

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 HILCORP ENERGY COMPANY CASE NO. 20095
FOR AN EXCEPTION TO THE WELL DENSITY
REQUIREMENTS OF THE SPECIAL RULES AND
REGULATIONS OF THE BLANCO-MESAVERDE GAS
POOL, SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Keith W. Herrmann, Legal Examiner,
on Thursday, November 15, 2018, at the New Mexico
Energy, Minerals and Natural Resources Department,
Wendell Chino Building, 1220 South St. Francis Drive,
Third Floor Meeting Room, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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 (505) 843-9241

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APPEARANCES

FOR APPLICANT HILCORP ENERGY COMPANY:

ADAM G. RANKIN, ESQ.
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1 (9:53 a.m.)

2 EXAMINER McMILLAN: I'd like to call the
3 hearing back to order.

4 I would like to call Case Number 20095,
5 application of Hilcorp Energy Company for an exception
6 to the well density requirements of the special rules
7 and regulations of the Blanco-Mesaverde Gas Pool.

8 Will this be combined with 20096 and 20097?

9 MR. RANKIN: Mr. Examiner, in order to keep
10 the record clear, I'm going to present them separately,
11 if that's okay.

12 EXAMINER McMILLAN: Thank you. Please
13 proceed.

14 MR. RANKIN: Mr. Examiner, we request that
15 these cases just be presented separately, and I'll
16 present each affidavit with each case separately.

17 EXAMINER McMILLAN: Are there any other
18 appearances?

19 Please proceed.

20 MR. RANKIN: Mr. Examiner, Adam Rankin,
21 with the law firm of Holland & Hart, appearing on behalf
22 of the Applicant, Hilcorp Energy Company.

23 I'm presenting Case Number 20095 by
24 affidavit, and I have three affidavits marked as
25 Exhibits A, B and C.

1 Exhibit A is the affidavit of Hilcorp's
2 landman, Mr. Brad Pearson. Mr. Pearson has previously
3 testified and had his credentials as an expert in
4 petroleum land matters accepted by the Division and made
5 a matter of record.

6 Hilcorp in these cases seeks -- in this
7 case seeks an exception to the special pool rules
8 governing the Blanco-Mesaverde Gas Pool by requesting
9 two wells to be located in a single quarter-quarter
10 section. The proposed well that they're seeking to
11 complete in the same quarter-quarter section as an
12 existing well is the Fogleson Gas Com 1R well. They are
13 proposing to complete it -- recomplete it in the
14 Blanco-Mesaverde Gas Pool in Section 26, Township 30
15 North, Range 11 West, in Unit I. And that's the same
16 quarter-quarter section as an existing well also
17 completed in the Blanco-Mesaverde Gas Pool, which is the
18 Payne Com 1A well, which is in Section 26, Township 30,
19 Range 11 West, also in Unit I.

20 Because there would be two wells completed
21 in the same quarter-quarter section, that requires an
22 exception under the special pool rules. The spacing
23 unit at issue here is the south half of Section 26,
24 Township 30 North, Range 11 West. There are only two
25 existing wells in that spacing unit. However, because

1 the proposed well here, the Fogleson, will be in the
2 same quarter-quarter section as an existing well, the
3 recompletion requires an exception to the well density
4 rules under the special pool rules.

5 Mr. Pearson, in his affidavit, which is
6 Exhibit A, identifies the spacing unit, identifies the
7 subject well that they're seeking to recomplete, as well
8 as the existing wells in the spacing unit.

9 He identifies in Exhibit A1, if you flip to
10 that, which is the depiction of the spacing unit at
11 issue. It locates the existing wells, as well as the
12 proposed recompletion well. It also identifies in the
13 red hash mark that notice area, which are the parties
14 that were -- identifies the areas that require the
15 parties to get notice. He testifies in paragraph 16 of
16 his affidavit the parties who are required to get notice
17 within that notice area.

18 Exhibit A2 is a copy of the administrative
19 application that was filed with the Division. The
20 Division responded that because there are two wells
21 proposed for a quarter-quarter section, that required an
22 exception to the well density rules and had to go to
23 hearing. And so for that reason, this case is now
24 before the Division for hearing.

25 Exhibit B is a copy of an affidavit

1 prepared by me and my office indicating that my law firm
2 provided notice to the parties identified to us by
3 Hilcorp. The second page of that exhibit is a letter
4 that was sent out to all the affected parties. And the
5 following page is a copy of the United States Postal
6 Service tracking sheet indicating that all parties have
7 received notification except for one, which the postal
8 service indicates -- you can see the fourth from the
9 bottom -- that the recipient requested that the post
10 office hold all deliveries at that box.

11 And you'll see on the last page of Exhibit
12 B is a copy of the Notice of Publication that we
13 published in the newspaper in the county where the well
14 is proposed identifying each of the parties, including
15 that one party that requested all their mail be held at
16 their box, identifying them by name, giving them notice
17 of the application and what it is that Hilcorp's
18 requesting here. Hilcorp did not receive any
19 objections.

20 Exhibit C is a copy of an affidavit
21 prepared by Mr. Kevin Lafferty. Mr. Lafferty is a
22 reservoir engineer with Hilcorp. Mr. Lafferty has not
23 previously testified before the Division. His
24 credentials and his experience and education are
25 outlined in paragraph three of his affidavit. His

1 complete CV and resume is attached as Exhibit C2
2 outlining his experience as an operations engineer and
3 as a reservoir engineer for Hilcorp.

4 Mr. Lafferty, in his affidavit, outlines
5 his analysis and review of the spacing unit and the
6 reservoir at issue and states that he has identified
7 that there is remaining gas in place that has not been
8 recovered under the existing density and that the
9 proposed additional completion will help drain that
10 spacing unit in the southeast quarter of that spacing
11 unit.

12 Exhibit C2 is a copy of a bubble map that
13 Mr. Lafferty prepared reflecting the spacing unit at
14 issue -- or, rather, the section at issue identifying
15 the proposed recompletion and reflecting that his
16 analysis determines that it will drain that southeast
17 quarter section of the south half of Section 26.

18 Exhibit C3 are three pages. They're copies
19 of the pictorial depiction of calculations -- the first
20 page is a calculation of the original gas in place
21 reflecting how much gas originally was in the reservoir.
22 The red star reflects the location of the subject well
23 that they're proposing for recompletion. The second
24 page of that exhibit is a copy of their calculated
25 cumulative gas production in the Blanco-Mesaverde

1 reservoir. The red star, again, depicts the location of
2 the subject well indicating that there has been
3 substantial gas produced from that area. And the last
4 page of that exhibit is the Mesaverde remaining gas in
5 place based on Mr. Lafferty's calculations reflecting
6 that there remains substantial gas that has not been
7 recovered.

8 And the final exhibit, C4, is a copy of his
9 numerical calculations for different scales for the gas
10 remaining in place. And as reflected in his affidavit,
11 he indicates that the recovered -- the recovery factors
12 for the spacing unit are well below what is expected for
13 a reservoir of this type, and, therefore, without the
14 increased density as requested, there will be
15 unrecovered reserves.

16 So with that, Mr. Examiner, I would move
17 the admission of Exhibit A -- sorry -- yeah, A, B and C
18 into the record.

19 EXAMINER McMILLAN: Exhibits A, B and C may
20 now be accepted as part of the record.

21 (Hilcorp Energy Company Exhibit Letters A,
22 B and C are offered and admitted into
23 evidence.)

24 EXAMINER McMILLAN: First thing I'd like
25 you to do is your Affidavit of Publication appears to be

1 cut off a little bit, so redo that, some of the names
2 are not real clear.

3 Which one is that?

4 MR. RANKIN: That would be B -- Exhibit B.

5 EXAMINER McMILLAN: Yeah. Some of the
6 Names look like they appear to be cut off.

7 MR. RANKIN: Oh, I see. Let me see if it's
8 necessary based on the party that --

9 EXAMINER McMILLAN: Just plan on doing it.

10 MR. RANKIN: Okay. Very well.

11 (Laughter.)

12 EXAMINER McMILLAN: This is too contentious
13 not to have everything perfect.

14 MR. RANKIN: I understand, Mr. Examiner.

15 EXAMINER McMILLAN: Okay. So let's come
16 back to Exhibit A1. So the existing wells in the
17 spacing unit are the circles, and the proposed well is
18 the triangle, correct?

19 MR. RANKIN: That's correct.

20 EXAMINER McMILLAN: Do you have any
21 questions?

22 MR. HERRMANN: No.

23 MR. RANKIN: Nothing further, Mr. Examiner.

24 With the supplementation of Exhibit B to
25 clarify the Notice of Publication -- or the Affidavit of

1 Publication, we ask that Case Number 20095 be taken
2 under consideration.

3 EXAMINER McMILLAN: Case Number 20095 shall
4 be taken under advisement with the required information.

5 (Case Number 20095 concludes, 10:04 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 18th day of December 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

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