BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING NOVEMBER 15, 2018

CASE No. 20096

BMV - MADDOX GAS COM C 1E SD

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. 20096

AFFIDAVIT OF BRAD PEARSON IN SUPPORT OF CASE NO. 20096

- 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 five Mesaverde gas wells in the same standard 320-acre, more or less, spacing and proration unit.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. A
Submitted by: Hilcorp Energy Company
Hearing Date: November 15, 2018
Case # 20096

- 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.
- 7. Hilcorp is the operator of a standard 320-acre spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the S/2 of Section 27, Township 29 North, Range 10 West, San Juan County, New Mexico, in which the following wells are currently completed and producing:
 - a. Romero Gas Com A 1A (API No. 30-045-26213), Sec. 27, T29N, R10W(Unit P); and
 - b. Romero Gas Com A 1 (API No. 30-045-25509), Sec. 27, T29N, R10W(Unit K).
- 8. Hilcorp proposes to simultaneously dedicate and produce the following well within the same standard spacing and proration unit, at the following location:
 - a. Maddox Gas Com C 1E Well (API No. 30-045-23728), Sec. 27, T29N, R10W (Unit P).
- 9. This will be the second well within the same quarter-quarter section within the same spacing unit, exceeding well density limits imposed by the Special Rules.
- 10. 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 **Maddox Gas**Com C 1E Well (API No. 30-045-23728) within the S/2 of Section 27, Township 29 North,

Range 10 West, permitting the total number of wells dedicated and producing within the same quarter-quarter section (Unit P) to two wells in the same spacing unit.

- 11. The proposed simultaneous dedication of the Maddox Gas Com C 1E 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.
- 12. The Division has pre-approved downhole commingling the Dakota formation with the Blanco-Mesaverde Gas Pool.
- 13. 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.
- 14. 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 S/2 of Section 27, Township 29 North, Range 10 West, to which the **Maddox Gas Com C 1E Well** will be simultaneously dedicated.
- 15. Exhibit A-1 also identifies the locations of the existing Mesaverde wells as gray circles, as well as the Maddox Gas Com C 1E Well as a gray triangle.
- 16. Exhibit A-1 also depicts the notice area, depicted in a red dashed line 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 interest owners requiring notice are: Deanna Mizel, Mizel Resources A Trust, Raffkind Revocable Trust, and Judy Zweiback.

- 17. To the best of my knowledge, the addresses used to provide notice are valid and correct addresses which have been recently used by Hilcorp and at which mail has been received by the notice parties.
- 18. Exhibit A-2 is a copy of the administrative application that was filed with the Division seeking the requested approvals. The Division notified Hilcorp that the requested exceptions required a hearing under the Special Rules. Accordingly, Hilcorp is requesting this exception after notice and hearing.
 - 19. Exhibits A-1 and A-2 were prepared by me or under my direction and supervision. FURTHER AFFIANT SAYETH NAUGHT.

	Bradley W. Peurson
	Brad Pearson
STATE OF TEXAS)
COUNTY OF HARRIS	
SUBSCRIBED and SW	ORN to before me this 14th day of November 14,
2018 by Brad Pearson.	
	NOTARY PUBLIC
	THE TAR PUBLIC
My Commission Expires:	

11644228_1

December 16,2018

BRENDA M GUZMAN

Notary Public, State of Texas Comm. Expires 12-16-2018 Notary ID 13005454-5

EXHIBIT A-1

Santa Fe, New Mexico
Exhibit No. A-1
Submitted by: Hilcorp Energy Company
Hearing Date: November 15, 2018
Case # 20096

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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY NEW MEXICO OIL CONSERVATION DIVISION Geological & Engineering Bureau 1220 South St. Francis Drive, Santa Fe, NM 87505 ADMINISTRATIVE APPLICATION CHECKLIST THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE Applicant: HILCORP ENERGY COMPANY OGRID Number: 372171 Well Name: MADDOX GAS COM C 1E API: 30-045-23728 Pool: BLANCO MESAVERDE Pool Code: 72319 SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW 1) TYPE OF APPLICATION: Check those which apply for [A] A. Location – Spacing Unit – Simultaneous Dedication NSP (PRORATION UNIT) □NSL NSP IPROJECT AREAL III SD B. Check one only for [1] or [1] [1] Commingling - Storage - Measurement ПСТВ □PLC □PC \square OLM DHC [II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery ☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR PPR FOR OCD ONLY 2) **NOTIFICATION REQUIRED TO:** Check those which apply. Notice Complete A. Offset operators or lease holders B. Royalty, overriding royalty owners, revenue owners **Application** C. Application requires published notice Content D. Notification and/or concurrent approval by SLO Complete E. Notification and/or concurrent approval by BLM F. Surface owner G. For all of the above, proof of notification or publication is attached, and/or, H. ☐ No notice required 3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division. Note: Statement must be completed by an individual with managerial and/or supervisory capacity. 9-26-2018 Bradley W. Pearson - Landman Print or Type Name 713-289-2793 Phone Number July W. Just

bpearson BEFORE THE OIL CONSERVATION DIVISION

e-ma Santa Fe, New Mexico
Exhibit No. A-2
Submitted by: Hilcorp Energy Company
Hearing Date: November 15, 2018
Case # 20096



September 25, 2018

New Mexico Oil Conservation Division Attn: Heather Riley 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Re:

Application for Simultaneous Dedication

Maddox Gas Com C 1E API: 30-045-23728

SHL: T29N-R10W: Section 27 UL P BHL: T29N-R10W: Section 27 UL P San Juan County, New Mexico

Dear Ms. Riley:

Hilcorp Energy Company respectfully requests authorization to simultaneously dedicate the Maddox Gas Com C 1E (API: 3004523728) well to an existing standard 320 acre gas spacing and proration unit ("GPU") in the Blanco Mesaverde Gas Pool (72319) comprising the S/2 of Section 27, Township 29 North, Range 10 West, San Juan County, New Mexico. The GPU is currently dedicated to the following described wells:

ROMERO GAS COM A 1A API: 3004526213 UL P: T29N-R10W: Sec. 27 ROMERO GAS COM A 1 API: 3004525509 UL K: T29N-R10W: Sec. 27

The Maddox Gas Com C 1E has a surface location in Unit P of Section 27, Township 29 North, Range 10 West, San Juan County, New Mexico. Completion of this well at that location within the GPU conflicts with the prescribed well location requirements provided in the applicable Blanco Mesaverde Gas Pool Special Pool Rules LB, which governs the locations of infill wells. The special rules provide, however, that the Division Director may administratively grant exceptions to infill well locations upon application with the Division and notice, by certified mail-return receipt requested, to affected parties.

The Maddox Gas Com C 1E is currently completed in the Basin Dakota pool. The Romero Gas Com 1A is currently completed in the Otero Chacra and Blanco Mesaverde pool as a commingled well. The Romero Gas Com 1 is currently completed in the Otero Chacra and Blanco Mesaverde pool as a commingled well. The Romero Gas Com 1A and Romero Gas Com 1 wells are all currently dedicated in the Blanco Mesaverde pool to an existing 320 acre gas spacing unit comprising the S/2 of Section 27.

The proposed completion of the Blanco Mesaverde pool within the Maddox Gas Com C 1E will increase the gas recovery from the Mesaverde formation within the S/2 of Section 27, thereby preventing waste.

Attached hereto for each well is a copy of Division Form C-102 for these wells that show the surface and bottom hole locations of each well. In addition, also enclosed is a map of the offset operators of all offsetting spacing units. Hilcorp Energy Company is the operator of all offsetting spacing units and owns 100% working interest in all offsetting spacing units with the exception of the W/2 of Section 28.



Hilcorp has mailed, via USPS Certified Mail, Notice to the Affected Parties that this application has been submitted. A copy of the Notice to the Affected Parties is also attached.

In summary, administrative approval of the application is permitted under the special rules for the Blanco Mesaverde Gas Pool and will afford Hilcorp Energy Company the opportunity to recover additional gas reserves from the pool in the S/2 of Section 27 that may otherwise not be recovered by the existing wells, thereby preventing waste, and not violating correlative rights. Hilcorp's proposed simultaneous dedication of these wells does not exceed the well density requirements imposed by the special rules.

If you have any questions or need additional information, please contact me at 713-289-2793 or bpearson@hilcorp.com.

Sincerely,

Brad Pearson

San Juan Basin Landman

Hilcorp San Juan, L.P.

By: Hilcorp Energy Company

Bradley W. Penroon

its general partner

Enclosure(s)

District 1
1625 N. French Dr., Hobbs, NM 88240
Phono:(575) 393-6161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phono:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Azicc, NM 87410
Phono:(505) 334-6178 Fax:(605) 334-6170
District IV
1220 S. SI Frencis Dr., Santa Fo, NM 87605
Phono:(605) 476-3470 Fax:(605) 478-3462

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 255730

WELL LOCATION AND	ACREAGE DED	ICATIO	٧P	LAT
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1. API Number	2. Pool Code	3. Pool Name
30-045-23728	72319	BLANCO-MESAVERDE (PRORATED GAS)
4. Property Code	6. Property Name	6. Woll No.
321800	MADDOX GAS COM C	001E
7. OGRID No.	8. Operator Nanie	9. Elovation
372171	HILCORP ENERGY COMPANY	5535

10. Surface Location Feet From E/W Line UL - Lot Section Township Range Lot Idn N/S Line Feet From County 820 SAN JUAN 29N 10W E

11. Bottom Hole Location if Different From Surface E/W Line Range N/S Line UL - Lot Township Lot Idn Feet From County Section Feat From 12. Dedicated Acros 13. Joint or Infit! 14. Consolidation Code 15. Order No. 320.00 S/2

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

OPERATOR CERTIFICATION I hereby certify that the Information contained herein is true and complete to the best of my knowledge and balled, 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 herotofore entered by the division. E-Signed By: Title: Operations/Regulatory Technician Date: 8/8/2018 SURVEYOR CERTIFICATION 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 bolief.
Survoyed By: Fred B. Kerr Jr
Date of Survey: 9/25/1979
Certificate Number: 3950

OIL CONSERVATION DIVISION

. STATE OF HEW MEXICO ENERGY AND MINERALS DEPARTMENT

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P. O. UOX 2088 SANTA FE, NEW MEXICO 87501

Form C-107 Revised 10-1-78

All distances must be from the cuter houndaries of the Section. Well No. Operator MADDOX GAS COM "C" AMOCO PRODUCTION COMPANY 1 E Township Range County Section Unit Letter 29N 10W San Juan 27 Actual Footage Location of Well: 860 **9**F0 South East feet from the line and feet from the line Ground Lovel Elev. Producing Formation Pool Dedicated Acreage: 5529 Dakota Basin Dakota Астов 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below. 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? Communitization If answer is "yes;" type of consolidation No No X Yes If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.). No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commis-CERTIFICATION I hereby certify that the information contained herein is true and complete to the B. E. FACKRELL Position DISTRICT ENGINEER AMOCO PRODUCTION COMPANY AUGUST 7, 1979 Sec. 27 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 knowledge and belief. 8601 0 Counted on SERR

STATE OF NEW MEXICO CHERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. UOX 2086

SANTA FE, NEW MEXICO 87501

Form C-107 Revised 10-1-78

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ETIERS AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

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Form C-107 keylsed 10-1-78

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Phone: (576) 393-6161 Fax: (576) 393-0720
District II
011 S. First St., Artesia, NM 80210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brezos Rd., Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St Frencis Dr., Santa Fo, NM 07505
Phone: (505) 476-3470 Fax: (505) 476-3482

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 267219

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September 26, 2018

Transmitted Via
Certified Mail - Return Receipt Requested

TO: AFFECTED INTEREST OWNERS

Re: Application of Hilcorp Energy Company for simultaneous dedication

San Juan County, New Mexico

Ladies and Gentlemen,

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the simultaneous dedication of the Maddox Gas Com C 1E, Romero Gas Com A 1A and Romero Gas Com A 1 to the South-half of Section 27, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

As the owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty (20) days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application for a simultaneous dedication may be approved.

Sincerely,

Brad Pearson

San Juan Basin Landman

Brudley W. Pemson

Hilcorp San Juan, L.P.

By: Hilcorp Energy Company

its general partner

Enclosure(s)

Certified Number	Sender	Recipient	Date Mailed	Delivery Status
92148969009997901765668927	Brenda Guzman	, DEANNA MIZEL, PO BOX 52553, TULSA, OK, 74152 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signature Pending
92148969009997901765666934	Brenda Guzman	, MIZEL RESOURCES A TRUST, LARRY and STEVEN MIZEL TTE CARRIE DELIMA and CHESTON MIZEL SPL TTES , DENVER, CO, 80237 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signaturo Pending
92148969009997901765666941	Brenda Guzman	, RAFFKIND REVOCABLE TRUST, DANIEL and MYRNA RAFFKIND TRUSTEES 3800 DANBURY, AMARILLO, TX, 79109 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signaturo Pending
92148969009997901765666958	Brenda Guzman	, JUDY ZWEIBACK, 8914 FARNAM CT, OMAHA, NE, 68114 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signature Pending

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

AMENDED 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.

CASE NO. 20096

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 12th day of November, 2018 by Adam G.

Rankin.

OFFICIAL STAL CLARINDA L. WETZSTEON **NOTARY PUBLIC** STATE OF NEW MEXICO

My Commission Expires:

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico Exhibit No. B Submitted by: Hilcorp Energy Company

Hearing Date: November 15, 2018

Case # 20096



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

October 26, 2018

<u>VIA CERTIFIED MAIL</u> RETURN RECEIPT REQUESTED

TO: AFFECTED PARTIES

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 November 15, 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 Brad Pearson at (713) 289-2793.

Adam G. Rankin

ATTORNEY FOR HILCORP ENERGY COMPANY

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10 Cert	10 Certified with Return Receipt (Signature)	9414810898765020659303		JUDY ZWEIBACK	8914 FARNAM CT		OMAHA	NE 68114
11 Ger	11 Certified with Return Receipt (Signature)	9414810898765020659310		HILCORP ENERGY COMPANY	1111 TRAVIS		HOUSTON	TX 77002
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September 25, 2018

New Mexico Oil Conservation Division Attn: Heather Riley 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Re:

Application for Simultaneous Dedication

Maddox Gas Com C 1E API: 30-045-23728

SHL: T29N-R10W: Section 27 UL P BHL: T29N-R10W: Section 27 UL P San Juan County, New Mexico

Dear Ms. Riley:

Hilcorp Energy Company respectfully requests authorization to simultaneously dedicate the Maddox Gas Com C 1E (API: 3004523728) well to an existing standard 320 acre gas spacing and proration unit ("GPU") in the Blanco Mesaverde Gas Pool (72319) comprising the S/2 of Section 27, Township 29 North, Range 10 West, San Juan County, New Mexico. The GPU is currently dedicated to the following described wells:

ROMERO GAS COM A 1A

ROMERO GAS COM A 1

API: 3004526213

API: 3004525509

UL P: T29N-R10W: Sec. 27 UL K: T29N-R10W: Sec. 27

The Maddox Gas Com C 1E has a surface location in Unit P of Section 27, Township 29 North, Range 10 West, San Juan County, New Mexico. Completion of this well at that location within the GPU conflicts with the prescribed well location requirements provided in the applicable Blanco Mesaverde Gas Pool Special Pool Rules 1.B, which governs the locations of infill wells. The special rules provide, however, that the Division Director may administratively grant exceptions to infill well locations upon application with the Division and notice, by certified mail-return receipt requested, to affected parties.

The Maddox Gas Com C 1E is currently completed in the Basin Dakota pool. The Romero Gas Com 1A is currently completed in the Otero Chacra and Blanco Mesaverde pool as a commingled well. The Romero Gas Com 1 is currently completed in the Otero Chacra and Blanco Mesaverde pool as a commingled well. The Romero Gas Com 1A and Romero Gas Com 1 wells are all currently dedicated in the Blanco Mesaverde pool to an existing 320 acre gas spacing unit comprising the S/2 of Section 27.

The proposed completion of the Blanco Mesaverde pool within the Maddox Gas Com C 1E will increase the gas recovery from the Mesaverde formation within the S/2 of Section 27, thereby preventing waste.

Attached hereto for each well is a copy of Division Form C-102 for these wells that show the surface and bottom hole locations of each well. In addition, also enclosed is a map of the offset operators of all offsetting spacing units. Hilcorp Energy Company is the operator of all offsetting spacing units and owns 100% working interest in all offsetting spacing units with the exception of the W/2 of Section 28.



Hilcorp has mailed, via USPS Certified Mail, Notice to the Affected Parties that this application has been submitted. A copy of the Notice to the Affected Parties is also attached.

In summary, administrative approval of the application is permitted under the special rules for the Blanco Mesaverde Gas Pool and will afford Hilcorp Energy Company the opportunity to recover additional gas reserves from the pool in the S/2 of Section 27 that may otherwise not be recovered by the existing wells, thereby preventing waste, and not violating correlative rights. Hilcorp's proposed simultaneous dedication of these wells does not exceed the well density requirements imposed by the special rules.

If you have any questions or need additional information, please contact me at 713-289-2793 or bpearson@hilcorp.com.

Sincerely,

Brad Pearson

San Juan Basin Landman

Hilcorp San Juan, L.P.

By: Hilcorp Energy Company

Budley W. Penrson

its general partner

Enclosure(s)

District |
1625 N. Fronch Or., Hobbs, NM 88240
Phono:(575) 393-6161 Fox:(575) 393-0720
District |
811 S. First St., Arlosia, NM 88210
Phono:(575) 748-1283 Fox:(575) 748-9720
District ||
1000 Rio Brazos Rd., Aztec, NM 87410
Phono:(505) 334-6178 Fox:(505) 334-6170
District ||
1220 S. St Frencis Dr., Santa Fo, NM 87605
Phono:(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

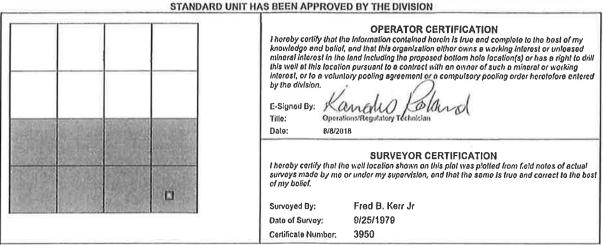
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WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-23728	2. Pool Codo 72319	3, Pool Name BLANCO-MESAVERDE (PRORATED GAS)
4. Property Code 321800	6. Properly Name MADDOX GAS COM C	6. VYOII No. 001E
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elovation 5535

11. Bottom Hole Location If Different From Surface UL - Lot Section Township Range Lot Idn Feet From N/S Line Feel From EW Line County 12. Dedicated Acros 13. Joint or Infill 14. Consolidation Code 15. Order No. 320.00 S/2

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-



OIL CONSERVATION DIVISION

. STAJE OF HEW MEXICO ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

Form C-107 Revised 10-1-78

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OIL CONSERVATION DIVISION

P. O. UOX 2088

SANTA FE, NEW MEXICO 87501

Form C-107 Revised 10-1-70

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OIL CONSERVATION DIVISION

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P. O. DOX 2088 SANTA FE, NEW MEXICO 87501

Form C-107 keylsed 10-1-78

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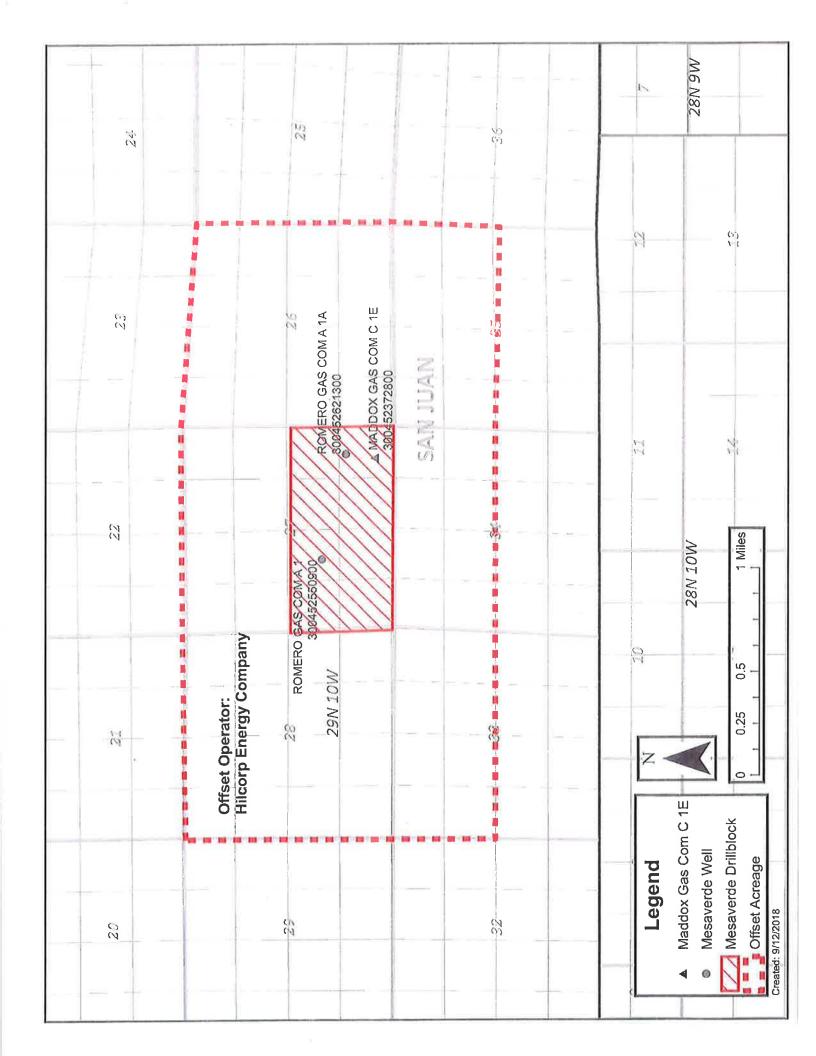
District |
1625 N. French Dr., Hobbs, NM 88240
Phone: (576) 393-6161 Fax: (576) 393-0720
District |
011 S. First St., Artesta, NM 80210
Phone: (575) 749-1283 Fax: (575) 748-9720
District | |
1000 Rio Brazos Rd., Azlec, NM 97410
Phone: (505) 334-6178 Fax: (505) 334-6170
District | |
1220 S. St Francis Dr., Santa Fo, NM 07505
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

Pornil 257219

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September 26, 2018

Transmitted Via
Certified Mail - Return Receipt Requested

TO: AFFECTED INTEREST OWNERS

Re: Application of Hilcorp Energy Company for simultaneous dedication

San Juan County, New Mexico

Ladies and Gentlemen,

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division seeking the simultaneous dedication of the Maddox Gas Com C 1E, Romero Gas Com A 1A and Romero Gas Com A 1 to the South-half of Section 27, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

As the owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty (20) days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application for a simultaneous dedication may be approved.

Sincerely,

Brad Pearson

San Juan Basin Landman

Brudley W. Pemson

Hilcorp San Juan, L.P.

Hilcorp Energy Company

its general partner

Enclosure(s)

Certified Number	Sender	Recipient	Date Mailed	Delivery Status
92148969009997901765666927	Brenda Guzman	, DEANNA MIZEL, PO BOX 52553, TULSA, OK, 74152 Code: Maddox Ges Com C 1E SD Application	9/26/2018	Signature Pending
92148969009997901765666934	Brenda Guzman	, MIZEL RESOURCES A TRUST, LARRY and STEVEN MIZEL TTE CARRIE DELIMA and CHESTON MIZEL SPL TTES , DENVER, CO, 80237 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signature Pending
02148969009997901765666941	Brenda Guzman	, RAFFKIND REVOCABLE TRUST, DANIEL and MYRNA RAFFKIND TRUSTEES 3800 DANBURY, AMARILLO, TX, 79109 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signature Pending
92148969009997901765666958	Brenda Guzman	, JUDY ZWEIBACK, 8914 FARNAM CT, OMAHA, NE, 68114 Code: Maddox Gas Com C 1E SD Application	9/26/2018	Signature Pending



AFFIDAVIT OF PUBLICATION

Ad No. 0001266647

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):

10/30/18

Legal Clerk

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

State of WI, County of Brown

My Commission Expires



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 November 15, 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 November 5, 2018. Public documents, including the agendand 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 OFFSETTING OPERATORS OR LEASED MINERAL INTEREST OWNERS, INCLUDING: DEANNA MIZEL, HER HEIRS AND DEVISEES; MIZEL RESOURCES A TRUST, LARRY & STEVEN MIZEL TTE CARRIE DELIMA & CHESTON MIZEL SPL TTES; RAFFKIND REVOCABLE TRUST, DANIEL & MYRNA RAFFKIND TRUSTEES; JUDY ZWEIBACK, HER HEIRS AND DEVISEES.

ZWEIBACK, HER HEIRS AND DEVISEES.

CASE 20096: 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 the Maddox Gas Com C 1E Well (API No. 30-045-23728) in the same quarter-quarter section as the Romero Gas Com A 1A well (API No. 30-045-23728) in the same quarter-quarter section as the Romero Gas Com A1 Well (API No. 30-045-25509). Hilcorp further seeks approval for the proposed location of the Maddox Gas Com C 1E Well (API No. 30-045-23728) in the Mesaverde formation with a surface location in Unit P of the S/2 of Section 27, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, and authorization to simultaneously complete and produce the Maddox Gas Com C 1E Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 7 miles east of Bloomfield, NM.



Legal No. 1266647 published in The Daily Times on October 30, 2018



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. 20096

AFFIDAVIT OF KEVIN LAFFERTY IN SUPPORT OF CASE NO. 20096

- I, Kevin Lafferty, being of lawful age and duly sworn, declare as follows:
- 1. My name is Kevin Lafferty. I work for Hilcorp Energy Company ("Hilcorp") as a reservoir engineer.
 - 2. I have not previously testified before the New Mexico Oil Conservation Division.
- 3. I graduated from Texas A&M University in 2014 with a Bachelor of Science degree in petroleum engineering. While in school, I interned for Hilcorp Energy Company in 2011 and 2012. In the summer of 2013, I worked for ExxonMobil Development Company implementing a multiple downhole hydraulic model in extended reach wells to evaluate the effects on simulated production profiles and to determine the magnitude of error of a single node approximation. In 2014, I started work at Hilcorp as an operations engineer working in east Louisiana managing operations and logistics for workovers, recompletions, initial completions and monitoring daily production for optimization. In 2016, I began work for Hilcorp as a reservoir engineer, also in Louisiana, identifying through volumetric analyses and other methods development and recompletion opportunities. In August 2017, I moved over to Hilcorp's South San Juan Basin asset team where I have identified more than 120 recomplete opportunities. I also

1

help design Hilcorp's nitrogen foam frac jobs for recompletions, and work with our operations engineer to optimize daily production, as well as manage workover operations. My curriculum vitae is attached as Exhibit C-1.

- 4. I am familiar with the application filed by Hilcorp in this case and have conducted an engineering study of the subject area and of the Blanco-Mesaverde Gas Pool.
- 5. As with Hilcorp's prior applications for well density exceptions in the Blanco-Mesaverde Gas Pool, I used a decline curve analysis of existing wells to estimate ultimate recoveries for the subject spacing unit under the existing well density. I then compared the estimated ultimate gas recoveries against log-derived volumetric calculations for the original gas in place with the cumulative gas production in the spacing unit. Using this approach, we identified areas, including the subject spacing unit, that have substantial remaining gas in place and lower-than-expected gas recoveries where additional well bores or well completions are necessary to adequately drain remaining gas reserves.
- 6. Exhibit C-2 contains information relating to the subject spacing unit and the Maddox Gas Com C 1E Well (API No. 30-045-23728), Sec. 27, T29N, R10W (Unit P), which is the well Hilcorp proposes for simultaneous dedication within the Blanco-Mesaverde Gas Pool in this application. It is currently producing within the Dakota formation. It will be the second Mesaverde completion in the quarter-quarter section in the spacing unit. I anticipate that it will help drain the southeast-quarter section along the edge of spacing unit.
- 7. The first page of Exhibit C-3 is a basin-wide map reflecting Hilcorp's calculations for original gas in place across the Blanco-Mesaverde Gas Pool. The warmer colors represent areas where there is more original gas in place. The cooler colors indicate areas where there is

less original gas in place. The red star indicates the location of the subject well in an area where we calculate moderately high volumes of original gas in place.

- 8. The second page of Exhibit C-3 is a map of cumulative gas production to date from the Blanco-Mesaverde Gas Pool. Warmer colors indicate areas of higher volumes of gas production. Cooler colors indicate areas where there has been less gas production. The red star reflects the location of the subject well where there is relatively low cumulative gas production to date.
- 9. The third page of Exhibit C-3 is a map depicting calculated remaining gas in place, which is determined by subtracting cumulative production from the original gas in place. The cooler colors indicate areas where there is relatively less remaining gas in place. The warmer colors reflect areas where there is relatively more remaining gas in place. The red star identifies the location of the subject well in an area where we calculate that there is relatively considerable remaining gas in place and relatively low gas recoveries under the existing well density.
- 10. Exhibit C-4 is a table that supports this volumetric analysis. The first column titled "Volumetric OGIP" reflects the calculated volumetric original gas in place on a quarter section, section, and nine-section area basis around the subject spacing unit. The column titled "Section Equivalent OGIP" shows the estimated gas in place to show that the estimates are consistent across the area. The column titled "CTD/RF%" shows the cumulative gas production to date on a quarter section, section, and nine-section area basis and the calculated recovery factor. The column titled "Remaining GIP" shows the estimated remaining gas in place on a quarter section, section, and nine-section area basis. The last column titled "EUR/RF%" shows the estimated ultimate gas recovery and recovery factor calculated on a quarter section, section, and nine-section area basis.

11. I would expect recovery factors of approximately 70-80% in a gas pool of this type. The low recovery factors in Exhibit C-4 indicate that that is area is not being sufficiently drained by the existing wells in the subject spacing unit under the existing well density and that additional well bores, or completions, are necessary to adequately drain the Blanco-Mesaverde Gas Pool in this area.

12. Approval of Hilcorp's application is therefore necessary to drain unrecovered gas reserves that will otherwise be left in place under the existing well density.

13. In my opinion, granting this application will not impair the Blanco-Mesaverde Gas Pool, and will be in the interest of conservation, the prevention of waste and will protect correlative rights.

14. Exhibits C-1 through C-4 were prepared by me or under my direction and supervision.

FURTHER AFFIANT SAYETH NAUGHT.

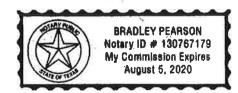
		Jan Jaffel	
STATE OF TEXAS)	Kevin Laffert	
COUNTY OF Harris			

SUBSCRIBED and SWORN to before me this $\underline{4th}$ day of November 14, 2018 by Kevin Lafferty.

NOTARY PUBLIC

My Commission Expires:

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6223 Yarwell Dr Houston, TX 77096

Kevin Lafferty

kdlafferty10@gmail.com (281) 795 7880

Education:

Texas A&M University, College Station, Texas Bachelor of Science in Petroleum Engineering

May 2014

GPA: 4.00

Experience:

Hilcorp Energy Company

Reservoir Engineer II – San Juan South Asset Team

August 2017 - Present

- Identified 127 recomplete opportunities throughout the San Juan Basin with potential reserves of 90 NBCFE
- Enabled San Juan reservoir engineers to quickly evaluate recomplete opportunities by creating excel based models to analyze infill and vintaging effects on EUR's, perform type well analysis on offset producers, and run economic sensitivities on multiple decline profiles and other economic inputs
- Executed 4 recompletes since Hilcorp's acquisition in August with an additional 25 scheduled for 2018
- Helped design 2 to 3 stage nitrogen foam frac jobs for each of these recompletes and currently working to improve frac performance by testing different fluid systems, proppant types, and concentrations
- Simultaneously assisted as an operations engineer to monitor and optimize daily production of 51 MMcfpd and manage workover operations including tubing replacements, rod and pump repairs, and fishing

Reservoir Engineer II – East Louisiana Asset Team

January 2016 – August 2017

- Worked with geologist to analyze 2 large, legacy, highly faulted salt dome oil fields. Reservoirs consisted primarily of highly permeable sandstones with varying drive mechanisms
- Added 2.3 NMMBOE of reserves in those fields which were originally discovered in the 1940s
- Identified, evaluated, and executed 7 development drill wells and 24 recomplete opportunities with initial production rates of 5,900 NBOEPD by completing well histories, economic evaluations, volumetric analysis, material balance, and log analysis

Operations Engineer I – East Louisiana Asset Team

July 2014 - January 2016

- Managed operations and logistics for workovers, recompletions, initial completions, and P&As including various slick line work, electric line logging, perforating and through tubing recompletes, coiled tubing cleanouts and acidizing, fishing operations, tubing conveyed perforating, gravel pack operations
- Monitored daily production and well tests totaling 15,000 NBOEPD across 6 main fields and identified uplift through gas lift optimization and workover potential
- Reduced operating cost by 15% by negotiating with vendors, closely monitoring invoices, identifying efficiencies between fields, right-sizing compression, and enabling operators to easily track their PO costs

ExxonMobil Development Company

Reservoir Engineering Intern - Sakhalin Group

Summer 2013

• Implemented a multiple downhole node hydraulic model in extended reach wells to evaluate the effects on simulated production profiles and determine the magnitude of error of a single node approximation

Hilcorp Energy Company

Field Intern II – Central Texas Asset Team
Field Intern I – Terrebonne Bay Asset Team

Summer 2012

Summer 2011

Skills/Training:

Aries, OFM, PROSPER, MBAL, Petra, Harmony, Completion/Workover Training, Interactive Petrophysics Training, Cobb Waterflood Training, Rose Risk Analysis Software, Integration of Rocks Logs and Test Data

Organizations/Awards:

- Society of Petroleum Engineers
- Gus Archie Memorial Scholarship

- Summa Cum Laude
- Eagle Scout

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. C-1

Submitted by: Hilcorp Energy Company Hearing Date: November 15, 2018 Case # 20096

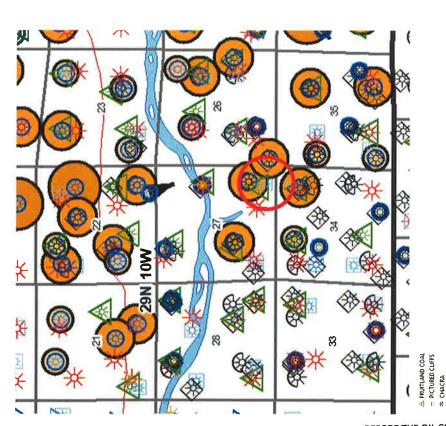
EXHIBIT C-1

Maddox Gas Com C 1E



Well Specifics

- SE27 29-10 3004523728 1980 drill
- 2nd MV completion in Unit P 750' from parent well
- Further drain reserves in SE/4 along edge of productive limit
- Complete MV in 1-2 stages



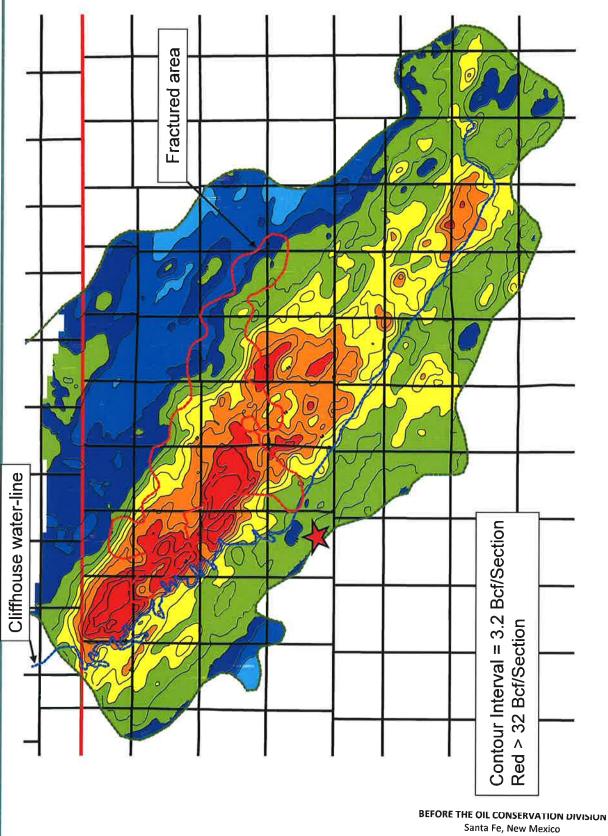
BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico
Exhibit No. C-2
Submitted by: Hilcorp Energy Company
Hearing Date: November 15, 2018
Case # 20096

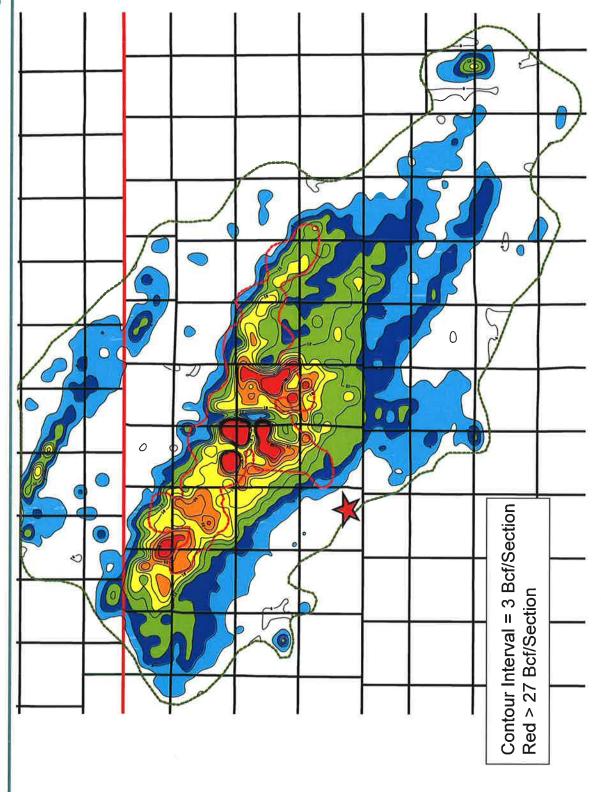
Exhibit No. C-3
Submitted by: Hilcorp Energy Company
Hearing Date: November 15, 2018
Case # 20096



MV Original Gas-in-Place

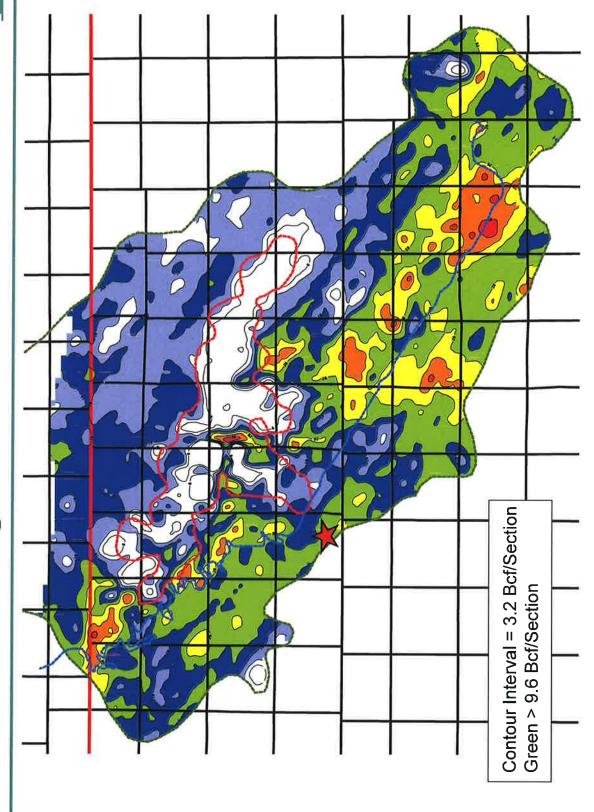


MV Cumulative Gas Production





MV Remaining Gas



Maddox Gas Com C 1E



Reference Area	Volumetric OGIP	Section Equivalent OGIP	CTD / RF%	Remaining GIP	EUR / RF%
Qtr Section	9.0 Bcf	36.0 Bcf	0.75 Bcf / 8.3%	8.25 Bcf	1.09 Bcf / 12%
Section	34.1 Bcf	34.1 Bcf	1.9 Bcf / 5.6%	32.2 Bcf	3.1 Bcf / 9%
9 Section	289 Bcf	32.1 Bcf	21 Bcf / 7.3%	268 Bcf	33 Bcf / 11%

Remaining Gas in Place in Quarter Section of 8.3 Bcf

Cumulative Recovery Factor to Date 8.3% and 5.6% in the Quarter Section and Section, respectively

Considerable gas remaining in area with opportunity to recover additional volumes utilizing existing wellbore