

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
Meeting Minutes
Regular Meeting
February 22, 2022

The Oil Conservation Commission meeting was held via Webex Meeting Platform.

MEMBERS PRESENT:

Adrienne Sandoval	Chair, Oil Conservation Division
Greg Bloom	Designee, New Mexico State Land Office Commissioner
William Ampomah	Designee, Energy, Minerals and Natural Resources Department

OTHERS PRESENT:

Christopher Moander, Commission Counsel
Florene Davidson, Commission Clerk

The hearing was called to order at approximately 9:11 a.m.

Item 1. Roll Call

Action: Roll was taken; a quorum was present.

Item 2. Approval of the Agenda

Action: Commissioner Bloom made a motion to approve the agenda and Commissioner Ampomah seconded the motion. A roll call vote was taken. The motion carried.

Item 3. Approval of the January 13-14, 2022 Commission Minutes

Action: Commissioner Bloom made a motion to approve the January 13-14, 2022 Commission minutes and Commissioner Ampomah seconded the motion. A roll call vote was taken. The motion carried.

Item 4. **Continuance of Case No. 21324 (De Novo Case No. 21902) for submittal of closing statements and deliberations:**

The New Mexico Oil Conservation Division entered Order No. R-21631 in Case No. 21324, denying the Application of Tom M. Ragsdale to Revoke Order Nos. R-20924 and R-20924-A or, in the Alternative, to Declare Unreasonable Certain Costs Imposed by Mewbourne Oil Co. Applicant seeks an order revoking Order Nos. R-20924 and R-20924-A or, in the alternative, declaring certain costs unreasonable as imposed by Mewbourne Oil Co. ("Mewbourne"). In Case No. 20580, Mewbourne filed an application seeking to pool the Bone Spring formation underlying the E/2E/2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, for the purpose of drilling the Ibox 10/15 B1AP Fed. Com. Well No. 2H, API# 30-025-46188, and the Ibox 10/15 B3AP Fed. Com. Well No. 1H, API# 30-025-46189. In Case No. 20809, Mewbourne filed an application seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, for the purpose of drilling the Ibox 15/10 B1PA Fed. Com.

Well No. 2H, API#30-025-47060, and the Ibox 15/10 B3PA Fed. Com. Well No. 1H, API# 30-025-46948. Order No. R-20924 was entered in Case No. 20580 and Order No. R-20924-A was entered in Case No. 20809. Applicant requests that the matter raised in this case be heard de novo before the Oil Conservation Commission pursuant to NMSA 1978, § 70-2-13.

Action: Chair Sandoval announced that the deliberations in this case could take some time. She dismissed the counsel in the remaining cases on the docket at this time and asked them to check back in at 10:30 a.m. The Commission was still deliberating at that time and Chair Sandoval asked the counsel to report back to the meeting at 1:00 p.m.

Chair Sandoval announced that written closing statements were submitted in Case No. 21324, De Novo Case No. 21902 after the close of the January 13-14 Commission meeting. Appearances were made by Sharon Shaheen for Tom M. Ragsdale and James Bruce for Mewbourne Oil Co. (Mewbourne). Ms. Shaheen and Mr. Bruce orally presented their closing statements. The record in De Novo Case 21902 was closed at 9:25 a.m. After a motion by Chair Sandoval to close the meeting pursuant to NMAC 1978, Section 10-15-1(H) to deliberate on Case No. 21324, De Novo Case No. 21902, and a second to the motion by Commissioner Bloom, a roll call vote was taken. The motion passed unanimously. The meeting was closed for deliberations. After a motion by Commissioner Bloom to go back into open session and a second to the motion by Commissioner Ampomah, a roll call vote was taken. The motion passed unanimously. Chair Sandoval announced that Case 21324, De Novo Case No. 21902, was the only matter discussed during the closed session, and she made a motion to adopt the Commission's following findings: proper notice was given to the applicant and there was not sufficient evidence presented that the Oil Conservation Division orders were entered unlawfully so the orders are not revoked; regarding the participation of the applicant in the 15/10 wells, the applicant received the elections letter and failed to make a timely reply, and the submission of a check is not adequate to show participation on its own; the well costs were deemed appropriate; proper notice was given to the applicant; since there was no valid compulsory pooling order at the time that the 10/15 wells were junked or when the 15/10 well was initially staked, the provisions for allocating substitute well costs are not appropriate; Mewbourne was allowed to move forward without a valid compulsory pooling order at its own risk so well costs should not have been allocated to Ragsdale; and OCD Cases 20580 and 20809 will not be reopened. Commissioner Bloom seconded the motion. A roll call vote was taken. The motion carried. An order incorporating the Commission's findings will be prepared and adopted by the Commission at the March 10, 2022 Commission meeting.

Item 5. (Evidentiary Hearing on Invalidation of Division Order) De Novo Case No. 21744: (Case No. 21629): Application of Cimarex Energy Co. for Hearing De Novo of Case No. 21629, Eddy County, New Mexico. The New Mexico Oil Conservation Division issued Order No. R-21575 in Case No. 21629. Magnum Hunter Production, Inc., an affiliate of Cimarex Energy Co. (collectively referred to herein as "Cimarex") owned a working interest in the unit pooled by Order No. R- 21575, issued pursuant to a hearing held before the Division on January 7, 2021. Cimarex, a party of record adversely affected by Order No. R-21575, requests that the matter raised in this case be heard de novo before the Oil Conservation Commission pursuant to NMSA 1978, §70- 2-13.

Action: Appearances were made by Darin Savage for Cimarex Energy Co. (Cimarex), Ernest Padilla for Colgate Operating LLC, (Colgate) and Adam Rankin for EOG Resources, Inc. Mr. Savage addressed some issues and requested that rebuttable presumptions be acknowledged. After consultation with Counsel Moander, Chair Sandoval advised that rebuttable requests will be held in abeyance.

Mr. Savage's first witness was John Coffman, Landman with Cimarex. He described e-mail exchanges between Colgate and Cimarex regarding negotiations and proposals and advised that Cimarex was not given the opportunity to enter into an agreement with Colgate. He responded to questions from Mr. Padilla, Commissioner Ampomah, Commissioner Bloom, and Chair Sandoval and was excused.

The next witness for Cimarex was Riley Morris, Landman with Cimarex. He explained that the burden was on the applicant to obtain voluntary agreement from interest owners. He responded to questions from Mr. Padilla, Commissioner Ampomah, Commissioner Bloom, and Chair Sandoval and was excused.

The next witness was Brent McDonald, Senior Vice-President of Prosperity Bank fka American State Bank. He told of e-mails sent to Colgate beginning in July, 2020, advising that the bank had no interest in participating, but there was no final offer from Colgate to acquire the bank's interest. The witness responded to questions from Mr. Padilla and was excused.

Colgate's witness was Mark Hajdik, Landman with Colgate. He described e-mail communication between Colgate and Cimarex regarding the submission of a Joint Operating Agreement. Mr. Savage began to question the witness, but the witness had a previous engagement and had to leave the hearing.

A discussion was held by the Commission on setting a date for the continuance of De Novo Case 21744. Pursuant to 19.15.4.15 NMAC, the evidentiary hearing of De Novo Case No. 21744 was continued to the Commission's regularly scheduled hearing on March 10, 2022 beginning at 9:00 a.m.

Item 6. Litigation

Action: Counsel Moander advised that he is still awaiting a ruling from the Court of Appeals in Case A-1-CA-39578.

Item 7. Other business

Action: Commissioner Bloom announced dates in March for which he will be unavailable for hearings.

Item 8. Next meeting – March 10, 2022

Item 9. Adjournment

Chair Sandoval adjourned the meeting at 4:13 p.m.

A handwritten signature in black ink, appearing to read "Adrienne".

Adrienne Sandoval, Chair