

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 Strata Production Co. to Amend Order R-22047 Eddy County, New Mexico	Case No. 22657 Order No. 22047 (Re-Open)
Application of Strata Production Co. to Amend Order R-22048, Eddy County, New Mexico	Case No. 22658 Order No. 22048 (Re-Open)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 7, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiners, John Garcia and Philip Goetze, Technical Examiners, on Thursday, April 7, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
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A P P E A R A N C E S

FOR STRATA PRODUCTION COMPANY: Sharon T. Shaheen, Esq.
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C O N T E N T S

CASE NOS. 22567, 22568	PAGE
CASE CALLED:	3
PRESENTATION BY MS. SHAHEEN:	3
MITCH KRAKAUSKAS SWORN AND QUESTIONED:	6
TAKEN UNDER ADVISEMENT: (Documents to BE PROVIDED)	8

I N D E X O F E X H I B I T S

STRATA PRODUCTION COMPANY EXHIBITS	PAGE
A Affidavit of Mitch Krakauskas:	8
1-A Application for Case 22657	8
1-B Application for Case 22658	8
2-A Order No. 22047	8
2-B Order No.22048	8
3 Sample Pooling Proposal Letter	8
4 Sample Notice Letter	8
B Affidavit of Notice	8

1 (Time noted 1:23 p.m.)

2 EXAMINER BRANCARD: With that we move on to
3 Cases 22657, 22658 Strata Production.

4 MS. SHAHEEN: Sharon Shaheen, Montgomery &
5 Andrews on behalf of Strata Production Company. And these
6 to cases -- I'm sorry. Go ahead.

7 MR. BRANCARD: Are there any other interested
8 persons for Cases 22657, 22658?

9 Hearing none, Ms. Shaheen.

10 MS. SHAHEEN: Thank you. These cases are similar
11 to the previous Strata cases, the Road Runner. These are
12 the FNRU Fed Com, and I'm sure you will recall that the
13 difference in these is that they include a 40-acre tract
14 that's in the Federal FNRU Unit. What is it, federal --
15 I'm not going to remember the name of it right now but
16 they are in a federal unit. They were previously pooled
17 in Case Nos. 22437 and 22438. Again I believe the only
18 party pooled in those proceedings was OXY as a working
19 interest owner, and so we are seeking to amend those
20 Orders issued in those cases, R-22047 and R-22048 to pool
21 overrides that also pool -- apparently there are some fee
22 royalty owners without pooling clauses that are in the
23 unit, and so that's what we are seeking to do here.

24 The, cases involve the FNRU 24 23 III 15H well
25 and the FNRU 22 23 PPI 16H WELL.

1 Again Mr. Krakauskas sent letters to the
2 royalty owners, I've defined them as royalty owners,
3 paragraph 14, on February 25th, seeking their voluntary
4 agreement through ratifications to the com agreement, and
5 64 of the overrides and royalty owners without pooling
6 clauses responded by providing ratifications.

7 Moving on, we sent the same exhibits that
8 we had in the last case. The application is Exhibit 1-A
9 and 1-B, the two applications.

10 Exhibits 2-A and 2-B are the Orders that
11 were previously entered.

12 Exhibit 3 at .pdf page 29 is the
13 ratification letter that went out from Mr. Krakauskas.

14 Exhibit 4 is my Notice Letter, and Exhibit
15 A to Exhibit 4 has the list of overrides and royalty
16 owners without pooling clauses who were Noticed. And
17 again it includes BLM and the State Land Office, so I will
18 have to make that clarification in this case, as well.

19 Behind Tab 2 is my Affidavit of Notice. We
20 sent mail again, along with the other cases, on March
21 18th, published on March 22nd, and Exhibit A to the
22 Affidavit of Notice, that's at .pdf page 41, provides the
23 spreadsheet of who received the certified mailings, and I
24 believe there are one, two, three, four, five who did not.
25 As of the date this was updated, which I believe was

1 Monday of this week, there are five people who did not
2 receive their Certified Mail.

3 Then finally once you get past all the
4 green cards you get to the Affidavit of Publication on
5 .pdf page 83. I'm going to go out on a limb here and
6 guess you want me to provide the same two things with
7 respect to this application, which I'm happy to do. That
8 would be Chronology of Contact with the overrides, and the
9 supplemental exhibit with the short affidavit identifying
10 the parties who are being pooled.

11 And with that I would ask the exhibits be
12 admitted about the record and the case be taken under
13 advisement.

14 EXAMINER GARCIA: With that I have no other
15 questions.

16 MS. SHAHEEN: Thank you.

17 EXAMINER BRANCARD: Thank you. So there is two
18 categories here. Now we have the overriding interests and
19 we have lessors whose leases don't have a pooling clause.

20 MS. SHAHEEN That's correct. At least that's my
21 understanding. Mr. Krakauskas may be here, if you any
22 questions he may have an answer to. My understanding is
23 that because they're allocating on a percentage in the
24 unit they've included all of the fee royalty owners in the
25 unit. That's my understanding.

1 Q. So --

2 MR. KRAKAUSKAS: That's correct. This is Mitch
3 Krakauskas.

4 EXAMINER BRANCARD: Mr. Krakauskas, there you
5 are.

6 MR. KRAKAUSKAS: Yes, sir.

7 EXAMINER BRANCARD: Just for the sake of
8 purposes here, would you raise your right hand.

9 (Note: Whereupon Landman Mitch Krakauskas was
10 duly sworn by Examiner Brancard.)

11 EXAMINER BRANCARD: If we have another question
12 for you.

13 I guess my question -- on Exhibit A, which
14 again it doesn't again appear to be any distinction
15 between these two groups, the overrides and the lessors.

16 MR. KRAKAUSKAS: We can break that out and
17 resubmit that exhibit however you would like it done.

18 EXAMINER BRANCARD: Okay. So what are we doing
19 with State of New Mexico Taxation & Revenue Department?

20 MR. KRAKAUSKAS: We are working with Scott
21 Dawson currently to submit a State Com. I received some
22 of the final signature pages on Monday, we should get that
23 out the first of next week. And State will agree to
24 communitize on a State Com form.

25 EXAMINER BRANCARD: So Mr. Dawson I believe is

1 the State Land Office, but you also have Taxation &
2 Revenue Department.

3 MR. KRAKAUSKAS: And I'll defer to Ms. Shaheen
4 on that one.

5 MS. SHAHEEN You know, I'm not completely sure
6 but I think what happened is we identified the folks who
7 are already receiving revenues in the unit and used those
8 addresses. And I was guessing that that Tax & Rev may
9 have been the place where the royalties for the unit are
10 being submitted.

11 Now, that's a guess on my part, but we can
12 certainly look into that and figure out where that address
13 came from.

14 EXAMINER BRANCARD: Because I mean they would
15 receive the severance taxes on the unit, but royalties
16 probably should just go straight to the Land Office.

17 But then again -- once upon a time there
18 was a computer system where all that type of stuff was
19 linked. The legendary ongoing. So I don't know who gets
20 what anymore or how it flows through.

21 MS. SHAHEEN That's true. And I guess we can
22 look into that, and if it turns out there ws really no
23 reason for the Tax & Rev to be on there, we can let you
24 know. But if there is, we could include in Mr.
25 Krakauskas' Supplemental Affidavit what we do learn about

1 that.

2 EXAMINER BRANCARD: Okay. I mean, if they fall
3 in the same category, say, as the BLM that you're just
4 notifying them for the sake of notifying them, that's
5 fine.

6 MS. SHAHEEN: All right. We could take a look
7 at that.

8 EXAMINER BRANCARD: The assumption being you're
9 not pooling them.

10 MS. SHAHEEN: Frankly, I don't know why they are
11 there. So I don't think we would be pooling them, but
12 we'll have to take a look as to why they were included.

13 EXAMINER BRANCARD: All right.

14 Mr. Garcia, anything else?

15 EXAMINER GARCIA: I have no other questions.

16 EXAMINER BRANCARD: All right. So again with
17 this case if we could just clarify who are the parties
18 that are actually being pooled. And obviously there are
19 two different categories, overriding royalty owners and
20 lessors. Put them in two buckets, that would be great.

21 And then other than that, are there any
22 other persons interested in Cases 22657 or 22658? (Note:
23 Pause.)

24 Hearing none, 22657, -658 will be taken
25 under advisement, the exhibits will be admitted into the

1 record, and with the exception of providing the
2 information that we just discussed.

3 MS. SHAHEEN: Thank you.

4 (Time noted 1:33 p.m.)

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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, April 7,
8 2022, the proceedings in the above-captioned matter were
9 taken before me; 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

19 /S/CCR/Mary Therese Macfarlane

20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
License Expires: 12/31/2022

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