

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:

CASE NOS: 22226-22229

APPLICATIONS OF LEGACY RESERVES OPERATING LP
FOR HORIZONTAL SPACING UNITS AND
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
SPECIAL DOCKET
JUNE 17, 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 JOHN GARCIA on
Friday, June 17, 2022, through the Webex Platform.

Reported by: PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

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A P P E A R A N C E S

For the Applicant:

JAMES PARROT
BEATY & WOZNIAK PC
500 Don Gaspar Avenue
Santa Fe, NM 87505
505-670-2924

For Matador:

JAMES BRUCE
P.O. Box 1056
Santa Fe, NM 87504-1056
505-982-2151
jamesbruce@aol.com

I N D E X

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1 HEARING EXAMINER BRANCARD: With that I will call
2 Cases 22226, 22227, 22228, 22229, Legacy.

3 MR. PARROT: Good morning, Mr. Examiner. This
4 James Parrot with Beatty & Wozniak representing Legacy, the
5 applicant.

6 HEARING EXAMINER BRANCARD: Thank you. Call for
7 other entries of appearance.

8 MR. BRUCE: Mr. Examiner, Jim Bruce
9 representing -- entering an appearance for both Matador
10 Production Company and MRC Permian. I do not have any
11 witnesses, and I am not contesting the cases being put on by
12 affidavit.

13 HEARING EXAMINER BRANCARD: Thank you. Are there
14 other entries of appearances in these cases?

15 (No audible response.)

16 HEARING EXAMINER BRANCARD: Hearing none,
17 Mr. Parrot, I believe you are free to go and enter your case
18 by affidavit.

19 MR. PARROT: Okay. Mr. Brancard, are you
20 prepared for me to walk through the affidavit briefly?

21 HEARING EXAMINER BRANCARD: We would love you to
22 walk through the affidavit. Thank you.

23 MR. PARROT: Great, thank you. So Cases 22226
24 through 22229, we refer to these as the Sapphire Wells.
25 Thank you for your time today, both Mr. Examiner and

1 Mr. Garcia. At your pleasure I would like for the Division
2 to consolidate these cases they are nearly identical pooling
3 applications. So with your permission, I will go through
4 the cases as consolidated.

5 They are all applications to pool uncommitted
6 interests in approximately 320 acre horizontal Bone Spring
7 spacing units. The 22226 covers the Sapphire Fed Com 501H
8 Well. The unit is the W/2 W/2 of Sections 14 and 23, in 19
9 South, 33 East.

10 Docket 22227 is -- 22227 is the Sapphire Fed Com
11 502H well covering the E/2 W/2 of the same section.

12 28 is the 503H well covering the W/2 E/2 of the
13 same section.

14 And 29 is the 504H covering the E/2 E/2 of the
15 same section. All are in Lea County. None include
16 proximity tracts.

17 The exhibit packet that we filed contains the
18 checklist, application and affidavits.

19 Exhibit A is the pooling checklist for each
20 application.

21 Exhibit B is each of the applications.

22 Exhibit C is the affidavit of the -- sorry -- of
23 Legacy's land witness, Brett Willis.

24 And Exhibit G is a supplement affidavit of Mr.
25 Willis referring to the fact there are no overlapping

1 spacing units.

2 Mr. Willis has not previously testified before
3 the Division --

4 HEARING EXAMINER BRANCARD: Excuse me,
5 Mr. Parrot --

6 MR. PARROT: -- and is attached to his A -- yes.

7 HEARING EXAMINER BRANCARD: You are breaking up
8 just a little bit. So I would allow you to turn off your
9 video and proceed by audio, which is what I'm doing, because
10 I'm sitting at home in my comfy chair with bad internet
11 connection, so --

12 MR. PARROT: I apologize for that. I will stop
13 the video.

14 Okay. Mr. Willis has not previously testified
15 before the Division. His resume is attached to that
16 affidavit. So it shows he has a BA in business marketing,
17 an MBA in oil and gas management and ten years of experience
18 in petroleum land management. I respectfully request that
19 Mr. Willis be accepted as an expert for purposes of our
20 hearing today.

21 HEARING EXAMINER BRANCARD: Are there any
22 objection?

23 (No audible response.)

24 HEARING EXAMINER BRANCARD: Hearing none, so
25 accepted.

1 MR. PARROT: Thank you. Mr. Willis provided a
2 number of exhibits. C-1 is a general location map.

3 C-2 contains the forms C-102s, and as mentioned
4 earlier, Mr. Willis provided a supplemental exhibit which is
5 attached as Exhibit G, which is a supplemental affidavit
6 attached as Exhibit G showing there are no overlapping
7 spacing units.

8 Exhibit C-3 depicts the spacing units of the
9 wells.

10 C-4 shows the ownership within the unit.

11 C-5 contains the sample proposal that was sent to
12 the working interest owners in the unit.

13 C-6 contains copies of the AFEs for all the
14 wells.

15 And C-7 provides a chronology of contacts
16 summarizing the attempts to obtain participation of the
17 pooled parties.

18 Moving on to Exhibit D is the affidavit of
19 Legacy's geology witness, Mr. John Stewart. Mr. Stewart
20 also has not previously testified before the Division. His
21 resume is attached. He has a master's in geology and over a
22 decade of experience in the Permian Basin. I respectfully
23 request that Mr. Stewart's qualifications be accepted as
24 those of an expert for purposes of this hearing today.

25 HEARING EXAMINER BRANCARD: Thank you. Are there

1 any objections?

2 (No audible response.)

3 HEARING EXAMINER BRANCARD: Hearing none, so
4 accepted.

5 MR. PARROT: Thank you. Moving on to Exhibit
6 D-1, this shows the general locator map. Also the location
7 of the wells that were used to construct the structure map.

8 Exhibit D-2 is the structure map of the Bone
9 Spring showing the Bone Spring unit and those same wells.
10 Mr. Stewart in his affidavit states that the wells are
11 representative of their geology and he observed no faulting,
12 pinching or other hazards to developing horizontal wells.

13 D-3 is a cross section Bone Spring showing gamma
14 ray resistivity and porosity logs in the target interval in
15 the Bone Spring unit.

16 Finally, Exhibit E and F are the notice exhibits.

17 Exhibit E is the notice affidavit with all of the
18 certified mailing receipts attached, and Exhibit F is the
19 affidavit of publication. The interested parties were
20 numerous, so I will not go through each of those parties
21 unless you feel the need.

22 And with that, I respectfully request that the
23 exhibits be admitted into the record.

24 MR. BRUCE: No objection.

25 HEARING EXAMINER BRANCARD: Thank you. Mr.

1 Bruce, any questions?

2 MR. BRUCE: (Inaudible.)

3 HEARING EXAMINER BRANCARD: Mr. Garcia,
4 questions?

5 TECHNICAL EXAMINER GARCIA: I think I have two.
6 You said the notice list was basically lengthy, but looking
7 at the tract maps it doesn't look like that many owners. Is
8 that because you had to notify owners four times apiece?

9 MR. PARROT: We have Brett Willis on the line.
10 Brett, do you want to provide any insight about that?

11 TECHNICAL EXAMINER GARCIA: Mr. Brancard may have
12 as to swear him in first.

13 MR. PARROT: Sure.

14 TECHNICAL EXAMINER GARCIA: First I have to
15 unmute myself. All right. I guess the question was, do you
16 have a list of the -- is there like a spreadsheet with a
17 list of all the people receiving notice?

18 MR. PARROT: There is. Exhibit C-4 includes all
19 the working interest owners, and you can actually -- as go
20 you go through the Exhibit C-4, you can see there are a
21 fair number of interest owners. And I think the number of
22 interest owners shown on Exhibit C-4 is fairly correlative
23 to the list of certified mailing receipts that are attached
24 to Exhibit D.

25 TECHNICAL EXAMINER GARCIA: That's basically what

1 I was seeking is, are these numbers similar.

2 MR. PARROT: Yes. I mean, so, for example,
3 Exhibit E has an affidavit for Case 22226 with the certified
4 mailing receipts that were attached for 22226. And then it
5 goes on to the notice letter for 22227 and the mailing
6 receipts for 22227. So I just thought, in the interest of
7 time, it might make sense not to go through each of those
8 individually.

9 TECHNICAL EXAMINER GARCIA: That works for me.
10 My next question -- more of a statement, I guess. I
11 believe -- yeah, on your check list I have never had an
12 operator request a \$200 risk charge, but I believe your \$200
13 might be somewhat looking into -- possibly because it
14 conflicts with your affidavit, I will leave it at 200,
15 that's fine, but correct those and resubmit them.

16 MR. PARROT: We will correct that and resubmit
17 the checklist. Thanks for pointing that out.

18 TECHNICAL EXAMINER GARCIA: Yeah, because it
19 physically gets attached to the order.

20 MR. PARROT: It's supposed to say percent not
21 charge.

22 TECHNICAL EXAMINER GARCIA: I believe those are
23 all my questions. I will pass to Mr. Brancard.

24 HEARING EXAMINER BRANCARD: Thank you. I did not
25 go through all the certified mailings, but were you able to

1 get green cards or contact with all of these interest
2 owners?

3 MR. PARROT: Frankly, I would have to go through
4 each single green card and verify -- let me rephrase that.
5 There were a few that were returned as undeliverable, but
6 most of them were actually delivered.

7 HEARING EXAMINER BRANCARD: The reason I'm asking
8 is, about your newspaper publication, since I don't know
9 whether Mr. Garcia has any insights into this, but you have
10 published in the Albuquerque Journal. That's not normally
11 where people publish. So it indicates -- the rule
12 indicates you are supposed to publish in a newspaper of
13 general circulation in the county where it's located. So
14 what people do is they publish in the local general
15 circulation paper in the county which, in this case, would
16 be the Hobbs newspaper.

17 MR. PARROT: We also did publish -- I'm sorry,
18 Mr. Hearing Examiner, I didn't mean to interrupt you.

19 HEARING EXAMINER BRANCARD: The Albuquerque
20 Journal is considered to be a newspaper of general
21 circulation for the state. When you have to do statewide
22 publication, you use the Albuquerque Journal.

23 That's the -- I'm familiar with -- Mr. Garcia,
24 do you have any other insight into that.

25 TECHNICAL EXAMINER GARCIA: I agree with you on

1 that, the newspaper, it's typically the Hobbs or Carlsbad.
2 I did learn that Albuquerque is statewide now, but I agree
3 with you.

4 MR. PARROT: We also did publish in the Carlsbad
5 Current Argus, and that affidavit is attached behind the
6 Albuquerque Journal affidavit. So it's -- would that be
7 satisfactory?

8 HEARING EXAMINER BRANCARD: Well, these sites are
9 in Lea County; correct?

10 MR. PARROT: Yes, that's correct.

11 HEARING EXAMINER BRANCARD: Carlsbad is in Eddy
12 County, so normally the publication for Lea County is Hobbs.

13 MR. PARROT: We understood that between the
14 Albuquerque Journal and Carlsbad Current Argus that both
15 newspapers have significant circulation in Lea County, even
16 more so than Hobbs. So we had understood that that would
17 suffice to satisfy the statutory publication requirement.

18 HEARING EXAMINER BRANCARD: Mr. Garcia, any
19 thoughts?

20 TECHNICAL EXAMINER GARCIA: Let's see if I can
21 not get in trouble here. I would say it conflicts with the
22 rule. The rule says the county it's located in. I mean, I
23 could argue I could post on Facebook and Facebook gets more
24 circulation than Albuquerque, but it still doesn't meet the
25 rule criteria. I mean, the rules were set, and, I

1 understand, prior to technology, but it is what we have, and
2 so to me it's a conflict.

3 MR. PARROT: Would it be sufficient to republish
4 notice in the Hobbs and hold the matter open for a period of
5 days, and if there are no objections received, then the
6 matter can be closed and recommended for approval?

7 HEARING EXAMINER BRANCARD: Yes, that would be
8 the remedy. We would just give you a period of time to
9 publish in the Hobbs paper.

10 HEARING EXAMINER BRANCARD: Okay.

11 MR. PARROT: Okay. We will republish immediately
12 in the Hobbs paper and note if there are objections they
13 should be submitted to the Division.

14 TECHNICAL EXAMINER GARCIA: And a caveat, please
15 turn in those publications on the exhibit packet with an
16 affidavit explaining the extra submittal.

17 MR. PARROT: Thank you, Mr. Garcia. We will be
18 sure to do that.

19 MR. BRUCE: Mr. Brancard, you can also publish in
20 the Lovington newspaper, for information.

21 HEARING EXAMINER BRANCARD: Is that right?

22 MR. BRUCE: Yes.

23 HEARING EXAMINER BRANCARD: For Lea County most
24 people do Hobbs, but --

25 HEARING EXAMINER BRANCARD: Thank you, Mr. Bruce.

1 Are there any other issues, Mr. Garcia?

2 TECHNICAL EXAMINER GARCIA: I don't believe so,
3 just the \$200 risk charge and the publication that you
4 brought up were all.

5 HEARING EXAMINER BRANCARD: All right. So with
6 that, are there any other interested persons for Cases 22226
7 through 22229?

8 (No audible response.)

9 HEARING EXAMINER BRANCARD: Hearing none, these
10 cases -- the exhibits will be admitted into the record in
11 this matter, and we will leave the record open for a revised
12 checklist. The cases will be continued to the July 21
13 docket to allow for publication in the Hobbs or whatever
14 paper in Lea County and for submittal of proof of that
15 publication. Any other questions?

16 (No audible response.)

17 HEARING EXAMINER BRANCARD: If not, thank you
18 everyone, and with that we are adjourned. I believe we are
19 done for June 17, 2022. And we now have a three week break
20 between hearings, so maybe some people have a chance to take
21 a vacation. Thank you, everyone. Have a great weekend.

22 MR. PARROT: Thank you. You too.

23 (Exhibits admitted.)

24 (Case continued.)

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3 REPORTER'S CERTIFICATE

4 I do hereby certify that I reported the
5 foregoing virtual proceedings in stenographic shorthand and
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10 and that I have no interest in the final disposition of this
11 case.

12 I FURTHER CERTIFY that the Virtual Proceeding was
13 of poor to good quality.

14 Dated this 17th day of June 2022.

15 /s/ Irene Delgado
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