

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING SEPTEMBER 6, 2018**

CASE No. 16369

PATTERSON B COM 001E WELL

SAN JUAN COUNTY, NEW MEXICO



**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. 16369

AFFIDAVIT OF BRAD PEARSON IN SUPPORT OF CASE NO. 16369

I, Brad Pearson, being of lawful age and duly sworn, declare as follows:

1. My name is Brad Pearson. I work for Hilcorp Energy Company ("Hilcorp") as a Landman.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Hilcorp in this case, and I am familiar with the status of the lands in the subject areas.
4. None of the affected parties in this case has indicated opposition, and therefore I do not expect any opposition at the hearing.
5. Hilcorp seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool to permit it to complete and simultaneously produce three Mesaverde gas wells in the same quarter section and four Mesaverde wells in the same standard spacing unit.

6. The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. The Special Rules therefore limit the number of wells in a spacing unit to four and the number of wells in a half section within a spacing unit to two. The Special Rules also provide that well density exceptions can be approved only after notice and hearing.

1. Hilcorp is the operator of a standard 320.85-acre spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the W/2 of Section 2, Township 31 North, Range 12 West, San Juan County, New Mexico, in which the following three wells are currently completed and producing:

- a. Patterson B Com 001A Well (API No. 30-045-22839) Sec. 2, T31N, R12W (Unit L);
- b. Patterson B Com 001N Well (API No. 30-045-34739), Sec. 2, T31N, R12W (Unit K); and
- c. Patterson B Com 001R Well (API No. 30-045-22838), Sec. 2, T31N, R12W (Unit C).

7. Hilcorp proposes to simultaneously dedicate and produce the following fourth well within the same standard spacing and proration unit, at the following location:

- a. **Patterson B Com 001E** (API No. 30-045-23959) within the W/2 of Section 2, Township 31 North, Range 12 West.

8. Hilcorp therefore requests that the Division enter an order granting an exception to the well density requirements of Rule 1.B of the Special Rules and Regulations of the Blanco-Mesaverde Pool to authorize Hilcorp to simultaneously dedicate and produce the **Patterson B Com 001E** (API No. 30-045-23959) within the W/2 of Section 2, Township 31 North, Range 12 West, permitting the total number of wells dedicated and producing within this spacing and proration unit to four, and the number of wells within a quarter section to three.

9. The proposed simultaneous dedication of the **Patterson B Com 001E Well**, which is currently producing in the Dakota formation, within the Blanco-Mesaverde is part of Hilcorp's strategy to use existing wells completed in other zones to economically target development of incremental Mesaverde gas reserves in areas where there is not adequate gas drainage.

10. The Division has pre-approved downhole commingling the Dakota formation with the Blanco-Mesaverde Gas Pool.

11. Pursuant to the Special Rules and Division precedent, Hilcorp provided notice to all Division-designated operators in offsetting 320-acre spacing units. Where Hilcorp is the operator, Hilcorp identified all working interest owners in offsetting spacing units as affected parties requiring notice. In some offsetting spacing units, Hilcorp owns 100% of the working interest, in which case there are no affected parties to notice. I provided a list of all affected parties requiring notice to Holland & Hart LLP.

12. Exhibit A-1 is an overview map identifying the location of the subject Blanco-Mesaverde Gas Pool spacing unit, identified by the red cross-hatching, within Section 2, Township 31 North, Range 12 West, to which the **Patterson B Com 001E Well** will be simultaneously dedicated.

13. Exhibit A-2 is a map depicting the subject spacing unit, identified by red cross-hatching, showing the locations of the existing Mesaverde wells as black dots, as well as the **Patterson B Com 001E Well** as a blue triangle.

14. Exhibit A-2 also depicts the notice area, depicted in a black outline surrounding the subject spacing unit, comprised of the offsetting spacing units. In this case, Hilcorp is the operator of the offsetting spacing units within the notice area. The only working interest owner requiring notice is the Robert Umbach Cancer Foundation.

15. To the best of my knowledge, the address used to provide notice is a valid and correct address which has been recently used by Hilcorp and at which mail has been received by the notice party.

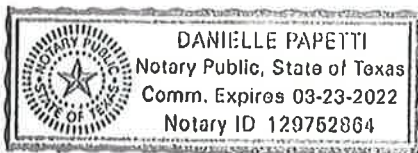
16. Exhibits A-1 and A-2 were prepared by me or under my direction and supervision.

FURTHER AFFIANT SAYETH NAUGHT.

Bradley W. Pearson
Brad Pearson

STATE OF TEXAS)
COUNTY OF Harris)

SUBSCRIBED and SWORN to before me this _____ day of September 5, 2018
by Brad Pearson.



Danielle Papetti
NOTARY PUBLIC

My Commission Expires:

03/23/2022

28

27

26

25

32N 12W

33

34

35

36

4

SAN JUAN

3

2

PATTERSON B COM 1R
3004522838PATTERSON B COM 1N
3004534739PATTERSON B COM 1A
3004522839PATTERSON B COM 1E
3004523959

1

31N 12W

9

10

11

12

Legend



Patterson B Com 1E



Mesaverde



Mesaverde Drillblock



Offset Boundary

15

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. A-2

Submitted by: Hilcorp Energy Company

Hearing Date: September 6, 2018

Case # 16369

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

**APPLICATION OF HILCORP ENERGY
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CASE NO. 16369

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.

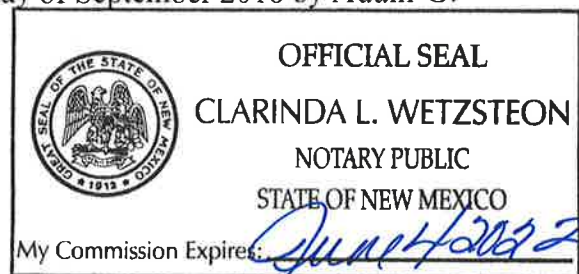


Adam G. Rankin

SUBSCRIBED AND SWORN to before me this 5th day of September 2018 by Adam G. Rankin.



Notary Public
My Commission Expires: June 4, 2022



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B
Submitted by: Hilcorp Energy Company
Hearing Date: September 6, 2018
Case # 16369



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

August 3, 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 August 9, 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 Rob Carlson at (832) 839-4596.

Sincerely,

Adam G. Rankin

ATTORNEY FOR HILCORP ENERGY COMPANY



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

August 3, 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 August 9, 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 Rob Carlson at (832) 839-4596.

Sincerely,
A handwritten signature in blue ink, appearing to read "AR", is written over the word "Sincerely,".

Adam G. Rankin
ATTORNEY FOR HILCORP ENERGY COMPANY

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 August 23, 2018, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed 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 August 13, 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 case
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 OFFSET-
TING OPERATORS OR LEASED MINERAL IN-
TEREST OWNERS, INCLUDING: ROBERT
UMBACH CANCER FOUNDATION C/O ZIA DA-
TA SEARCH CORP, AGENT.

Case No. 16369: 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 three Mesaverde gas wells in the same quarter section and within the same standard 320-acre, more or less, spacing and proration unit. Hilcorp further seeks approval for the proposed location of the **Patterson B Com 001E Well** (API No. 30-045-23959) in the Mesaverde formation with a surface location in Unit M of the W/2 of Section 2, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico, and authorization to simultaneously complete and produce the Patterson B Com 001E Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 8 miles northwest of Aztec, NM.

Legal No. 1256455 published in The Daily Times on July 31, 2018.

	A	B	E	F	G	I	J	K
1	MailClass	TrackingNo	ToCompanyName	ToName	DeliveryAddress	City	State	Zip
2	Certified with Return Receipt (Signature)	9414810898765015872465	ROBERT UMBACH CANCER FOUNDATION	ATTN: ZIA DATA SEARCH CORP, AGENT	PO BOX 2188	ROSWELL	NM	88202

	N	R	U
1	MailDate	ERR_SigDate	USPS_Status
2	08/03/2018	08/07/2018	Your item was delivered at 10:47 am on August 6, 2018 in ROSWELL, NM 88201.

Order Confirmation

<u>Ad Order Number</u> 0001256455	<u>Customer</u> HOLLAND AND HART	<u>Payor Customer</u> HOLLAND AND HART
<u>Sales Rep.</u> NCampbell	<u>Customer Account</u> 48948	<u>Payor Account</u> 48948
<u>Order Taker</u> NCampbell	<u>Customer Address</u> PO BOX 2208 SANTA FE NM 87504 USA	<u>Payor Address</u> PO BOX 2208 SANTA FE NM 87504 USA
<u>Order Source</u>	<u>Customer Phone</u> 505-988-4421	<u>Payor Phone</u> 505-988-4421
		<u>Customer EMail</u> noemail@gannett.com
		<u>Special Pricing</u> None
		<u>PO Number</u>
		<u>Ordered By</u> David L. Washington
		<u>Customer Fax</u>

<u>Tear Sheets</u> 0	<u>Proofs</u> 0	<u>Affidavits</u> 2
	<u>Blind Box</u>	<u>Promo Type</u>
		<u>Materials</u>

Invoice Text

<u>Net Amount</u> \$129.50	<u>Tax Amount</u> \$9.87	<u>Total Amount</u> \$139.37
	<u>Payment Method</u>	<u>Payment Amount</u> \$0.00
		<u>Amount Due</u> \$139.37

<u>Ad Number</u> 0001256455-01	<u>Ad Type</u> CLS Legal liner	<u>Ad Size</u> 2.0 X 105 Li
<u>External Ad Number</u>	<u>Ad Attributes</u>	<u>Color</u> <NONE>
	<u>Ad Released</u> No	<u>Pick Up</u> 0001252002
	<u>Production Method</u> AdBooker	<u>Production Notes</u>

WYSIWYG Content

Order Confirmation

<u>Ad Order Number</u> 0001256455	<u>Customer</u> HOLLAND AND HART	<u>Payer Customer</u> HOLLAND AND HART
<u>Sales Rep.</u> NCampbell	<u>Customer Account</u> 48948	<u>Ordered By</u> David L. Washington
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	<u>Ad Attributes</u>	<u>Production Notes</u>
	<u>Ad Released</u> No	<u>Pick Up</u> 0001252002

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

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<u>Order Source</u>	<u>Customer Phone</u> 505-988-4421	<u>Customer EMail</u> noemail@gannett.com
		<u>Special Pricing</u> None

<u>Tear Sheets</u> 0	<u>Proofs</u> 0	<u>Affidavits</u> 2
	<u>Blind Box</u>	<u>Promo Type</u>
		<u>Materials</u>

Invoice Text

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	<u>Payment Method</u>	<u>Payment Amount</u> \$0.00
		<u>Amount Due</u> \$139.37

<u>Ad Number</u> 0001256455-01	<u>Ad Type</u> CLS Legal liner	<u>Ad Size</u> 2.0 X 105 Li
<u>External Ad Number</u>	<u>Ad Attributes</u>	<u>Color</u> <NONE>
	<u>Ad Released</u> No	<u>Production Method</u> AdBooker
	<u>Pick Up</u> 0001252002	<u>Production Notes</u>

STATE OF NEW MEXICO TO:

All named parties and persons having any right, title, interest or claim in the following case 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: ROBERT UMBACH CANCER FOUNDATION/C/O ZIA DATA SEARCH CORP, AGENT.

Case No. 16369: 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 1.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), San Juan County, New Mexico, to permit it to com-

Order Confirmation

<u>Ad Order Number</u> 0001256455	<u>Customer</u> HOLLAND AND HART	<u>Pavor Customer</u> HOLLAND AND HART
<u>Sales Rep.</u> NCampbell	<u>Customer Account</u> 48948	<u>Ordered By</u> David L. Washington
<u>Order Taker</u> NCampbell	<u>Customer Address</u> PO BOX 2208 SANTA FE NM 87504 USA	<u>Customer Fax</u>
<u>Order Source</u>	<u>Customer Phone</u> 505-988-4421	<u>Customer EMail</u> noemail@gannett.com
		<u>Special Pricing</u> None

<u>Tear Sheets</u> 0	<u>Proofs</u> 0	<u>Affidavits</u> 2	<u>Blind Box</u>	<u>Promo Type</u>	<u>Materials</u>
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<u>Invoice Text</u>	<u>Ad Order Notes</u>	<u>Net Amount</u> \$129.50	<u>Tax Amount</u> \$9.87	<u>Total Amount</u> \$139.37	<u>Payment Method</u>	<u>Payment Amount</u> \$0.00	<u>Amount Due</u> \$139.37
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<u>Ad Number</u> 0001256455-01	<u>Ad Type</u> CLS Legal liner	<u>Ad Size</u> : 2.0 X 105 Li	<u>Color</u> <NONE>	<u>Production Method</u> AdBooker	<u>Production Notes</u>
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<u>External Ad Number</u>	<u>Ad Attributes</u>	<u>Ad Released</u> No	<u>Pick Up</u> 0001252002
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Legal No. 1256455 published in The Daily Times on July 31, 2018.

<u>Product Information</u>	<u>Placement/Classification</u>	<u>Run Dates</u>	<u># Inserts</u>	<u>Cost</u>
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<u>Run Schedule Invoice Text</u>	<u>Sort Text</u>			
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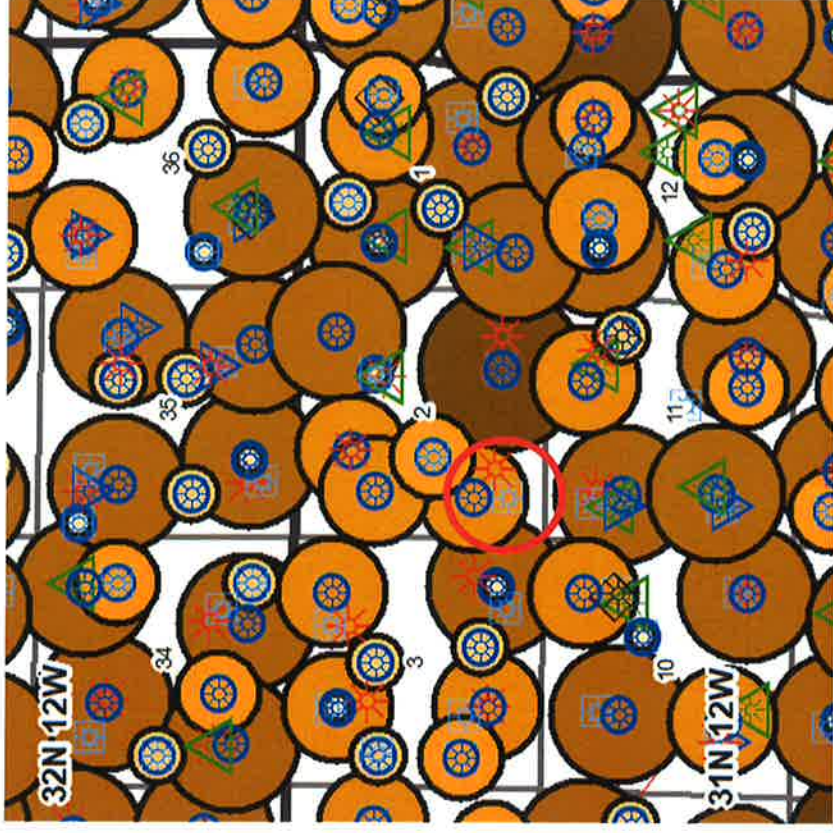
FM Daily-Times::	Legal -	01 03	7/31/2018	1	\$116.23
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STATE OF NEW MEXICO ENERGY, MINERAL	STATEOFNWMEXICOENERGYMINERALSA	01 03	7/31/2018	1	\$8.07
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FM Online::	Legal -	01 03	7/31/2018	1	\$8.07
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7/30/2018 6:30:47AM					
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Patterson B Com 1E

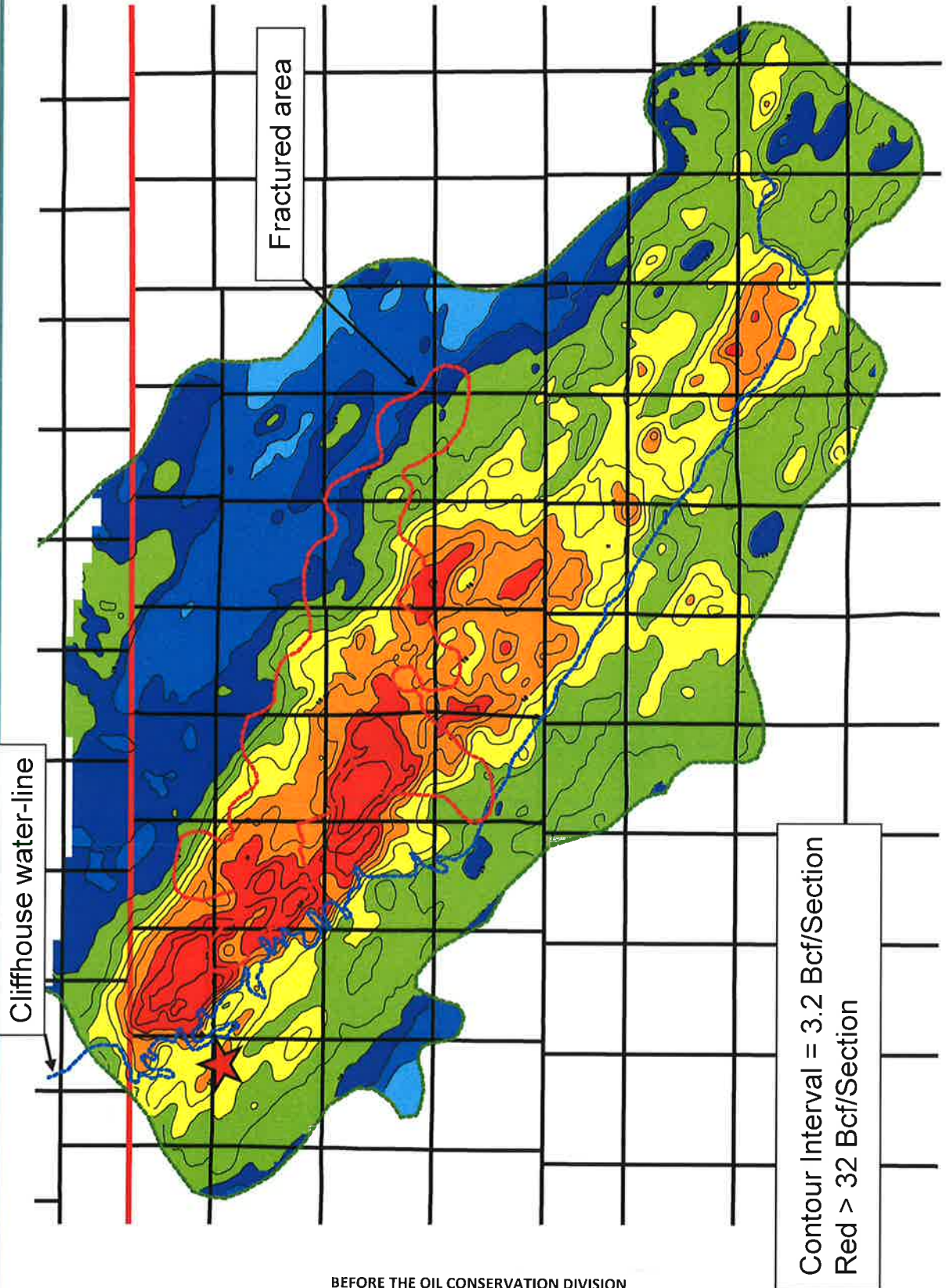


FRUITLAND COAL
PICTURED CLIFFS
CHACRA
MESAVIEW
MANCOS
DARTO

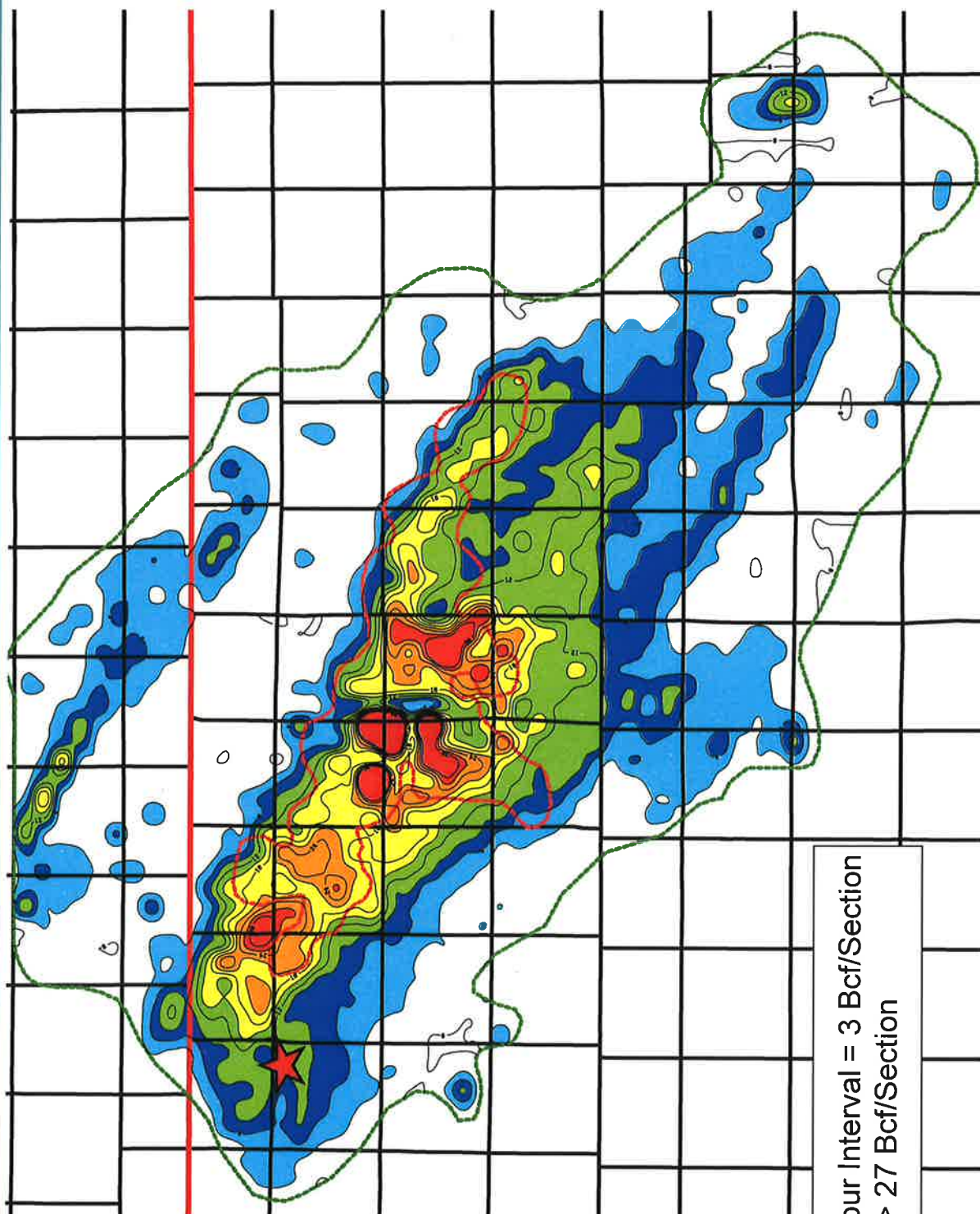
Well Specifics

- SW2 31-12 3004523959 1980 drill
- 3rd MV completion in 1/4 section
- 700' from parent well
- Help drain area to the south
- Complete MV in 1-2 stages

MV Original Gas-in-Place



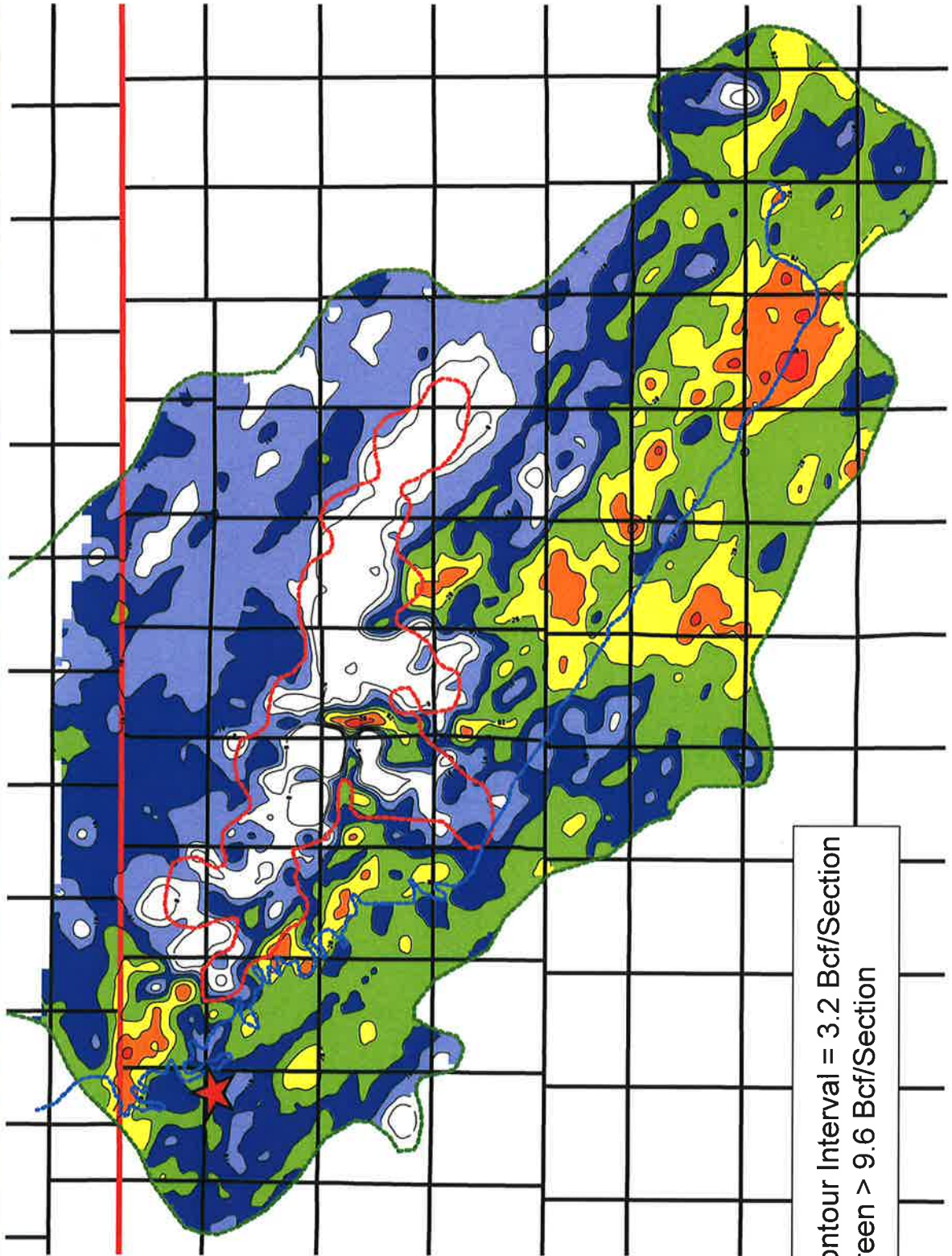
MV Cumulative Gas Production



Contour Interval = 3 Bcf/Section
Red > 27 Bcf/Section



MV Remaining Gas



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-4
Submitted by: Hilcorp Energy Company
Hearing Date: September 6, 2018
Case # 16369

Patterson B Com 1E



Reference Area	Volumetric OGIP	Section Equivalent OGIP	CTD / RF%	Remaining GIP	EUR / RF%
Qtr Section	9.4 Bcf	37.6 Bcf	2.4 Bcf / 26%	7.0 Bcf	4.4 Bcf / 47%
Section	37.3 Bcf	37.3 Bcf	14.0 Bcf / 36%	23.3 Bcf	17.6 Bcf / 47%
9 Section	319 Bcf	35.4 Bcf	113 Bcf / 35%	206 Bcf	140 Bcf / 44%

- Remaining Gas in Place in Quarter Section of 7.0 Bcf
- Cumulative Recovery Factor to Date 26% and 36% in the Quarter Section and Section, respectively
- Considerable gas remaining in area with opportunity to recover additional volumes utilizing existing wellbore