

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:

APPLICATIONS OF SPUR ENERGY PARTNERS, LLC
FOR APPROVAL OF AN OVERLAPPING HORIZONTAL
WELL SPACING UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

CASE NOS. 22597, 22598

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
MARCH 3, 2022
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, March 3, 2022, 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 Spur Energy:

ADAM RANKIN
HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, NM 87501

For Apache Corporation:

EARL DEBRINE
MODRALL SPERLING ROEHL HARRIS & SISK PA
500 4th Street, NW, Suite 1000
Albuquerque, NM 87102

For Contango:

SCOTT S. MORGAN
CAVIN & INGRAM
P.O. Box 1216
Albuquerque, NM 87103

I N D E X

CASE CALLED

STATUS CONFERENCE 03

REPORTER CERTIFICATE 10

1 HEARING EXAMINER: With that we have our last two
2 status conferences, that would be Cases 22597, 22598, Spur
3 Energy Partners.

4 MR. RANKIN: Good morning, Mr. Examiner. May it
5 please the Division. Adam Rankin appearing on behalf of the
6 applicant in this case Spur Energy Partners with the
7 Santa Fe office of Holland & Hart.

8 HEARING EXAMINER BRANCARD: Okay. We have a
9 number of entries here. Apache Corporation?

10 MR. DEBRINE: Good morning, Mr. Examiner. Earl
11 Debrine with the Modrall Sperling firm on behalf of Apache.

12 HEARING EXAMINER BRANCARD: Thank you, good
13 morning. Jalapeno Corporation?

14 (No audible response.)

15 HEARING EXAMINER BRANCARD: The Gallegos Law
16 Firm? Going once? Contango Oil & Gas?

17 MR. MORGAN: Good morning, Scott Morgan with
18 Cavin & Ingram on behalf of Contango Oil & Gas.

19 HEARING EXAMINER BRANCARD: So these were cases
20 that were once other cases and got replaced by these new
21 cases. We had a prehearing order and we have all sorts of
22 objections against going ahead. I guess, Mr. Rankin, where
23 are we?

24 MR. RANKIN: Thank you, Mr. Examiner. You are
25 correct. This a situation where there are some prior

1 existing vertical wells and spacing units that overlap with
2 Spur's proposed horizontal spacing units in this acreage.

3 To add to the complexity, there is a depth
4 severance as well, which is why there are two different
5 applications because of the depths within the same
6 formation.

7 In light of the fact that Spur has modified
8 slightly it's well development plans, we filed updated
9 revised applications reflecting requests for approval for
10 overlapping spacing units, and so it will be changing its
11 initial wells by reducing a number of initial wells in the
12 plan of development.

13 The other parties can speak for themselves, but
14 in light of the slight change in well development plans and
15 their request for additional information, we sought to set
16 today's hearing for a status conference so that we could set
17 a date for a contested hearing should that be necessary.

18 Our preference, Mr. Examiner, would be to hold a
19 contested hearing at the earliest possible date. There are
20 no competing well development plans in these cases. As I
21 understand it, and the other parties can speak for
22 themselves, but there is concern about the location of the
23 wells and potential impacts to their existing vertical
24 wells.

25 So in light of that, you know, I don't think that

1 it would be necessary to extend the date for these hearings
2 out too much longer, but I understand there is competition
3 for the docket on contested cases. So with that, Mr.
4 Examiner, I will let the other parties speak for themselves,
5 but we would ask that these cases be set at the earliest
6 possible date for a contested hearing, and if you have any
7 questions, I'm happy to address them at this time.

8 HEARING EXAMINER BRANCARD: Thank you.
9 Mr. Debrine?

10 MR. DEBRINE: Good morning, Mr. Examiner. We
11 believe the cases should be set for contested hearing not
12 sooner than a couple of months out. We recently got some
13 data from Spur. Apache needs time to evaluate that. These
14 cases are complex. They present the risk of well collision
15 which could be catastrophic, so we need to proceed very
16 carefully. There are competing well development plans in
17 that there is already vertical development where Apache is
18 the operator of numerous wells within the proposed
19 horizontal spacing unit.

20 So we would ask that any contested hearing not be
21 set until a couple, two to three months out so that we can
22 analyze the data and see if we can reach agreement on a
23 development plan that works for everybody.

24 HEARING EXAMINER BRANCARD: Thank you.
25 Mr. Morgan?

1 MR. MORGAN: Thank you, Mr. Examiner. Contango
2 Oil & Gas is similarly situated to Apache with existing
3 development and considering future development, so we agree
4 to have a contested hearing set sometime in the next couple
5 of months from now, May or June would probably be best for
6 Contango.

7 HEARING EXAMINER BRANCARD: I will ask once again
8 if there is anyone hear for Jalapeno Corporation.

9 (No audible response.)

10 HEARING EXAMINER BRANCARD: Hearing none, all
11 right, then we will set a contested hearing for June 2.

12 MR. RANKIN: Mr. Examiner, I don't know if that
13 date is because that's the earliest available date for a
14 contested hearing or if it's because of giving deference for
15 their request for more time, but if I may respond to their
16 comments about --

17 HEARING EXAMINER BRANCARD: Yes and yes.

18 MR. RANKIN: Number one, these wells were
19 proposed back in December, and so they have had a
20 significant amount of time to evaluate the alternative
21 development that Spur has proposed, so it's not like this is
22 a new plan of development that just came upon these
23 companies recently. So they have had months now to evaluate
24 the potential impact of the, of the plan of development that
25 Spur is proposing.

1 Number two, there are fewer wells being proposed
2 here than what was originally proposed. Now, Spur has
3 provided both companies with information they requested
4 almost a month ago now.

5 And so it's -- I believe that's pushing us out
6 for another two months into June. It's, it's almost too
7 much time, so I would ask, if at all possible, that we can
8 set this case earlier in May so that we can proceed. I
9 believe that both companies are just trying to push these --
10 this hearing out for dilatory purposes, and we would request
11 that the Division set these for an earlier date.

12 MR. DEBRINE: If I could respond, Mr. Examiner?

13 HEARING EXAMINER BRANCARD: Certainly,
14 Mr. Debrine.

15 MR. DEBRINE: There is no evidence that Apache is
16 requesting a hearing in a couple of months for dilatory
17 purposes. The data that we got, it wasn't, it wasn't a
18 month ago, it was about two and a half weeks ago we have
19 been requesting for several months. It was supposed to be
20 given in December. We finally got it.

21 There was an implicit agreement that we were
22 going to have sufficient time to evaluate that before these
23 cases went to hearing. And there was a three-month time
24 line that was discussed when we were going to get the
25 information in December.

1 So there has been no dilatory intent or purpose.
2 I think it makes sense, these are very complex cases that
3 need careful deliberation and preparation. We don't want to
4 trouble the Division with subpoenas to try to get more
5 information. I think we have the data we need to evaluate
6 and we just need more time to do that and see if we can
7 reach agreement with Spur.

8 HEARING EXAMINER BRANCARD: Mr. Morgan, I don't
9 know if you want to add.

10 MR. MORGAN: I think () are correct, that data we
11 received just a couple weeks ago, three weeks ago and have
12 not had time to review that with my clients.

13 HEARING EXAMINER BRANCARD: All right. Well, we
14 are going to stick with June 2.

15 MR. RANKIN: Mr. Examiner, I might just add that
16 if Mr. Debrine and Mr. Morgan can inquire of their clients
17 at their earliest possible date, if there is any information
18 that they don't have that they believe they need to evaluate
19 the impact of these wells on their existing developments,
20 would they please confer with their clients to let us know
21 as soon as possible.

22 I believe Spur has been in contact with their
23 clients to find out if there is any more information or
24 questions that they have. So I would ask that they confer
25 with their clients as soon as possible to let us know if

1 there is anything further they need to complete their
2 evaluation in a timely manner so we can be ready to go in
3 June.

4 HEARING EXAMINER BRANCARD: Thank you.

5 MR. DEBRINE: We will do that.

6 MR. MORGAN: Absolutely.

7 HEARING EXAMINER BRANCARD: Thank you. Any other
8 comments on Cases 22597 and 598?

9 (No audible response.)

10 HEARING EXAMINER BRANCARD: Hearing none, they
11 will be set for contested hearing on June 2, and we will
12 issue a prehearing order. Thank you, everyone, for the
13 status conferences this morning.

14 (Concluded.)

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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 extremely poor to good quality.

Dated this 3rd day of March 2022.

/s/ Irene Delgado

Irene Delgado, NMCCR 253
License Expires: 12-31-22