

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING MAY 31, 2018**

CASE No. 16204

ZELLA CALLOWAY 001

SAN JUAN COUNTY, NEW MEXICO

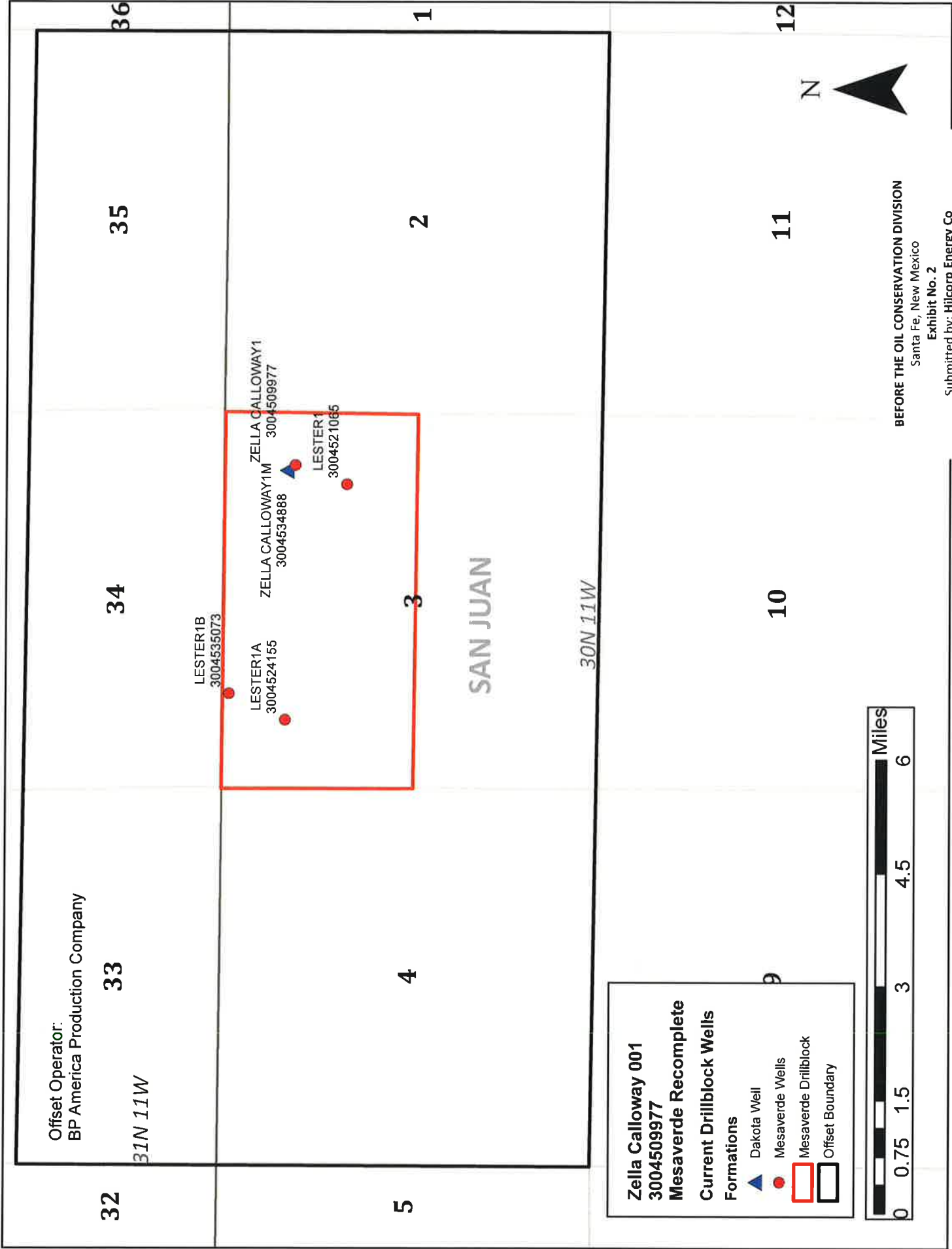


NMOCD May 31, 2018 Hearing Overview

| 32 | 33 | 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 3132 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|------|
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| 20 | 21 | 22 | 23 | 24 | 19 | 20 | 21 | 22 | 23 | 24 | 19 | 20 | 21 | 22 | 23 | 24 | 1920 |
| 29 | 28 | 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 3029 |
| 32 | 33 | 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 3132 |
| 5 | 4 | 3 | 2 | 1 | 6 | 5 | 4 | 3 | 2 | 1 | 6 | 5 | 4 | 3 | 2 | 1 | 6 5 |
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| 29 | 28 | 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 3029 |
| 32 | 33 | 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 3132 |
| 5 | 4 | 3 | 2 | 1 | 6 | 5 | 4 | 3 | 2 | 1 | 6 | 5 | 4 | 3 | 2 | 1 | 6 5 |
| 8 | 9 | 10 | 11 | 12 | 7 | 8 | 9 | 10 | 11 | 12 | 7 | 8 | 9 | 10 | 11 | 12 | 7 8 |
| 17 | 16 | 15 | 14 | 13 | 18 | 17 | 16 | 15 | 14 | 13 | 18 | 17 | 16 | 15 | 14 | 13 | 1817 |
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| 29 | 28 | 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 3029 |

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: Hilcorp Energy Co
Hearing Date: May 31, 2018

Miles
0 0.75 1.5 3 4.5 6



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2

Submitted by: Hilcorp Energy Co

Hearing Date: May 31, 2018

Zella Calloway 001 (Blanco MV)
 N2: Sec. 3, T30N-R11W
 JIB Deck: 122390

30-045-09977

| Code | Name | Address | City | State | Zip Code | Interest Type | Interest | Remarks |
|---------|-------------------------------|---|---------|-------|----------|---------------|-----------|---------|
| 1139599 | WPC OIL & GAS LP | | | | | W0001 | 0.0084734 | WIO |
| 300 | Hilcorp San Juan, LP | 1111 Travis St. | Houston | TX | 77027 | SBT1 | 0.0894843 | WIO |
| 300 | Hilcorp San Juan, LP | 1111 Travis St. | Houston | TX | 77027 | SJBT1 | 0.0298281 | WIO |
| 300 | Hilcorp San Juan, LP | 1111 Travis St. | Houston | TX | 77027 | W0001 | 0.8722142 | WIO |
| 1066712 | BP America Production Company | 737 N Eldridge Parkway Attn: San Juan Land Manager | Houston | TX | 77079 | | | OO |

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

**APPLICATION OF HILCORP ENERGY COMPANY
FOR AN EXCEPTION TO THE WELL DENSITY
REQUIREMENTS OF THE SPECIAL RULES AND
REGULATIONS FOR THE BLANCO-MESAVERDE
GAS POOL, SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 16204

AFFIDAVIT

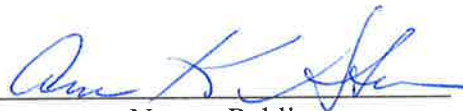
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Adam G. Rankin, attorney in fact and authorized representative of **HILCORP ENERGY COMPANY** the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Applications have been provided under the notice letters and proof of receipts attached hereto.



Adam G. Rankin

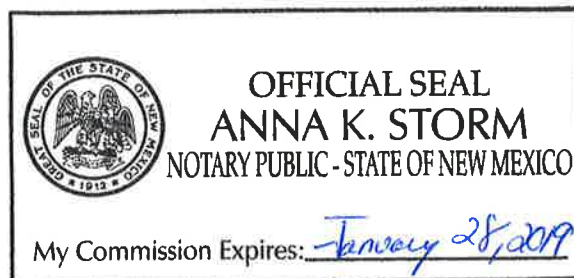
SUBSCRIBED AND SWORN to before me this 29th day of May, 2018 by Adam G. Rankin.



Notary Public

My Commission Expires:

January 28, 2019



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 4
Submitted by: Hilcorp Energy Co
Hearing Date: May 31, 2018

May 11, 2018

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL WORKING INTEREST OWNERS

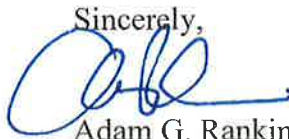
Re: Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico.

Ladies & Gentlemen:

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on May 31, 2018. The hearing will be held in Porter Hall in 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 Chuck Creekmore at (832) 839-4601.

Sincerely,


Adam G. Rankin

ATTORNEY FOR HILCORP ENERGY COMPANY



Adam G. Rankin
Associate
Phone (505) 988-4421
Fax (505) 983-6043
agrarkin@hollandhart.com

May 11, 2018

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSETTING OPERATORS

Re: Application of Hilcorp Energy Company 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.

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. As a Division-designated operator in an offsetting tract, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on May 31, 2018. The hearing will be held in Porter Hall in 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 with the Oil Conservation Division's Santa Fe office, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must 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 Chuck Creekmore at (832) 839-4601.

Sincerely,

Adam G. Rankin
ATTORNEY FOR HILCORP ENERGY COMPANY



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.

Hilcorp - Zella Callaway Well
CM 93904.0003 20180511
Interested Parties List

Shipment Date: 05/11/2018

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 | 3 |
| Total | 3 |

*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 0008 4233 67



Firm Mailing Book For Accountable Mail

[illegible]

| Total Number of Pieces Listed by Sender | Total Number of Pieces Received at Post Office |
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| 3 | |

PS Form 3877, April 2015 (Page 1 of 1)

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|-----------------------------|-----------------------------------|-----------|----|--------|
| 9214 8901 9403 8306 1488 11 | WPC Oil & Gas LP | Delivered | No | |
| | 4040 N Central Expway Stue 750 LB | Signature | | |
| | #6 | Received | | |
| 9214 8901 9403 8306 1488 04 | Dallas TX 75204 | | | |
| | BP America Production Company | Delivered | No | |
| | 737 N Eldridge Parkway | Signature | | |
| 9214 8901 9403 8306 1487 98 | Houston TX 77079 | Received | | |
| | Hilcorp San Juan LP | Delivered | No | |
| | 1111 Travis St | Signature | | |
| | Houston TX 77027 | Received | | |

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Mail Piece Tracking Number: **9214 8901 9403 8306 1488 11**

Recipient

WPC Oil & Gas LP
4040 N Central Expway Stue 750 LB #6
Dallas TX 75204

| Date & Time | Event | Event Location |
|------------------|--|--------------------|
| 05/16/2018 12:05 | DELIVERED TO MAIL ROOM | DALLAS,TX, 75204 |
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Recipient

BP America Production Company
737 N Eldridge Parkway
Houston TX 77079

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|------------------|--|----------------------------|
| 05/17/2018 09:27 | DELIVERED TO AGENT | HOUSTON,TX, 77079 |
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| 05/11/2018 12:39 | PRE-SHIPMENT INFO SENT USPS AWAITS ITEM | SANTA FE,NM, 87501 |

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Mail Piece Tracking Number: **9214 8901 9403 8306 1487 98**

Recipient

Hilcorp San Juan LP
1111 Travis St
Houston TX 77027

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|------------------|--|-------------------------|
| 05/15/2018 10:40 | DELIVERED LEFT WITH INDIVIDUAL | HOUSTON,TX, 77002 |
| 05/15/2018 02:19 | ARRIVAL AT UNIT | HOUSTON,TX, 77002 |
| 05/15/2018 00:52 | PROCESSED THROUGH USPS FACILITY | NORTH HOUSTON,TX, 77315 |
| 05/14/2018 13:30 | PROCESSED THROUGH USPS FACILITY | NORTH HOUSTON,TX, 77315 |
| 05/11/2018 16:35 | SHIPMENT RECEIVED ACCEPTANCE PENDING | SANTA FE,NM, 87501 |
| 05/11/2018 12:39 | PRE-SHIPMENT INFO SENT USPS AWAITS ITEM | SANTA FE,NM, 87501 |

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AFFIDAVIT OF PUBLICATION

Ad No.
0001247065

HOLLAND AND HART
PO BOX 2208


SANTA FE NM 87504

I, being duly sworn say: THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the State of New Mexico for publication and appeared in the internet at The Daily Times web site on the following days(s):

05/15/18


Legal Clerk

Subscribed and sworn before me this
15th of May 2018.


State of WI, County of Brown
NOTARY PUBLIC


My Commission Expires

Ad#:0001247065
P O : Zella Calloway
of Affidavits :0.00

BERGEN GORNOWICH
Notary Public
State of Wisconsin

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **May 31, 2018**, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **May 21, 2018**. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All Working Interest Owners in the Subject Spacing Unit and Offsetting Operators or Leased Mineral Interest Owners, Including: WPC Oil & Gas LP; Hilcorp San Juan, L.P.; BP America Production Company.

Case No. 16204: Application of Hilcorp Energy Company 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. Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), San Juan County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard 320.40-acre, more or less, spacing and proration unit, and three wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **Zella Calloway 001** (API No. 30-045-09977) in the Mesaverde formation with a surface location in Unit A of the N/2 of Section 3, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, and authorization to simultaneously complete and produce the Zella Calloway 001 Well from the Blanco-Mesaverde Gas Pool.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 5

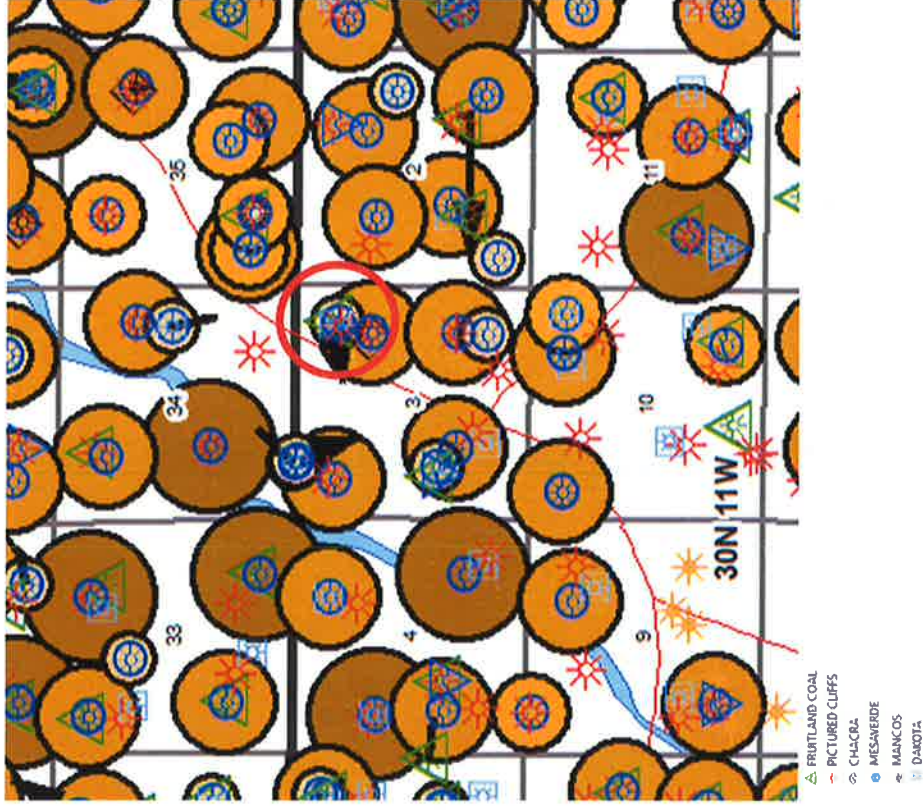
Submitted by: Hilcorp Energy Co

Hearing Date: May 31, 2018

Said area is located approximately 35 miles
east of Bloomfield, NM.

Legal No. 124,005 published in The Daily Times
on May 15, 2018

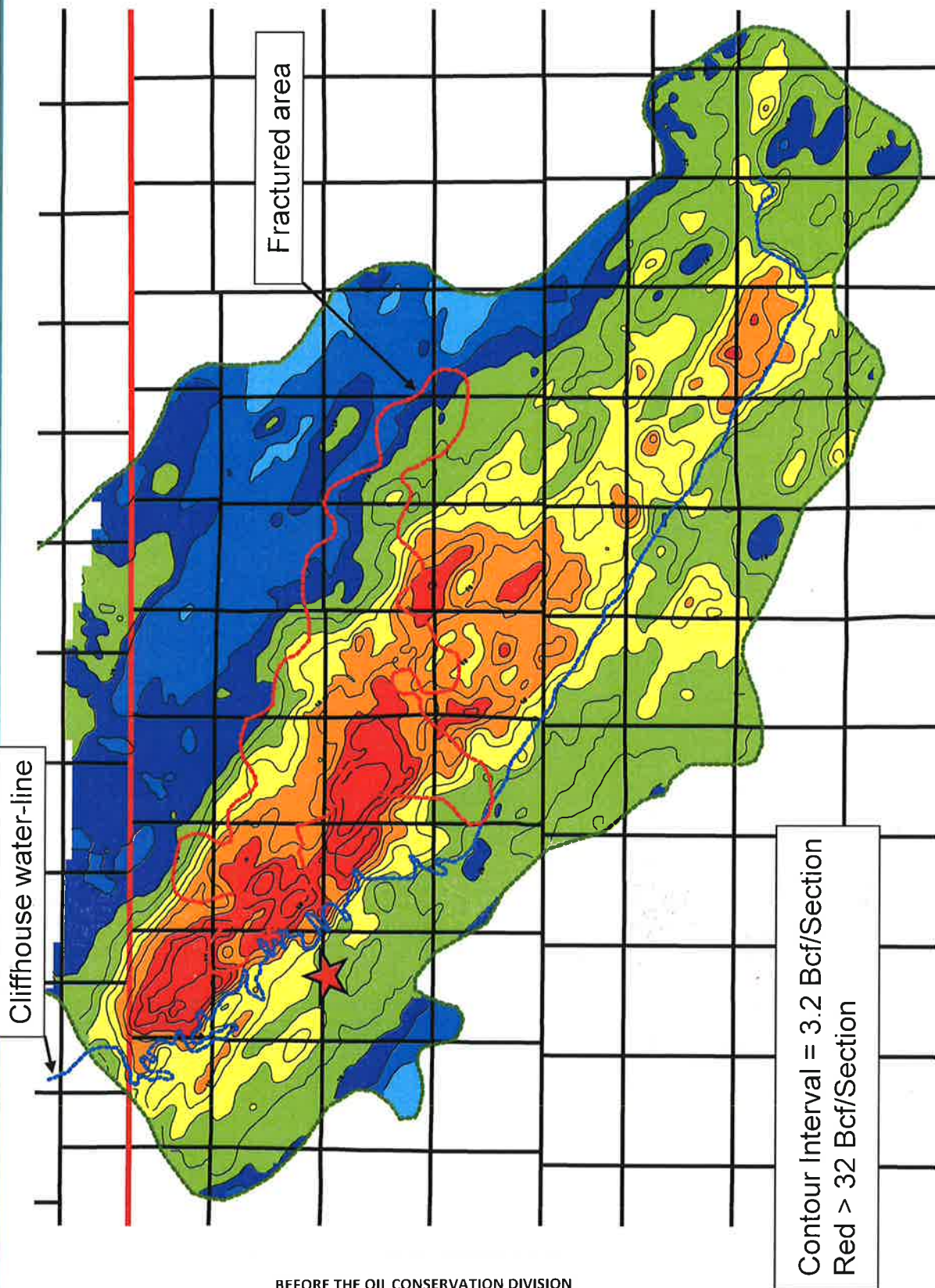
Zella Calloway 1



Well Specifics

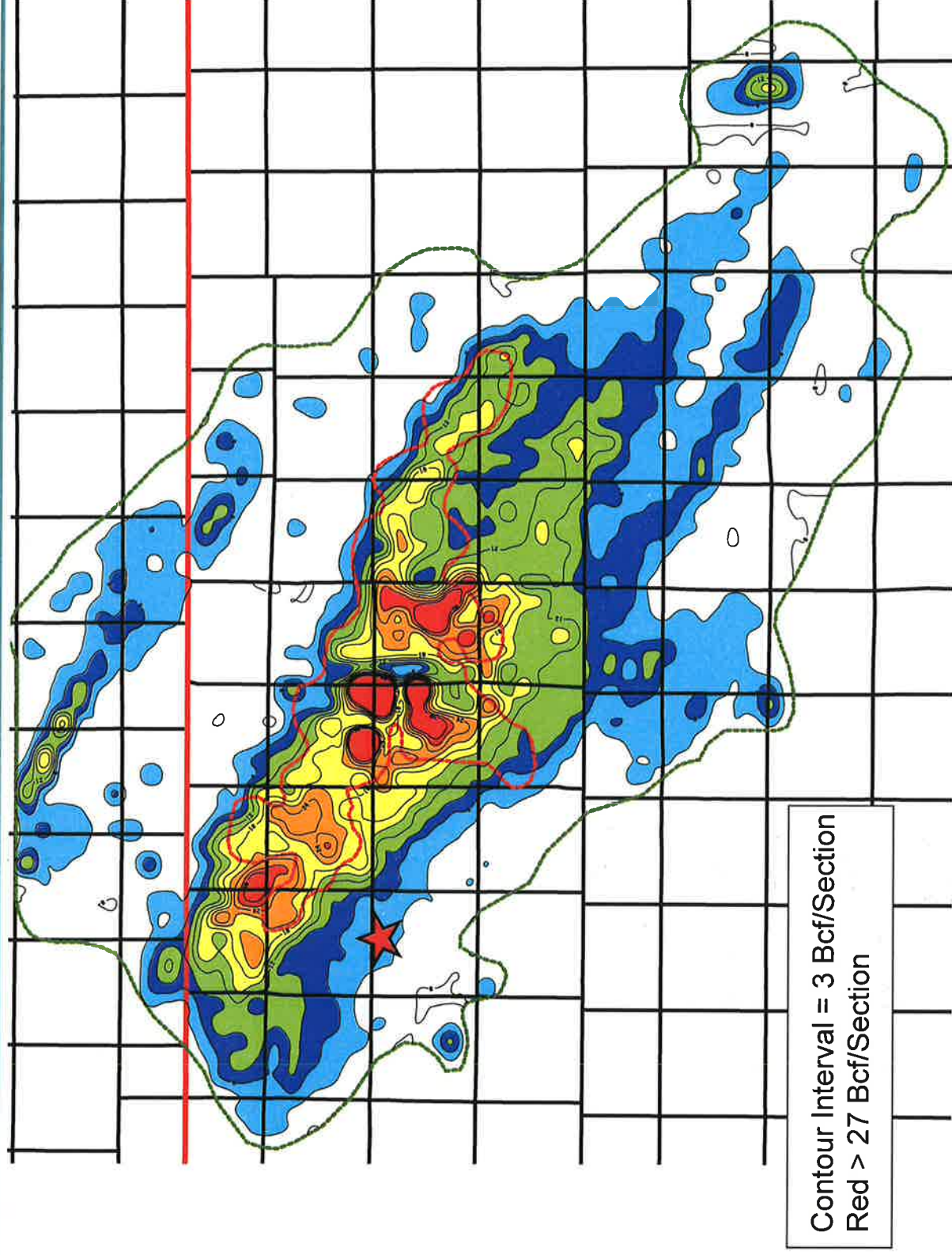
- NE3 30-11 3004509977 1962 drill
- 3rd MV completion in 1/4 section
- ~850' from nearest offset
- Help drain area to northeast
- Complete entire MV in 3 stages

MV Original Gas-in-Place

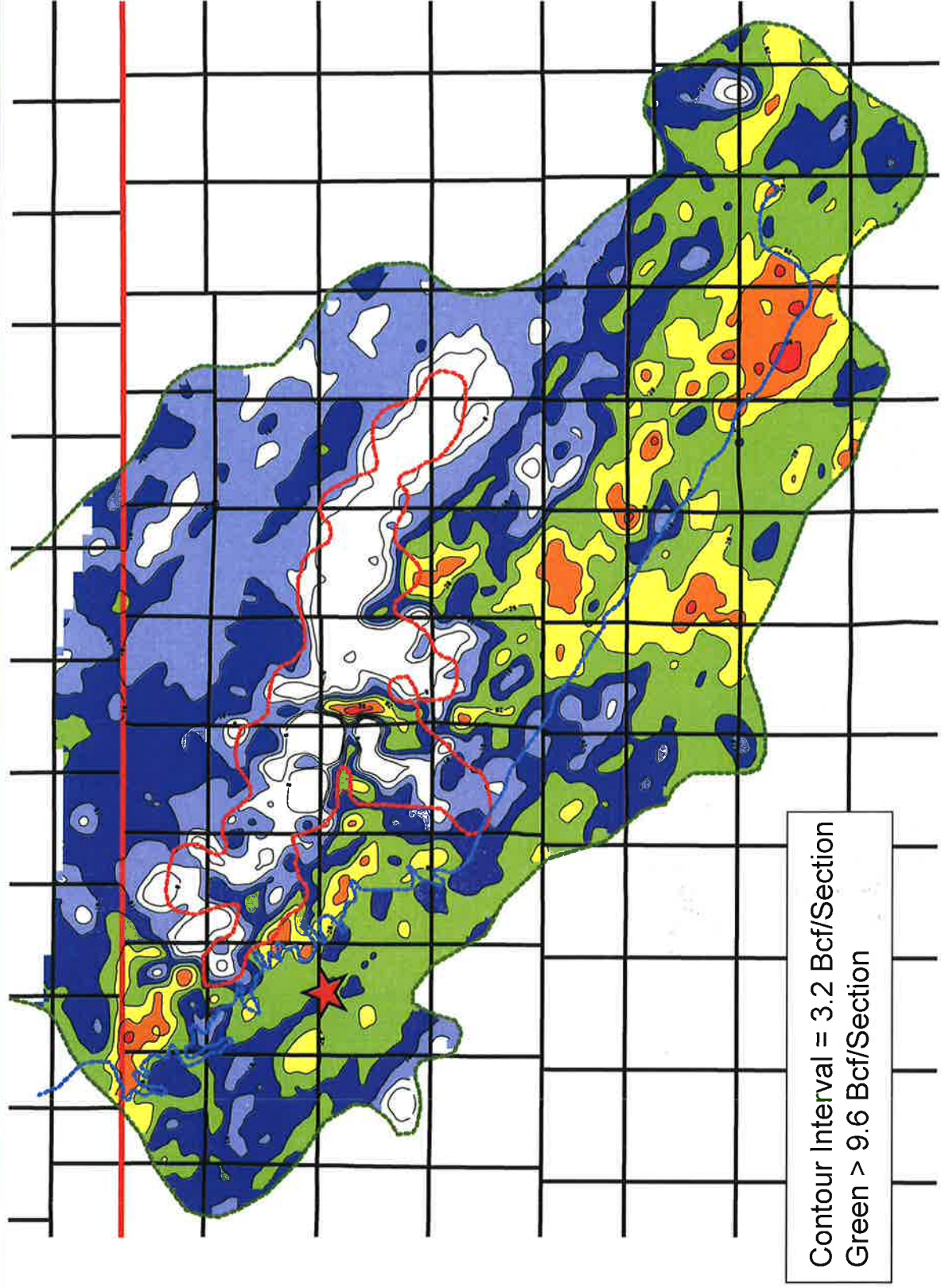


BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: Hilcorp Energy Co
Hearing Date: May 31, 2018

MV Cumulative Gas Production



MV Remaining Gas



Zella Calloway 1



| Reference Area | Volumetric OGIP | Section Equivalent OGIP | CTD / RF% | Remaining GIP | EUR / RF% |
|----------------|-----------------|-------------------------|---------------|---------------|----------------|
| Qtr Section | 6.6 Bcf | 26.4 Bcf | 2.5 Bcf / 38% | 4.1 Bcf | 3.5 Bcf / 53% |
| Section | 27.5 Bcf | 27.5 Bcf | 8.1 Bcf / 29% | 19.4 Bcf | 13.4 Bcf / 49% |
| 25 Section | 651 Bcf | 26.0 Bcf | 165 Bcf / 25% | 485.3 Bcf | 238 Bcf / 37% |

- Remaining Gas in Place in Quarter Section of 4.1 Bcf
- Cumulative Recovery Factor to Date 38% and 29% in the Quarter Section and Section, respectively
- Considerable gas remaining in area with opportunity to recover additional volumes utilizing existing wellbore