

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 Spur Energy Partners, LLC,
for a compulsory pooling order replacing
and revoking Order Nos. R-21580 and R-21853,
Eddy County, New Mexico

Case No. 22767

TRANSCRIPT OF PROCEEDINGS

May 5, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq., Hearing Examiner, Dean McClure, Technical Examiner, on May 5th, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

REPORTED BY: SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
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A P P E A R A N C E S

For Spur Energy Partners, LLC:

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BY: ADAM RANKIN

I N D E X

Case called	3:1
Summary of case and exhibits	3:14
Taken under advisement	12:8
Court Reporter's Certificate	13:1

1 (Time noted as 11:44 a.m.)

2 EXAMINER BRANCARD: Let's see if we can get a few
3 more done here. Item Number 70 on today's docket worksheet.
4 This is Case Number 22767, Spur Energy Partners.

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

9 EXAMINER BRANCARD: I do not see any other entries
10 of appearance.

11 Is there any other parties entering an appearance in
12 Case 22767?

13 Hearing none, Mr. Rankin, you may proceed.

14 MR. RANKIN: Thank you, Mr. Examiner. In this
15 case, Spur is seeking to combine essentially acreage in the
16 Yeso formation that was previously pooled under different
17 orders and so, therefore, is seeking to dismiss or, rather,
18 I guess, dismiss or replace or revoke those prior pooling
19 orders, and is now seeking a single order pooling that
20 acreage and dedicating new initial wells to the revised
21 enlarged 320-acre proposed spacing unit. The cases at issue
22 and the orders at issue previously, that were previously
23 issued by the Division pooling this acreage, are Orders
24 R-21580, as amended; they were extended by a year, and
25 R-121583, as amended, because it was extended by a year.

1 So consequently, Spur in this case, as I mentioned, is
2 seeking to replace and revoke those orders with a single
3 order pooling all uncommitted interests in this case only on
4 a portion of the Yeso formation from 3,000 -- from below
5 3,000 feet or from 3,001 feet down to the base of the Yeso
6 within the proposed 320-acre horizontal spacing unit that
7 would be comprised, now, of the S/2 of Section 18 in
8 Township 18 South, Range 27 East, in Eddy County.

9 Submitted on Tuesday is an exhibit packet consisting
10 of Exhibits A through F. A is the checklist that identifies
11 the formation, the dedicated assigned pool, which is the Red
12 Lake Glorieta-Yeso pool. The acreage that will be dedicated
13 in the wells, that would be dedicated. In this case, there
14 will be a defining well that serves as a proximity well. It
15 is located within 330 feet of the adjacent quarter-quarter
16 sections allowing that acreage to be included, and that will
17 be the Baffin 20H well. The C -- Exhibit A also identifies
18 all the other wells that will be initial wells dedicated to
19 the spacing unit and the other elements required for the
20 pooling.

21 Exhibit B is the application that was filed in this
22 case reviewing the reasoning and the justification for
23 seeking to combine the acreage into a single spacing unit.
24 Exhibit C is the affidavit of Spur's landman, Mr. Drew
25 Oldis. Mr. Oldis has not previously had the opportunity to

1 testify before the Division. He reviews his education and
2 work experience as a landman, and attached to his affidavit,
3 Exhibit C1, which is his resume. Based on his experience
4 and education, Mr. Examiner, I would move to tender
5 Mr. Oldis as an expert in petroleum land matters before the
6 Division.

7 EXAMINER BRANCARD: So accepted as an expert.

8 MR. RANKIN: Thank you. Mr. Oldis' affidavit
9 identifies the acreage that they're seeking to pool and
10 explains, again, the reasoning behind it. And identifies
11 fact of a depth severance in this acreage. He identifies
12 also the wells that will be initially proposed to be
13 dedicated to the enlarged spacing unit. His affidavit
14 includes Exhibit C2, which are the draft form C-102s for
15 each of the proposed initial wells, reflecting that they'll
16 be assigned to the Red Lake Glorieta-Yeso pool and that they
17 are compliant with the setback requirements for oil wells on
18 a statewide basis.

19 Exhibit C3 is the plat that outlines the proposed
20 spacing unit being pooled along with the individual
21 separately owned tracks that comprise it. It's a little bit
22 of a complicated tract map. Along with it, Mr. Examiner,
23 are the breakdown of the ownership interests in each tract
24 and also on a spacing-unit basis. The parties that Spur is
25 seeking to pool are identified, highlighted on that exhibit

1 in yellow, and then following is the sample of the well
2 proposal letter that was sent -- there's two examples. One
3 was sent to working interest owners and one was sent to
4 unleased middle owners, reflecting their efforts to reach
5 agreement.

6 Included with each is an AFE of estimated costs for
7 each of the wells that are proposed. So there's a lot of
8 that exhibit. Following the well proposals and AFEs is
9 the -- Exhibit C5, which is a breakout of Spur's efforts to
10 reach agreement with each of the uncommitted parties and the
11 status of those discussions. Exhibit D is an affidavit of
12 Spur's geologist, Mr. C.J. Lipinski. Mr. Lipinski has
13 previously testified before the Division and has been
14 qualified as an expert in petroleum geology. His
15 Exhibits D1 through D4 are -- reflect his geologic analysis
16 of the land and reviews his opinion that the acreage has no
17 impediments to horizontal well development and that each of
18 the tracts and the acreage as a whole will contribute, more
19 or less, equally to productions from the well.

20 Included in his exhibits are -- is a 2D gun barrel
21 view reflecting the target intervals for each of the wells
22 proposed with -- in relation to the various zones within the
23 Yeso formation. Also depicted on his gun barrel and
24 cross-section is the location of that depth severance in a
25 gray dashed line. Exhibit E is a copy of the -- is the

1 affidavit that was prepared by me, reflecting that we
2 provided a notice to each of the parties subject to the
3 pooling on the date identified in the attached covered host
4 letter, and then the status of the certified mails --
5 deliveries is -- was updated on April 27th and included in
6 the exhibit, and that we caused publication of the notice to
7 be issued in the newspaper on April 19th, as reflected in
8 the attached Exhibit F, which is the affidavit of
9 publication by the newspaper confirming that it was
10 published on that date, showing that each of the parties
11 that Spur is seeking to pool has been -- have been
12 identified by name.

13 Mr. Examiner, at this time, I would just move the
14 admission of Exhibits A through F, each of their
15 attachments, and ask that this case be taken under
16 advisement. And if there are any questions, I'll do my best
17 to address them.

18 EXAMINER BRANCARD: Thank you.

19 Mr. McClure, any questions?

20 TECHNICAL EXAMINER McCURE: Yes, Mr. Brancard, I
21 do.

22 Mr. Rankin, unfortunately, my internet kind of quit on
23 me at the beginning. So just to make sure I'm under the
24 correct understanding, essentially originally there was two
25 different compulsory pooling orders, and now you're wanting

1 to essentially cancel those and have a new one that
2 encompasses the entirety of both areas, is -- of both those
3 previous pooling orders, correct?

4 MR. RANKIN: Correct.

5 TECHNICAL EXAMINER McCLURE: Okay. And then you
6 mentioned that the depth severance is on the gun barrel
7 exhibit. Does it actually reference -- because your depth
8 severance, is it from 3,000 down, then? Is that correct?

9 MR. RANKIN: Yeah, yeah.

10 TECHNICAL EXAMINER McCLURE: Okay. So it's not to
11 the base of the Yeso or anything like that, then?

12 MR. RANKIN: Well, what we're --

13 TECHNICAL EXAMINER McCLURE: Actually, I'm
14 looking -- I'm sorry; go ahead. I apologize.

15 MR. RANKIN: What we are seeking to pool is from
16 that depth severance down to the base of the Yeso.

17 TECHNICAL EXAMINER McCLURE: Okay. Yeah, I
18 scrolled up on the exhi- -- on the checklist, and I did that
19 down lower. I didn't see it. On the gun barrel, it -- let
20 me get back down to that page.

21 MR. RANKIN: You have to scroll through a lot of
22 AFEs and well proposals.

23 TECHNICAL EXAMINER McCLURE: Yeah, I think it's on
24 Page 73 and 72, it looks like. Now, the -- so the Blinebry
25 top, is that essentially what you're considering the Yeso --

1 the base of the Yeso, then?

2 MR. RANKIN: No. I understand that the Blinebry
3 is all part of the Yeso, so -- but I'm not a geologist, but
4 my understanding is that Yeso goes down below Blinebry.

5 TECHNICAL EXAMINER McCLURE: And it definitely
6 may. I'm sorry; I was looking at a strap right here. Okay.
7 Yep, I apologize. Yeah, it goes to the base of the
8 Drinkard, is what it should be, and that looks like it does
9 encompass all your gun barrels here. I was going to say it
10 doesn't look like we actually have that identified anywhere
11 where that base is, but --

12 Do we actually need that, Mr. Brancard, on these
13 orders? An actual footage in a specific well or a base?

14 EXAMINER BRANCARD: I don't know. It's up to you
15 geologists, I guess. I think we often have a -- you know,
16 some sort of well, nearby well, that people use as --

17 MR. RANKIN: If I may interject, my understanding
18 is that, you know, the pool and the depths are defined by
19 the Division, and so we're just seeking to pool down to the
20 base of the defined Yeso formation pool in that pool.

21 TECHNICAL EXAMINER McCLURE: Yeah, speaking as an
22 engineer rather than a geologist, clearly speaking, yeah, I
23 wasn't -- I'm not sure, I guess, how we typically orientate
24 it on the CP orders here. But if that's how we've been
25 doing it, that's probably perfectly fine, then. I think

1 those were the only things I was looking at. Thank you,
2 Mr. Rankin.

3 And thank you, Mr. Brancard. I think that's all my
4 questions.

5 EXAMINER BRANCARD: Thank you. So looking at
6 your -- your exhibit of the interest orders, there are a
7 number of them, and it looks like your client hasn't gotten
8 anybody to commit.

9 MR. RANKIN: They are -- and I -- I mean, that's
10 correct, Mr. Examiner. My understanding is that they are
11 working -- there have been discussions with some of these
12 folks, and if you look at -- let me see if I can find the --
13 pull it up. You'll see on the -- Exhibit C5, Mr. Examiner,
14 if you look at -- let me know when you get there and I can
15 kind of guide you there, because you'll see that they're
16 working towards agreement on -- with a number of parties.

17 EXAMINER BRANCARD: Oh, is that your contacts?

18 MR. RANKIN: Yeah, yeah. If you see on the far
19 right column on their comments, you'll see there are a
20 number of parties who have elected to participate in the
21 wells and/or have -- see if some of them have actually
22 reached agreement on leases. But those agreements haven't
23 been finalized yet, and so for that reason, we are seeking
24 to pool the parties, and as --

25 EXAMINER BRANCARD: I didn't realize -- yes, okay,

1 now I see the comment column.

2 MR. RANKIN: So if and when those agreements with
3 finalized, Spur will notify the Division that those parties
4 are no longer subject to the pooling order.

5 EXAMINER BRANCARD: Do you have any idea how the
6 land was divided in this area? How'd they come up with
7 this -- it looks like a drainage going through there or
8 something.

9 MR. RANKIN: Yeah, there may be a river. I -- I
10 don't know the answer to that question. I'd have to look at
11 a -- a map to determine, but it may be that there's a river
12 that explains why there's some strange orientations on the
13 tracts.

14 EXAMINER BRANCARD: I mean, my map has it about
15 one township over from the Pecos River. Maybe there's some
16 sort of tributary there. Okay. Interesting. So the goal,
17 then, is to revoke the prior orders, create an entire new
18 order as if we're starting -- well, we will be starting from
19 scratch.

20 MR. RANKIN: Yep.

21 EXAMINER BRANCARD: And so -- so a number of
22 these -- these parties you would have contacted for the
23 prior orders, too.

24 MR. RANKIN: Correct.

25 EXAMINER BRANCARD: And you're now getting another

1 year to drill the well. Okay.

2 MR. RANKIN: That is an effect of the new pooling
3 order.

4 EXAMINER BRANCARD: All right. Well, that seems,
5 actually, really straight forward.

6 So with that, are there any other interested persons
7 in Case 22767?

8 Hearing none, the exhibits will be admitted into the
9 record and Case 22767 will be taken under advisement.

10 (Proceeding concluded at 12:01 p.m.)

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1 STATE OF NEW MEXICO
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REPORTER'S CERTIFICATE

I, SHANON R. MYERS, New Mexico Certified Court Reporter, CCR #275, 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 2nd day of June 2022.

/s/ Shanon R. Myers

SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
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