

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

APPLICATION OF TEXLAND PETROLEUM, L.P. CASE NO. 15111
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 17, 2014

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
RICHARD EZEANYIM, TECHNICAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Richard Ezeanyim, Technical
Examiner, on Thursday, April 17, 2014, at the New Mexico
Energy, Minerals and Natural Resources Department, 1220
South St. Francis Drive, Porter Hall, Room 102,
Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1 APPEARANCES

2 FOR APPLICANT TEXLAND PETROLEUM, L.P.:

3 ELIZABETH A. RYAN, ESQ.
CARSON RYAN, LLC
4 400 East College Boulevard, Suite C
Roswell, New Mexico 88202-1612
5 (575) 291-7606
beth@carsonryan.com
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1 (8:18 a.m.)

2 EXAMINER McMILLAN: Okay. Let's go to the
3 next case that will be heard, 15111, application of
4 Texland Petroleum, Limited Partnership for compulsory
5 pooling, Lea County, New Mexico.

6 I'd like to call for appearances.

7 MS. RYAN: Good morning. Elizabeth Ryan,
8 with Carson Ryan, LLC. I'm here for Texland.

9 EXAMINER McMILLAN: Great.

10 MS. RYAN: Before we get started this
11 morning and before I call my first witness, I'd like to
12 tell the Examiner that I spoke to the mineral interest
13 owner that we are seeking to pool. She called me at
14 2:15 yesterday, and I wanted to share that information
15 before we went ahead and moved on and presented our
16 evidence in the case.

17 She, of course, received notice and is not
18 necessarily protesting this hearing, but she and I came
19 to an agreement. She understands the effect of this
20 hearing, and it will come out in testimony. She is
21 involved in some trust litigation that is prohibiting
22 her from being able to lease as trustee. She doesn't
23 have authority because she's stuck in litigation.

24 EXAMINER McMILLAN: Yes.

25 MS. RYAN: So what we've agreed to is upon

1 the OCD granting our application for pooling, if, in the
2 order, we can have a delay of 30 days to give her time
3 to lease. If she can lease within 30 days of the date
4 of the order, then great. And if not, she'll be
5 automatically force pooled after that 30-day period. So
6 we wanted to give her a little bit more time on her
7 litigation side. If they can free her up, great. If
8 not, then she'd be automatically forced pooled, and we
9 can move forward. The operator can move forward, not
10 wait anymore.

11 EXAMINER McMILLAN: Okay. So if I'm
12 understanding, the party would still be forced pool, but
13 you wanted, in essence, to put a 30-day extension on it?

14 MS. RYAN: Basically.

15 EXAMINER McMILLAN: Is that crudely
16 correct?

17 MS. RYAN: Yes. The order would have the
18 limitation that, you know, should she lease within 30
19 days, it won't apply, but if she has not leased within
20 30 days within the date of the order, then she would
21 automatically be forced pooled. And that way we can
22 still present our case today and have it be heard by
23 you, and it also gives her a little more time if, for
24 some reason, her litigation frees her up and she's able
25 to go ahead and lease. But we'll still have our order

1 at the end of 30 days. Because she's been telling us --
2 she's been in litigation for a long time, so we just
3 can't wait any longer.

4 EXAMINER McMILLAN: I understand. You have
5 expiring leases, things of that nature.

6 MS. RYAN: Yes. Yes.

7 EXAMINER McMillan: Yes. I believe -- I
8 believe that could be written into the order.

9 EXAMINER EZEANYIM: As you are aware, Mike
10 is new. And sometimes in cases -- I want it to be on
11 the record in case we come in and -- this case, I want
12 to understand, since I'm in the audience. I wanted to
13 know what the situation with this case is. You are also
14 new here.

15 MS. RYAN: Yes, sir.

16 EXAMINER EZEANYIM: I don't want to be
17 here, but I want to straighten it out, so we can
18 continue.

19 Are we going to hear the case today or not?

20 MS. RYAN: Yes.

21 EXAMINER EZEANYIM: Okay. So what is the
22 problem? You have a witness?

23 MS. RYAN: Yes, I have a witness.

24 EXAMINER EZEANYIM: Okay. So go ahead with
25 the order, and then if you request for it to be

1 continued or whatever you want to do, then we can do
2 that. So do you want the case to be heard?

3 MS. RYAN: I want the case to be heard, and
4 I want to seek an order. But I agreed with Ms. Kaplan,
5 the mineral interest owner, that I would request -- you
6 know, it's the Division's pleasure -- if they would
7 allow a 30-day, basically, extension of time from the
8 date of the order before the order would automatically
9 pool her.

10 EXAMINER EZEANYIM: We are going to hear
11 the case because there are no objections.

12 MS. RYAN: That's correct.

13 EXAMINER EZEANYIM: So you can present your
14 evidence, and we will take it under consideration, and
15 we will deal with those minor things later. If you want
16 us to delay the issuance of the order, that would be
17 fine. I don't have to write the order now. But if you
18 wanted it expedited, that would also be fine. But what
19 I wanted to flesh out was do you want the case to be
20 heard or not.

21 MS. RYAN: Yes.

22 EXAMINER EZEANYIM: You want the case to be
23 heard.

24 Call for appearances; and you present your
25 witnesses, and we go from there.

1 MS. RYAN: Okay. Sounds good. I have one
2 witness.

3 EXAMINER McMillan: Would the witness
4 please -- we'll have him sworn in.

5 WILSON C. WOODS,
6 after having been first duly sworn under oath, was
7 questioned and testified as follows:

8 THE WITNESS: Good morning, Examiner.

9 EXAMINER McMillan: Good morning.

10 MS. RYAN: May it please the Examiner.

11 DIRECT EXAMINATION

12 BY MS. RYAN:

13 Q. Mr. Woods, would you please state your full
14 name?

15 A. Wilson Carl Woods.

16 Q. And where do you reside?

17 A. Fort Worth, Texas.

18 Q. And who do you work for and in what capacity?

19 A. I am the land manager and in-house counsel for
20 Texland Petroleum.

21 Q. Have you previously testified before the
22 Division?

23 A. I have not.

24 Q. Would you summarize your educational and
25 employment background for the Examiner?

1 A. I have a bachelor's from the University of
2 Texas and a law degree from Texas Tech University. I've
3 been practicing for -- I'm in my eighth of practice now.
4 I was with Harris, Finley & Bogle, a private firm in
5 Fort Worth, for five-and-a-half years. I've been with
6 Texland Petroleum for two-and-a-half years now.

7 Q. How many years total experience do you have in
8 the oil and gas business?

9 A. Eight years.

10 Q. And what are your duties in your position at
11 Texland Petroleum?

12 A. I'm responsible for most issues in our land
13 department. I'm the landman negotiating leases. I'm
14 the in-house counsel negotiating various deals with our
15 partners in terms of drilling agreements and that type
16 of thing. I also handle the business [sic] orders'
17 issues and ownership issues.

18 Q. And does your area of responsibility at Texland
19 include this area in southeastern New Mexico?

20 A. Yes, it does.

21 Q. Are you familiar with the land matters involved
22 in this case?

23 A. Yes, I am.

24 MS. RYAN: Mr. Examiner, I tender Mr. Woods
25 as an expert landman and oil and gas attorney.

1 EXAMINER McMillan: So qualified.

2 MS. RYAN: Thank you.

3 Q. (BY MS. RYAN) Mr. Woods, can you identify
4 Exhibit 1 for the Examiner and describe what Texland
5 seeks in this case?

6 A. Exhibit 1 is our C-102 well location and
7 acreage dedication plat. This shows our proposed well
8 location in Section 3. It's the north half of the
9 southwest quarter of Section 3, Township 17 South, Range
10 37 East in Lea County, New Mexico.

11 Q. And is it true that you're seeking to force
12 pool one certain undivided mineral interest in that
13 Strawn Formation?

14 A. Yes, that is correct.

15 Q. And just to reiterate, the spacing unit is in
16 the north half of the southwest quarter of Section 3?

17 A. Correct.

18 Q. And what is the name of your proposed well?

19 A. The Simmons Estate #2 well.

20 Q. And will the producing interval and the
21 wellbore be orthodox at all points?

22 A. Yes. Excuse me. No, it will not be. To have
23 the orthodox location, we would be required to be within
24 150 feet of one of the quarter-quarter sections
25 involved. We have the south half also leased in this

1 southwest quarter. And for geologic reasons and also
2 for surface-use reasons, we've asked for and received
3 administrative approval to locate this wellbore away
4 from the center point of the quarter-quarter section.

5 EXAMINER McMILLAN: Quick interjection. So
6 you're saying you have the administrative order, and
7 that's NSL-7036? Is that what that represents?

8 THE WITNESS: Yes.

9 Q. (BY MS. RYAN) And, Mr. Woods, would you
10 identify Exhibit 2 for the Examiner?

11 A. This is the administrative nonstandard location
12 order, NSL-7306, that was dated March 11th, 2014. And
13 this is where the OCD approved our request.

14 Q. And would you briefly describe why you needed
15 the unorthodox location?

16 A. Sure. There were two issues at play here. One
17 was a geologic concern. It's a Strawn Algoman that
18 we're trying to produce from here, and this location has
19 already been drained, in part, in the east half of the
20 feature from the Simmons Estate #1 well, which is
21 located on that plat. You can see it in the southeast
22 quarter-southwest quarter. We're trying to locate our
23 well as far to the west as possible to avoid
24 encountering drain zones from that Simmons Estate #1
25 well. That well was plugged back in the '90s. It's no

1 longer producing.

2 The second issue was surface-use issues.
3 We made a surface-use agreement request of the owner,
4 and he was in the process of selling the land to a
5 gentleman who was converting the land into a farm. This
6 location gets us out of the -- we prefer to be a little
7 bit further to the east. The feature that we are
8 attempting to reach is -- this location is about as far
9 to the west as we can possibly go, but the location to
10 the east would interfere with his farming operation.

11 Q. So let's discuss our mineral interest owner.
12 Who do you seek to pool in the spacing unit?

13 A. This is the interest of Mrs. Catherine Prichard
14 Kaplan, and the record title currently is in John F.
15 Prichard and wife, Edna C. Prichard. They're both
16 deceased, and Catherine Prichard Kaplan is the sole heir
17 of Mr. and Mrs. John F. Prichard.

18 Q. And what is the quantity of the mineral
19 interest that --

20 A. It's a one-fortieth mineral interest.

21 Q. And would you describe -- I understand that
22 there is a trust involved. Would you describe the
23 issues of the estate and the trust and how Ms. Kaplan --

24 A. The Kaplans were residents of Fort Worth, and
25 they are both deceased. They died back in the '90s. I

1 think they died in 1993. Mr. Prichard's will was
2 probated in Tarrant County, and it's a form probate
3 that's never had an ancillary probate in New Mexico.

4 Under the will, everything goes to the -- I
5 think it's to the John F. Prichard Family Trust, and
6 under an intestate distribution, it would all go to her.
7 She's the only child of the couple.

8 What we have offered in this kind of
9 situation is to take a lease from both the trust and
10 from her, individually, and if we make a well, go ahead
11 and have her file for ancillary probate seeking --
12 before we pay royalty.

13 In this case, we started talking to her.
14 Our broker finally tracked her down, because record
15 title is still in the husband and wife, the mom and dad.
16 They tracked her down and discovered that there were
17 issues with the trust that was in litigation.

18 I started talking to her in mid-November of
19 last year, and apparently she was involved in a divorce
20 in the mid-90s, and apparently there is still litigation
21 going on with the divorce, is my understanding. She's
22 been telling us since November that they are just about
23 wrapped up, just about wrapped up, but we're still here
24 in April, and they're not finished yet. So we gave her
25 notice and told her that we'd be doing this

1 forced-pooling proceedings.

2 Q. Thank you.

3 And just to confirm, is the southwest
4 quarter of Section 3 all fee lands?

5 A. Yes, it is.

6 Q. Can you identify Exhibit Number 3 for the
7 Examiner?

8 A. Yes. This is a letter that I sent Mrs. Kaplan
9 in November. The letter is our original force-pooling
10 notice, and it also explained the title issues that I
11 just mentioned. Her parents' wills needed to be
12 probated in New Mexico.

13 Q. And from your testimony earlier, this was not
14 the only contact you had with her?

15 A. That's correct. After we sent this letter,
16 we've been in relatively consistent telephone contact at
17 least once every couple of weeks since November. When
18 we first sent the letter, we were talking on a daily
19 basis; trying to figure out what the issues were with
20 the trust and whether this would be resolved in a timely
21 manner. And we last spoke this week.

22 Q. Okay. And what did she tell you this week?

23 A. This week she was calling about the hearing,
24 wanting to know some things logistically about how the
25 hearing works, would she need someone present. And I

1 referred her to call you. And as you've already heard,
2 her consistent position has been that she would really
3 like to lease with us. She's just not in a position to
4 sign anything because the trust -- she has no authority
5 under the trust because of the pending litigation.

6 Q. Can you now identify Exhibit Number 4?

7 A. Yes. This is a letter dated March 19, 2014
8 from your firm to Mrs. Kaplan by certified mail, return
9 receipt requested. This encloses our copy of the
10 application for compulsory pooling, which was filed with
11 the Division.

12 Q. Now, can you identify Exhibit Number 5 for the
13 Examiner?

14 A. Yes. This is an Affidavit of Notice dated
15 March 31st, 2014, signed by you. Attached is a copy of
16 the certified return receipt showing Mrs. Kaplan's
17 receipt of that letter on March 21st.

18 Q. Have all other mineral interest owners either
19 been leased or are participating in the subject well?

20 A. Yes.

21 Q. Now can you identify Exhibit Number 6 for the
22 Examiner?

23 A. Exhibit 6 is a copy of our APD, which was
24 approved on March 18th, 2014.

25 Q. And has Texland spudded the subject well?

1 A. Yes, we have. We spudded it on Monday.

2 Q. What is the vertical depth?

3 A. To 11,600 feet or a sufficient depth to
4 complete in the Strawn.

5 Q. Let's turn back to Exhibit Number 3. Just to
6 review, Exhibit 3 is the well proposal notice letter you
7 sent out for this well. Did that letter attach a copy
8 of your AFE?

9 A. Yes, it did.

10 Q. And that's on page 6 of Exhibit 3?

11 A. Yes, it is.

12 Q. And does it identify your estimated cost to
13 complete the well?

14 A. Yes, it does.

15 Q. What is that cost?

16 A. The cost to casing point is \$1,878,008. The
17 total completion cost is \$1,141,710. The total cost,
18 drilling and complete [sic], is \$3,019,718.

19 Q. And in your opinion, are the costs reflected in
20 the AFE consistent with those that would be charged by
21 Texland and other operators in the area for a well of
22 this depth?

23 A. Yes, they are.

24 Q. And does Texland request that it be the
25 operator of the well?

1 A. Yes.

2 Q. Does Texland request a maximum cost plus 200
3 percent risk charge be assessed against the interest --

4 A. Yes.

5 Q. What overhead rates do you propose?

6 A. The overhead rates that we have in place in our
7 JOA are \$7,760 a month while drilling, \$776 a month
8 while producing.

9 Q. Are these rates equivalent to rates charged by
10 other operators in this area for wells of this depth?

11 A. Yes.

12 Q. Do you request that the rates be adjusted under
13 the COPAS accounting procedure?

14 A. Yes.

15 Q. Were Exhibits 1 through 6 prepared by you or
16 compiled under your direction and supervision?

17 A. Yes, they were.

18 Q. In your opinion, Mr. Woods, is the granting of
19 this application in the interest of conservation and the
20 prevention of waste?

21 A. Yes, it is.

22 MS. RYAN: Mr. Examiner, at this time, I'd
23 like to move admission into evidence of Exhibits 1
24 through 6.

25 EXAMINER McMILLAN: Yes. Exhibits 1

1 through 6 are now part of the record -- may be admitted
2 as part of the record.

3 (Texland Petroleum, L.P. Exhibit Numbers 1
4 through 6 were offered and admitted into
5 evidence.)

6 MS. RYAN: This concludes my examination of
7 this witness and offer him for cross-examination by the
8 Examiner.

9 CROSS-EXAMINATION

10 BY EXAMINER McMILLAN:

11 Q. Okay. First question is: What is the pool?
12 Do you know the code?

13 A. It's going to be Shipp Strawn, and I do not
14 know the code.

15 Q. And do you have an API number?

16 A. Yes. It is 30-025-41738.

17 And I apologize. The pool code is 55695.

18 Q. And your proration unit is the north half of
19 the southwest quarter?

20 A. Yes, sir.

21 Q. Now, as I was taking down my notes, I guess --
22 there are two reasons you're doing this. The first one
23 is for engineering, right, just to avoid drainage, and
24 geologic?

25 A. Yeah. There are three reasons. One is

1 engineering, avoid drainage. Two, the edge of the
2 Algoman is -- we are on the far western edge of this
3 location. The third was surface usage use [sic]. We
4 can't attack this directionally. We have to do it in a
5 vertical situation because of the depth of the well
6 involved, and this is the furthest away we can get from
7 the center of the farmer's pivot. He's got a
8 center-pivot irrigation on the surface, so we're trying
9 to avoid issues with his operation as best we can.

10 Q. So you're trying to -- okay.

11 So you used 3D? I worked for my father,
12 and my father actually discovered all the really, really
13 good wells in there. So I'm very familiar with the
14 play.

15 A. We do have a 3D shoot over this area, yes, sir.

16 Q. Yeah. 3Ds have been very prolific. I know one
17 time we were thinking about drilling a well, and we were
18 unsure of it. And we drilled a 3D -- we shot a 3D and
19 drilled a real good well off of it. So I'm very
20 familiar with that.

21 A. Uh-huh.

22 EXAMINER McMILLAN: If there is nothing
23 else, I'd like to take this case under advisement.

24 MS. RYAN: Yes. And consider the 30-day
25 delay in the effectiveness of the order, if it please

1 the Division. I relayed to Ms. Kaplan that I would
2 share that, and it would be at your pleasure whether you
3 would grant that or not.

4 EXAMINER McMILLAN: Like I said, we will
5 take this case under advisement.

6 Thank you very much.

7 (Case Number 15111 concludes, 8:40 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15111
heard by me on April 17 2014
Paul B. McMillan, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

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Mary Hankins

MARY C. HANKINS, CCR, RPR
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