

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING NOVEMBER 14, 2019**

**CASE No. 20902**

***STATE COM M 010 WELL***

***SAN JUAN, NEW MEXICO***



**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF HILCORP ENERGY  
COMPANY FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO. 20902**

**AFFIDAVIT OF ROBERT CARLSON**

I, Robert Carlson, of lawful age and being first duly sworn, declares as follows:

1. My name is Robert Carlson. I work for Hilcorp Energy Company (“Hilcorp”) as a Landman.
2. I have previously testified before the Oil Conservation Division and had my credentials as an expert in petroleum land matters accepted and made a matter of record.
3. I am the landman who is familiar with this application filed by Hilcorp and familiar with the status of the lands in Section 36, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico.
4. None of the interest owners have indicated opposition to Hilcorp presenting this case by affidavit.
5. Hilcorp seeks an order pooling all uncommitted interest owners in the Pictured Cliffs formation (Blanco Pictured Cliffs (Gas) (Pool Code 72359)) underlying a 160-acre spacing unit comprised of the SW/4 of Section 36, dedicating the spacing unit to the **State Com M 010 Well** (API No. 30-045-34025), and designating Hilcorp as operator of the well and spacing unit.
6. Hilcorp owns a working interest in the SW/4 of Section 36 on which it has drilled the **State Com M 010 Well**, a vertical well located at a standard gas well location 2,110 feet from the south line and 855 feet from the west line of Section 36.

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. A**  
Submitted by: **Hilcorp Energy Company**  
Hearing Date: November 14, 2019  
Case # 20902

7. The well is completed in the Mesaverde and Dakota formations and dedicated to the 320-acre gas spacing units in the Blanco-Mesaverde Pool (Pool Code 72319) and Basin-Dakota Pool (Pool Code 71599), comprised of the W/2 of said Section 36.

8. Hilcorp intends to recomplete the **State Com M 010 Well** at a standard gas well location in the NW/4 SW/4 (Unit L) of Section 36 to a depth sufficient to test the Pictured Cliffs formation.

9. The **State Com M 010 Well** will be recompleted in the Blanco Pictured Cliffs (Gas) (Pool Code 72359).

10. **Hilcorp Exhibit A-1** is a C-102 showing the well and the proposed recompletion in the Pictured Cliffs Pool. This spacing unit is comprised of the SW/4 of Section 36. All acreage is state. The location complies with applicable setback requirements for gas wells in this pool.

11. **Hilcorp Exhibit A-2** identifies ownership by tract in the proposed spacing unit. Hilcorp seeks to pool certain working interest owners and overriding royalty interest owners identified on the exhibit with in red. There are no unleased mineral interest owners in this acreage.

12. **Hilcorp Exhibit A-3** also contains a sample well proposal letter and AFE for the proposed well sent to each interest owner. The costs reflected in the AFE are consistent with what other operators have incurred for similar recompletions in this formation.

13. In addition to sending well proposal letters and AFEs, I have attempted to reach agreement with each party Hilcorp is seeking to pool. In my opinion, Hilcorp has made a good faith effort to reach agreement with each party. If Hilcorp reaches agreement with any of the

parties subject to pooling before the Division enters an order, I will let the Division know that Hilcorp is no longer seeking to pool that party.

14. No ownership depth severances exist in the proposed spacing unit.

15. Hilcorp has estimated the overhead and administrative costs at \$7500/month while drilling and \$750/month while operating the well. These costs are consistent with what other operators are charging in this area for similar vertical recompletions. Hilcorp respectfully requests that these administrative and overhead costs be incorporated into any order entered by the Division.

16. I provided the law firm of Holland & Hart LLP a list of names and addresses for the uncommitted interest owners shown on Exhibit A-2. Hilcorp performed a diligent search to ascertain last known addresses for each party that it seeks to pool. In my opinion, Hilcorp has made a good faith effort to locate each party that it seeks to pool. All parties were locatable.

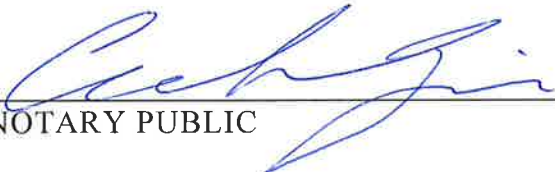
17. **Hilcorp Exhibit Nos. A-1 through A-3** were either prepared by me or compiled under my direction and supervision.

FURTHER AFFIANT SAYETH NOT.

  
ROBERT CARLSON

STATE OF TEXAS                    )  
  )  
COUNTY OF HARRIS            )

SUBSCRIBED and SWORN to before me this 13<sup>th</sup> day of November 2019 by Robert Carlson.

  
NOTARY PUBLIC

My Commission Expires:

November 12, 2023



**District I**

1625 N. French Dr., Hobbs, NM 88240  
Phone:(575) 393-6161 Fax:(575) 393-0720

**District II**

811 S. First St., Artesia, NM 88210  
Phone:(575) 748-1283 Fax:(575) 748-9720

**District III**

1000 Rio Brazos Rd., Aztec, NM 87410  
Phone:(505) 334-6178 Fax:(505) 334-6170

**District IV**

1220 S. St Francis Dr., Santa Fe, NM 87505  
Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico**  
**Energy, Minerals and Natural**  
**Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

Form C-102

August 1, 2011

Permit 269315

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-045-34025	2. Pool Code 72359	3. Pool Name BLANCO PICTURED CLIFFS (GAS)
4. Property Code 319095	5. Property Name STATE COM M	6. Well No. 010
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6329

**10. Surface Location**

UL - Lot L	Section 36	Township 32N	Range 11W	Lot Idn	Feet From 2110	N/S Line S	Feet From 855	EW Line W	County SAN JUAN
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**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	EW Line	County
12. Dedicated Acres 160.00	13. Joint or Infill			14. Consolidation Code			15. Order No.		

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<p style="text-align: center;"><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: <i>Priscilla Shorty</i> Title: Operations Regulatory Technician - Sr. Date: 7/2/2019</p>		
	<p style="text-align: center;"><b>SURVEYOR CERTIFICATION</b></p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: David Russell Date of Survey: 8/9/2006 Certificate Number: 10201</p>		

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-1

Submitted by: Hilcorp Energy Company

Hearing Date: November 14, 2019

Case # 20902

Well Name	STATE COM M #010
API	30-045-34025
Legal	L-36-32N-11W, 2110 FSL 855 FWL
Spacing	SW/4
Existing Form/Spacing	Blanco-Mesaverde (72319), W/2
Existing Form/Spacing	Basin Dakota (71599), W/2
Force Pool Form/Spacing	Blanco Pictured Cliffs (72359), SW/4
Overhead - Drilling/Producing	\$10,000 / \$1,000

<b>State of New Mexico</b> <b>E0-3374-4</b>  <u>WI</u> Hilcorp San Juan, L.P.  <u>ORI</u> Madeline E. Clarke Trust Raymond N. Clarke  <u>RT:</u> Hilcorp	<b>State of New Mexico</b> <b>B1-1419-26</b>  <u>WI</u> Hilcorp San Juan, L.P.  <u>ORI</u> None  <u>RT:</u> Hilcorp		
<b>State of New Mexico</b> <b>E0-5388-6</b>  <u>WI</u> Hilcorp San Juan, L.P.  <u>ORI</u> None  <u>RT:</u> Hilcorp & BP	<b>State of New Mexico</b> <b>E0-1544-7</b>  <u>WI</u> Hilcorp San Juan, L.P. (50%) BP America Production Company (50%)  <u>ORI</u> H.A. & Ethel Jacobson  <u>RT:</u> Hilcorp & BP		



August 13, 2019

State Com M 10  
Pictured Cliffs Drillblock  
Working Interest Owners

**RE: Recompletion Proposal**  
State Com M 10  
API# 30-045-34025  
San Juan County, New Mexico

AFE: 1923710  
WC 30.1037.0973.02 (Blanco Pictured Cliffs)

Dear Interest Owner:

The referenced well was initially completed as a Dakota well (the "Wellbore") on September 18, 2008 and subsequently commingled with the Mesaverde on September 7, 2016. In accordance with the proposed Joint Operating Agreement ("JOA") enclosed dated August 1, 2019 and the Commingling Letter Agreement ("CLA") enclosed dated August 13, 2019, Hilcorp Energy Company, as Operator, now proposes to enter the Wellbore to recomplete the Pictured Cliffs and commingle production amongst all three formations.

Ownership of the Pictured Cliffs formations:

Well Name/Dedication	Formation	Owners:	GW
State Com M 10	Pictured Cliffs	Hilcorp San Juan, L.P.	87.50%
Dedication – SW/4 160.00		BP America Production Company	<u>12.50%</u>
Sec. 36-T32N-R11W		<b>TOTAL</b>	<b>100.00%</b>

A copy of the AFE is included for your convenience. The total estimated cost of the project is \$250,000. Your estimated contribution is \$31,250. In an effort to avoid unnecessary compulsory pooling proceedings, the JOA provides for an optional non-consent election in the recompletion proposed (see Article XVI.G.4) subject to a 300% penalty; the standard for compulsory pooling orders.

Hilcorp anticipates executing this project in October 2019. Actual execution is dependent upon rig availability and permitting constraints which could cause delays. Therefore, your approval of this project is requested for a period of up to twelve (12) months.

Please indicate your approval by signing and returning executed/original copies of the documents below to Hilcorp Energy Company, Attn: Dani Papetti, 1111 Travis Street, Houston, Texas 77002.

- (1) This letter
- (1) AFE
- (1) JOA signature & acknowledgment pages
- (1) CLA signature & acknowledgment pages
  - Note: Execution serves to reduce BP's overall P&A liability.
- (2) Communitization Agreement signature/acknowledgement pages



Please direct technical or scheduling questions to Michael Wissing, Operations Engineer, at (713) 757-5294 or [mwissing@hilcorp.com](mailto:mwissing@hilcorp.com). For land-related questions contact Dani Papetti at (832) 839-4570 or at the email provided above. For urgent matters, please contact me directly.

Sincerely,



Robert Carlson  
Landman  
(832) 839-4596  
[rcarlson@hilcorp.com](mailto:rcarlson@hilcorp.com)

dkp

Enclosures:

- Authority for Expenditure
- Joint Operating Agreement & Exhibits A through H
- Commingling Letter Agreement
- Communitization Agreement
- DHC Notice / C-107A

**AFE 1923710 PARTICIPANT APPROVAL**

**PICTURED CLIFFS DRILLBLOCK OWNERS:**

**The undersigned hereby approves this Recompletion in the State Com M 10 well as set out herein in accordance with their election indicated on the AFE.**

**COMPANY:** \_\_\_\_\_

**NAME:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_ **PHONE #** \_\_\_\_\_

**DATE:** \_\_\_\_\_ **EMAIL:** \_\_\_\_\_



# HILCORP ENERGY COMPANY

## AUTHORITY FOR EXPENDITURE

P.O. Box 61229  
Houston, Texas 77208-1229  
(713) 209-2400 Fax (713) 209-2420

### Original AFE

<b>AFE Number:</b>	1923710	<b>AFE Date:</b>	07/09/2019	
<b>Lease/Well Name:</b>	State Com M 010 (PC)	<b>Current Reservoir:</b>		
<b>Property Number:</b>	30.1037.0973.02	<b>Current PBSD:</b>	N/A	
<b>Internal Field Name:</b>	San Juan Area 01	<b>Proposed Reservoir:</b>		
<b>Regulatory Field Name:</b>		<b>County/State:</b>	San Juan, NM	
<b>Work to be Performed:</b>	Stimulate the Pictured Cliffs formation in 1 stage and tri-mingle the Pictured Cliffs production with the existing Mesa Verde and Dakota formations' production and fix repairs as needed on the production equipment.			
<b>Capital Project</b>				
<b>Type:</b>	Capital Workover - Op	<b>Engineer:</b>	Michael Wissing	
<b>Project Summary 1923710</b>				
	<b>Original AFE Cost</b>	<b>Supplement Cost</b>	<b>Total Cost</b>	<b>Net to Hilcorp 87.497105%</b>
2310 - Intangible Completion	207,892	0	207,892	181,899
2400 - Equipment	42,108	0	42,108	36,843
<b>Total Costs:</b>	<b>250,000</b>	<b>0</b>	<b>250,000</b>	<b>218,743</b>
<b>ELECTION TO PARTICIPATE IN NON-CONSENT INTEREST (Please Initial The Appropriate Block)</b>				
I hereby elect to _____ or elect not to _____ participate in my proportionate share of any Non-Consent interest which becomes available. If you choose to participate in Non-Consent interest please complete the following: I hereby elect to _____ or elect not to _____ participate in any Non-Consent interest which becomes available over and above my proportionate share to the limit available.				

### HILCORP ENERGY COMPANY APPROVALS

### PARTICIPANT APPROVAL

Approval costs on this form are estimates only and approval of this authorization shall extend to the actual costs incurred in conducting the work authorized, whether more or less than herein set out.

For: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

☐ Elect to Participate.

☐ Elect to NOT Participate.



# HILCORP ENERGY COMPANY

## AUTHORITY FOR EXPENDITURE

P.O. Box 61229  
Houston, Texas 77208-1229  
(713) 209-2400 Fax (713) 209-2420

<b>AFE Number:</b>	1923710	<b>AFE Date:</b>	07/09/2019
<b>Lease/Well Name:</b>	State Com M 010 (PC)	<b>Current Reservoir:</b>	
<b>Property Number:</b>	30.1037.0973.02	<b>Current PBTD:</b>	N/A
<b>Internal Field Name:</b>	San Juan Area 01	<b>Proposed Reservoir:</b>	
<b>Regulatory Field Name:</b>		<b>County/State:</b>	San Juan, NM
<b>Work to be Performed:</b>	Stimulate the Pictured Cliffs formation in 1 stage and tri-mingle the Pictured Cliffs production with the existing Mesa Verde and Dakota formations' production and fix repairs as needed on the production equipment.		

		<b>Completion Cost</b>	<b>Supplement</b>	<b>Total</b>
<b>2310</b>	2310.001 - ICC-Contract Labor/Services	2,877		2,877
	2310.002 - ICC-N2/Coil Tubing Work	3,629		3,629
	2310.014 - ICC-Completion/Workover Rig	27,821		27,821
	2310.030 - ICC-Formation Stimulation	94,600		94,600
	2310.040 - ICC-AR Well Testing	323		323
	2310.072 - ICC-Transportation	26,637		26,637
	2310.095 - ICC - Drilling Waste Disposal/Mgmt	1,613		1,613
	2310.100 - ICC-Mud & Chemicals	4,688		4,688
	2310.101 - ICC-Bits, Reamers & Supplies	1,882		1,882
	2310.110 - ICC-Rentals	6,443		6,443
	2310.111 - ICC-Logging & Misc Wireline	12,900		12,900
	2310.112 - ICC-Well Surveys & Test Svcs	1,204		1,204
	2310.115 - ICC-Cementing Services	11,288		11,288
	2310.120 - ICC - Salt Water Disposal	2,688		2,688
	2310.200 - ICC-Supervision/Company	645		645
	2310.201 - ICC-Supervision/Consultant	8,654		8,654
	<b>Total Intangible Completion Costs:</b>	<b>207,892</b>		<b>207,892</b>
<b>2400</b>	2400.006 - Casinghead	2		2
	2400.007 - Tubing	13,774		13,774
	2400.009 - Wellhead / Tree	9,246		9,246
	2400.016 - Valves & Fittings	2,688		2,688
	2400.030 - Intangible Installation Costs	2,150		2,150
	2400.046 - Fac - Transportation - Land	807		807
	2400.047 - Fac - Equipment Rental	2,957		2,957
	2400.055 - Fac - Environmental Services	538		538
	2400.108 - Packers & Subsurface Equip Compl	3,656		3,656
	2400.300 - FAC - Road/Location Costs	6,290		6,290
	<b>Total Equipment Costs:</b>	<b>42,108</b>		<b>42,108</b>
<b>Total AFE Cost:</b>		<b>250,000</b>		<b>250,000</b>



**HILCORP ENERGY COMPANY**  
**AUTHORITY FOR EXPENDITURE**

P.O. Box 61229  
Houston, Texas 77208-1229  
(713) 209-2400 Fax (713) 209-2420

**AFE #: 1923710**

**Ballot: 1ST**

**THIS IS NOT A BILL**

Owner	Owner Code	Int Type	Owner Int	Owner Original	Owner Supplement	Owner Estimated Total
BP AMERICA PRODUCTION COMPANY ATTN: CRAIG T FERGUSON 737 N ELDRIDGE PARKWAY, E3-12.173B HOUSTON, TX 77079	1066712-00007	W0001	0.12500000	\$31,250	\$0	\$31,250

**THIS IS NOT A BILL**

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. B**  
Submitted by: **Hilcorp Energy Company**  
Hearing Date: November 14, 2019  
Case # 20902



October 23, 2019

**VIA CERTIFIED MAIL**  
**CERTIFIED RECEIPT REQUESTED****TO: POOLED PARTIES****Re: Application of Hilcorp Energy Company for Compulsory Pooling, San Juan  
County, New Mexico.  
State Com M 010 Well**

Ladies &amp; Gentlemen:

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on November 14, 2019 and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. Division hearings will commence at 8:15 a.m. in Porter Hall at the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Rob Carlson at (832) 839-4596.

Sincerely,

Adam G. Rankin

**ATTORNEY FOR HILCORP ENERGY COMPANY**

13651661\_v1

HEC - State Com M 010 Well  
Case No. 20902  
CM# 93904.0003

Tracking Number	Recipient	Status
9214890194038396569275	BP America Production Company Attn: Craig Ferguson 737 N Eldridge Parkway E3 12 101A Houston TX 77079	Delivered Signature Received
9214890194038396569282	Marilyn R Felker PO BOX 104 Bellevue OH 44811	Delivered Signature Received
9214890194038396569299	Mary Anne O Felker 1623 16th St Cuyahoga Falls OH 44223	Delivered Signature Received
9214890194038396569305	Marita Jane Emerson 94 Fledgling Path The Woodlands TX 77382	Delivered Signature Received



\$5.75 x 4 = \$23.00

## Shipment Confirmation Acceptance Notice

### A. Mailer Action

**Note to Mailer:** The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

HEC - State Com M 010  
Case No. 20902  
CM# 93904.0003

Shipment Date: 10/23/2019

Shipped From:

Name: HOLLAND & HART LLP

Address: 110 N GUADALUPE ST # 1

City: SANTA FE

State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	4
Total	4

\*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

### B. USPS Action

Note to RSS Clerk:

1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.  
Leave form with customer or in customer's mail receptacle.

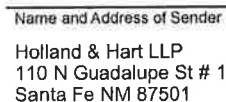
USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0017 9080 91







**Affix Stamp Here**  
(if issued as an international  
certificate of mailing or for  
additional copies of this receipt).  
**Postmark with Date of Receipt.**

[illegible]