. FELDEWERT: Yes.

9 EXAMINER BRANCARD: So if things fall apart, not  
10 our problem.

11 MR. FELDEWERT: I think you could characterize  
12 it that way, yeah.

13 MR. BRANCARD: Okay.

14 MR. FELDEWERT: In other words, the BLM is going  
15 to control this.

16 EXAMINER BRANCARD: Yeah.

17 All right. I would assume they would deal  
18 with FIMO and Jicarilla and all that if there are any  
19 issues.

20 MR. FELDEWERT: The Jicarilla and Tribal are not  
21 involved. There's no tribal land involved here, and so  
22 it's the BLM that is the director here and manager.

23 And you'll see, you know, if you take a look at  
24 their Logical Designation Letter, there are some  
25 requirements in there that have to get met.

1                   Uhm, and if you look at the Interim  
2 Agreement you will see it's all referencing submissions to  
3 the BLM.

4                   So I think there's no question as to  
5 whether we won't have to come before you guys, but we  
6 always have in the past when it's not 100 percent federal  
7 land.

8                   EXAMINER BRANCARD: And I believe it's also  
9 helpful, to, you know, our folks out in the field to  
10 understand where these units are located in terms of well  
11 names, et cetera, and how these units are being governed  
12 and how the wells are being governed.

13                  MR. FELDEWERT: Yes. That's a good point. Good  
14 point. Because it helps the field personnel understand  
15 what belongs to what.

16                  EXAMINER BRANCARD: All right.

17                  Mr. Garcia, Mr. Goetz, any other questions?

18                  EXAMINER GARCIA: No questions.

19                  EXAMINER GOETZ: No questions.

20                  EXAMINER BRANCARD: Mr. Goetz, is there any  
21 follow up that we need from San Juan Resources?

22                  EXAMINER Goetz: No. I mean, they have answered  
23 all the questions. If it is such that we need to include  
24 an option in the Order that we say the District needs to  
25 be aware and create a pool to address situations, that's

1 the only thing I would see added.

2 EXAMINER BRANCARD: Right. Any amendment to the  
3 scope of the unit you can add or you can subtract to it.

4 MR. GOETZ: Yes. The standard language.

5 EXAMINER BRANCARD: All right.

6 Are there any other persons here interested  
7 in Case 22399?

8 Hearing none, I guess at this point we will  
9 take this case under advisement.

10 MR. FELDEWERT: Thank you, Mr. Examiner.

11 MR. McKEUGH: Thanks everybody. Thanks for  
12 your questions, and Happy New Year.

13 (Time noted 12:06 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,  
8 January 6, 2022, the proceedings in the above-captioned  
9 matter were taken; 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  
NM Certified Court Reporter No. 122  
License Expires: 12/31/2022

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