

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 TEXAS STANDARD OPERATION NM LLC
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO

Case No. 22525

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
June 2, 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
HEARING OFFICER JOHN GARCIA on Thursday, June 2,
2022, through the Webex Platform.

Reported by: PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
Albuquerque, New Mexico 87102
505-843-9241

1 A P P E A R A N C E S

2 For Texas Standard Operating NM LLC:

3 JAMES GARRETT BRUCE ATTORNEY AT LAW
4 PO Box 1056
5 Santa Fe, New Mexico 87504-1056
6 505-982-2043
7 BY: JAMES G. BRUCE
8 jamesbruc@aol.com

9 For Manzano, LLC:

10 HINKLE SHANOR LLP
11 PO Box 2068
12 Santa Fe, New Mexico 87504-2068
13 505-982-4554
14 BY: DANA S. HARDY
15 dhardy@hinklelawfirm.com

16 For XTO Energy:

17 HOLLAND & HART LP
18 PO Box 2208
19 Santa Fe, New Mexico 87504-2208
20 505-988-4421
21 BY: MICHAEL FELDEWERT
22 mfeldewert@hollandandhart.com

23 I N D E X

24		PAGE
25	CASE CALLED	
	STATUS CONFERENCE/MOTION TO STAY	7
	CERTIFICATE OF REPORTER	11

1 HEARING OFFICER BRANCARD: We have one
2 more status conference. Item 27, Case 22525 Texas
3 Standard Operating.

4 MR. BRUCE: Mr. Examiner, Jim Bruce for
5 Texas Standard.

6 HEARING OFFICER BRANCARD: Thank you.
7 Manzano, LLC.

8 MS. HARDY: Dana Hardy with Hinkle Shanor
9 on behalf of Manzano.

10 HEARING OFFICER BRANCARD: And XTO Energy?

11 MR. FELDEVERT: Good morning,
12 Mr. Examiner, Michael Feldewert from the Santa Fe
13 office of Holland & Hart for XTO Energy.

14 HEARING OFFICER BRANCARD: Are there any
15 other interested persons for Case 22525?

16 Hearing none. So the way I understand it
17 is Texas Standard filed an application for
18 compulsory pooling. In the meanwhile, Manzano filed
19 an application to expand unit boundaries, which
20 included a portion of the area that Texas Standard
21 is attempting to compulsory pool in this case.

22 We had a hearing already on the unit
23 expansion. And now Manzano has filed a motion to
24 stay this case until the Division issues an order in
25 that case. I believe that's Case 22668. And if

1 we -- and the point, I think, Manzano's is if we
2 issue that order, then the quarter section that is
3 now incorporated in the unit could not be part of
4 this horizontal spacing unit in compulsory pooling.

5 I'll give the parties a few minutes to
6 chat about why we should do this.

7 Let's start with you Ms. Hardy, you filed
8 the motion.

9 MS. HARDY: Yes, thank you, Mr. Examiner.
10 I think that once the order is issued in Case 22688,
11 that expands the unit acreage to include all of
12 Section 21, it really doesn't make sense for Texas
13 Standard to pool that acreage. I think they really
14 can't under the regulations. They would have to get
15 approval of the State Land Office, and the State
16 Land Office has already approved Manzano as the
17 operator of the unit and issued the preliminary
18 approval of the unit expansion.

19 So it seems that most likely Texas
20 Standard's application would be futile once the
21 order is issued in Case 22688. But at the very
22 least, it seems that it would make sense to not have
23 a hearing on Texas Standard's application until the
24 order is issued.

25 HEARING OFFICER BRANCARD: Now as I read

1 the record in 22668, Mr. Feldewert was counsel for
2 Manzano. There was no mention that there was this
3 application by Texas Standard that all part of the
4 acreage being discussed there.

5 I see Mr. Feldewert's hand raised, so he
6 can jump in.

7 MR. FELDEVERT: Mr. Examiner, if you
8 recall that case, the notice was provided. At that
9 point in time, my understanding is there was no
10 application filed. This was something that's
11 happened since the hearing on the -- on the unit.

12 So, as you know, we've been waiting for
13 some time on an order for the unit. I think the
14 parties are waiting for an order on the unit. And
15 XTO, who I'm representing here, is waiting on a
16 final decision on the actual well path which is
17 dependent, they understand, on when Manzano's
18 application to include Section 21 is actually added
19 to the Vindicator 1.

20 My recollection is that there is a trade
21 that was done with Texas Standard to get this
22 Vindicator Unit, this acreage but within the
23 Vindicator Unit. If you recall, it's more towards
24 the center, not necessarily the center, but it's
25 within the Vindicator. So they're not

1 geographically expanding it out, they're actually
2 consolidating the acreage within the confines of the
3 unit area.

4 So I agree with Ms. Hardy. I think from
5 XTO's perspective and, of course, from Manzano's
6 perspective having presented the case for the unit,
7 that a decision on the Vindicator Unit and an order
8 there, should resolve this matter because it almost
9 looks like to me like Texas Standard is trying to
10 make sure that its acreage gets developed either as
11 part of the unit or as part of the spacing unit,
12 proposed space unit.

13 HEARING OFFICER BRANCARD: Well, judging
14 from the case numbers and looking at the file, the
15 Texas Standard case was filed prior to the Manzano
16 Vindicator case. It was filed back in January. So
17 that case was ongoing at the time that Manzano filed
18 the Vindicator case, so we were not aware of that.
19 Perhaps we could have dealt with both of those
20 issues back then.

21 But anyway, let me throw it back to
22 Mr. Bruce to hear Texas Standard's position on this.

23 MR. BRUCE: Okay. Now a couple of things
24 is that Texas Standard did not make a trade with
25 Manzano on the particular acreage that is at issue

1 here today, it was BTA Oil Producers. And when I
2 sent out notice of the hearing, original hearing, I
3 sent notice to BTA, I did not send it to Manzano
4 because my clients did not know that Manzano had an
5 interest or even if they did at the point, maybe it
6 was works, that's what I'm guessing.

7 Secondly, I think the fact that we're
8 having this status conference if there's a hearing,
9 it will probably be off, I would guess,
10 Mr. Examiner, maybe two-and-a-half months. And so I
11 would think that during that time period I would --
12 I would guess and I would hope for Manzano's benefit
13 that the Division issues its order, so I would think
14 that that would obviate the motion to stay.

15 And the third thing I would point out is I
16 have never found any prohibition in the rules or in
17 the statutes about pooling unit acreage with
18 non-unit acreage. And, in fact, in my career I've
19 done that about a dozen times. And so if they want
20 to file a motion to dismiss in the interim, let them
21 do that and I will respond accordingly.

22 But I do not -- if -- I don't want the
23 action stayed indefinitely, I would rather set the
24 specific hearing date. But just like I said, maybe
25 two-and-a-half months down the road.

1 HEARING OFFICER BRANCARD: So, Mr. Bruce,
2 if I understand what you're saying, you are not
3 objecting to Case 22668 an order being issued in
4 that case?

5 MR. BRUCE: No, I am not.

6 HEARING OFFICER BRANCARD: All right.

7 MR. BRUCE: I don't think at this point we
8 have standing.

9 HEARING OFFICER BRANCARD: And this
10 involves a portion of the spacing unit that Texas
11 Standard is seeking to create?

12 MR. BRUCE: That is correct.

13 HEARING OFFICER BRANCARD: All right.
14 Most of the spacing unit is outside of the
15 vindicated unit.

16 MR. BRUCE: That is correct.

17 HEARING OFFICER BRANCARD: It's only this
18 quarter section which, as you say, was once BTA's
19 but is now Manzano's.

20 MR. BRUCE: Yes.

21 HEARING OFFICER BRANCARD: But it's not
22 Texas Standard's?

23 MR. BRUCE: That is correct. It was never
24 Texas Standard's acreage.

25 HEARING OFFICER BRANCARD: Right. Texas

1 Standard has the section above that even shows up in
2 the Vindicator filings.

3 MR. BRUCE: Correct.

4 HEARING OFFICER BRANCARD: Okay. I
5 apologize for the Division not having issued an
6 order in the Vindicator case. Our star unit order
7 drafter, Kathleen Murphy, has moved on and so we
8 need to find somebody else to write unit orders. It
9 will be me or it will be Mr. Getts, but we will get
10 to that pretty soon.

11 So as I understand, we're sort of trying
12 to figure out what to do with 22525, and so we just
13 need to set a hearing date and let's set a hearing
14 of August 4th.

15 MR. BRUCE: Fine with me.

16 HEARING OFFICER BRANCARD: And then if
17 there's an order in the meanwhile on 22668, Manzano
18 can file whatever it thinks is necessary and in
19 that, in 22525, to try to make these two cases work,
20 or not work.

21 MS. HARDY: Thank you, Mr. Examiner. And
22 if we don't receive an order in the Vindicator case
23 by August 4th, we would then be filing another
24 motion to continue the hearing.

25 HEARING OFFICER BRANCARD: I think you

1 will probably get an order by then.

2 MS. HARDY: That would be good. Thank
3 you.

4 HEARING OFFICER BRANCARD: Anything else
5 on Case 22525?

6 Hearing none, I think we are done with
7 status conferences and motions, hopefully, and we
8 can now dive into hearings.

9 (Matter concluded.)

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter. I further certify that the transcript fees and format comply with those prescribed by the Court and the Judicial Conference of the United States.

Date: June 2, 2022

/s/ Edwina Castillo



EDWINA CASTILLO, RPR, CCR
Certified Court Reporter #407
License Expires: 12-31-2022