

STATE OF NEW MEXICO

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

Application of SPC RESOURCES, LLC  
For Compulsory Pooling,  
Eddy County, New Mexico

Case Nos. 22554, 22555

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 7, 2022

STATUS CONFERENCE

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiner, John Garcia Technical Examiner, 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  
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A P P E A R A N C E S

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C O N T E N T S

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1 (Time noted 8:53 a.m.)

2 EXAMINER BRANCARD: All right. Let's look at  
3 the next items to agenda and see what we're going to do  
4 here. This is Cases 22554, 22555, SPC Resources.

5 MR. RANKIN: Mr. Examiner, Adam Rankin from  
6 Holland and Hart appearing on behalf of the applicant in  
7 these two cases, SPC Resources, LLC.

8 EXAMINER BRANCARD: Okay. I have an entry of  
9 appearance for Jalapeno Corporation. (Note: Pause.)  
10 Crickets.

11 Earthstone Permian, LLC.

12 MS. HARDY: Yes, Mr. Examiner. Dana Hardy with  
13 the Santa office of Hinkle, Shanor on behalf of Earthstone  
14 Permian, LLC, In Case. No. 22554.

15 EXAMINER BRANCARD: Okay.

16 Then I have an entry from Coterra Energy.

17 MR. SAVAGE: Mr. Examiner, Darin Savage with  
18 Abadie & Schill on behalf of Coterra Energy, Incorporated,  
19 which also includes Cimarex Energy Company.

20 EXAMINER BRANCARD: And is Coterra just in -555?

21 MR. SAVAGE: Apparently so, Mr. Examiner.

22 EXAMINER BRANCARD: So we had an objection to  
23 this case moving forward by affidavit. That objection was  
24 withdrawn late yesterday after business hours. Do we  
25 have -- I guess I'll ask Ms. Hardy. What's the position

1 of your client on this case?

2 MS. HARDY: Earthstone does not object to the  
3 case going forward by affidavit, Mr. Examiner.

4 EXAMINER BRANCARD: Mr. Savage, Coterra?

5 MR. SAVAGE: Mr. Examiner, we are just  
6 monitoring and preserving rights.

7 EXAMINER BRANCARD: Okay.

8 MR. SAVAGE: We don't take a position at this  
9 time.

10 EXAMINER BRANCARD: All right. So Mr. Rankin,  
11 I'm assuming you want to move ahead with a hearing today.

12 MR. RANKIN: Mr. Examiner, we would be more  
13 than happy and in fact request permission to proceed to  
14 hearing today by affidavit.

15 EXAMINER BRANCARD: All right. And how many  
16 parties are you attempting to pool today?

17 MR. RANKIN: So real quickly I will tell you I  
18 believe in one case it's around 650, and in the second  
19 case, and I may have the numbers reversed for each case,  
20 the other case it's around -- I do have them reversed.

21 The first case it's around 800 -- I'm  
22 sorry, 1800. Slip of the tongue. 1800 in the first case,  
23 and approximately 650 or so in the second case.

24 EXAMINER BRANCARD: Okay. I mean, judging from  
25 your map -- which is the only thing I could read in your

1 exhibits, by the way. You know, when you put a huge map  
2 into your exhibit package it therefore diminishes the size  
3 of all the other pages in your exhibits. If you try to  
4 enlarge them, at least on my computer they disappear off  
5 to the right side of the screen.

6 So just in the future if you are going to  
7 put a huge map in you might sort of submit your exhibits  
8 in two packets. That's allowable. Mr. Bruce does it all  
9 the time.

10 MR. RANKIN: I'm sorry, that does not happen on  
11 my screen, so I did not realize that was an issue.  
12 Apologize for that.

13 EXAMINER BRANCARD: But it appears that SPC is  
14 planning to drill two- and three-mile laterals underneath  
15 whole neighborhoods in Carlsbad.

16 MR. RANKIN: That's correct, Mr. Examiner.

17 EXAMINER BRANCARD: Okay. Here is what I'd like  
18 to do since I had already set this case for status  
19 conference today. I'd like to continue this case for a  
20 month, because I would like to have live witnesses here.  
21 In particular, if it's helpful, your land people, I would  
22 like them to be able to discuss in detail the outreach  
23 they made to all those pooled parties. This is not our  
24 usual kind of pooling case. This has the possibility of  
25 setting a precedent for urban area development. Mr.

1 Rankin, you could be back in a month with Rio Rancho,  
2 Albuquerque, Santa Fe. And the people we are dealing with  
3 here who are being pooled do not appear to be, many of  
4 them, folks who know all the nuance of a JOA or what each  
5 line of an AFE means. You know, in fact we've gotten  
6 letters from people saying, "Is this a good deal they're  
7 offering us?" You know, OCD can't really help them  
8 negotiate with SPC on the deal.

9 But these are handwritten letters we are  
10 getting from people. So we would really like to have SPC  
11 sort of explain in detail their outreach to people in this  
12 situation. Did you have neighborhood meetings? Did you  
13 go door to door? What did you do?

14 I would assume there would be some sort of,  
15 you know, meetings with the City of Carlsbad on this.

16 So if you could explain all that and get  
17 that ready for us in a month, we'll put you on the docket  
18 in a month. Is that possible?

19 MR. RANKIN: Yes. Happy to do that.

20 As a reminder, this is not the first case  
21 that SPC has brought in which they are seeking and have  
22 been approved to drill wells under the City of Carlsbad.  
23 They have previously testified with live witnesses and  
24 have reviewed their process and procedure to identify and  
25 negotiate and lease out their interest with these owners,

1 under the city, at the city, including the city itself,  
2 Board of Education. And they went through how they set up  
3 an office and went door to door. And that testimony is in  
4 these affidavits here. So it's been done before and has  
5 previously appeared before the Division, but we are happy  
6 to accommodate your request to have more time and to bring  
7 live witnesses in to be able to answer those questions in  
8 detail if you have any additional questions or follow-ups  
9 based on, you know, their efforts and process.

10 EXAMINER BRANCARD: Okay. Great. So why don't  
11 we set this, then, for May 5th.

12 MR. RANKIN: Okay.

13 Mr. Examiner is this a situation where the  
14 Division is continuing this cause and we will not be asked  
15 to continue ourselves?

16 EXAMINER BRANCARD: Yeah, we will put it on the  
17 docket for May 5th. Thank you. You do not need to file a  
18 continuance.

19 MR. RANKIN: Mr. Examiner, I think we've been  
20 noticed previously by the Division, but April 21st  
21 is already -- have -- it's not available, is that correct?

22 EXAMINER BRANCARD: Yes. Like I said, there's  
23 at least 150-plus cases.

24 MR. RANKIN: Thank you.

25 EXAMINER BRANCARD: All right. So Cases 22554,

1 22555, SPC Resources, will be continued to May 5, for a  
2 live hearing with witnesses. Thank you.

3 (Time noted 9:01 a.m.)

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REPORTER'S CERTIFICATE

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I, MARY THERESE MACFARLANE, New Mexico Reporter

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CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 7,

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2022, the proceedings in the above-captioned matter were

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taken before me; that I did report in stenographic

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shorthand the proceedings set forth herein, and the

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foregoing pages are a true and correct transcription to

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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

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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/S/CCR/Mary Therese Macfarlane

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MARY THERESE MACFARLANE, CCR

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