

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF PERCUSSION PETROLEUM CASE NO. 20187
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF PERCUSSION PETROLEUM CASE NOS. 20188,
OPERATING, LLC FOR COMPULSORY POOLING 20189
AND APPROVAL OF AN UNORTHODOX WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 10th, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
KATHLEEN MURPHY, TECHNICAL EXAMINER
LEONARD LOWE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner; Kathleen Murphy and Leonard Lowe,
Technical Examiners; and David K. Brooks, Legal
Examiner, on Thursday, January 10th, 2019, at the New
Mexico Energy, Minerals and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe, New
Mexico.

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

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APPEARANCES

FOR APPLICANT PERCUSSION PETROLEUM OPERATING, LLC:

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1 (2:33 p.m.)

2 EXAMINER JONES: Cases 20187, 20188 and
3 20189, application of Percussion Petroleum Operating,
4 LLC for compulsory pooling in Eddy County, New Mexico.
5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, only in Case
7 20188 am I entering an appearance for Challenger Crude
8 Limited.

9 MS. KESSLER: Jordan Kessler, from Holland
10 & Hart, Mr. Examiner, on behalf of the Applicant.

11 EXAMINER JONES: Okay. Mr. Bruce, can you
12 say that again? Challenger --

13 MR. BRUCE: Challenger Crude, as in crude
14 oil, Limited.

15 EXAMINER JONES: Thank you very much.
16 Is Challenger contesting?

17 MR. BRUCE: No. They're just an interested
18 party.

19 EXAMINER JONES: Interested party.
20 Any other appearances in any of these three
21 cases?

22 So that's just in Case Number 20188?

23 MR. BRUCE: Yes.

24 MS. KESSLER: May I proceed?

25 EXAMINER JONES: Please proceed.

1 MS. KESSLER: As I noted at the outset,
2 Mr. Examiner, we're combining these three cases. They
3 all involve spacing units in Section 34, Township 19
4 South, Range 25 East. So we have -- Case Number 20187
5 is the west half-east half spacing unit. 20188 is the
6 east half-west half spacing unit, and 20189 is the west
7 half-west half spacing unit.

8 We continued the east half-east half case.

9 EXAMINER JONES: Okay. The cover to the
10 exhibits doesn't have the case numbers on it.

11 MS. KESSLER: That's not very helpful.

12 EXAMINER BROOKS: This is in what
13 formation?

14 MS. KESSLER: Yeso.

15 EXAMINER BROOKS: Yeso still.

16 And the pool name is not filled in.

17 MS. KESSLER: No, Mr. Examiner. It's
18 identified on page 2 of the affidavit. I called
19 Mr. Kautz and asked -- no.

20 EXAMINER JONES: Mr. Podany?

21 MS. KESSLER: -- Mr. Podany and asked for
22 the pool information for these wells, and he identified
23 it as being the Seven Rivers-Glorieta-Yeso Pool.

24 Two of these wells, you'll note, also
25 request unorthodox location. That would be for Cases

1 20188 and 20189.

2 The first exhibit is from the landman who
3 is Mr. Stan Mitchell. He outlines his credentials and
4 each of the first several paragraphs identifies the
5 proposed spacing units. He also states in paragraph
6 seven that this is all federal acreage.

7 Attachment A has three draft C-102s. These
8 have been submitted to the BLM but not yet approved, and
9 these show the well locations and the fact that two of
10 the wells are unorthodox.

11 EXAMINER JONES: And they'll apply
12 administratively for that?

13 MS. KESSLER: No. That's part of this
14 application.

15 EXAMINER JONES: Okay.

16 MS. KESSLER: So we did style it that way,
17 and we did provide notice to the spacing units.

18 EXAMINER JONES: Okay. You sure it's on
19 here?

20 MS. KESSLER: For just two of them, so it's
21 just for the 9H and the 15H.

22 EXAMINER JONES: Okay.

23 MS. KESSLER: Exhibit 4 [sic] shows the
24 4H -- Lakewood 4H wells, ownership breakdown, and
25 highlighted in green are those interests that Percussion

1 seeks to pool. And the second page of this exhibit are
2 the overriding royalty interest owners that Percussion
3 seeks to pool.

4 It's the same format for Attachments C and
5 D. Again, these just show all of the working interest
6 owners that Percussion seeks to pool, and then the
7 second page of the exhibit is the overriding royalty
8 interests.

9 EXAMINER JONES: Which exhibit is that?

10 MS. KESSLER: So these are Attachments B, C
11 and D.

12 EXAMINER JONES: Okay.

13 MS. KESSLER: Exhibit E includes all three
14 of the well-proposal letters and AFEs for each of the
15 wells. And the costs, Mr. Examiner, that they're
16 requesting, I believe, are 7,000 a month for drilling
17 and 700 while operating -- I'm sorry -- while producing.
18 Those are identified in paragraph 19 of the affidavit.

19 Exhibit 2 is an affidavit from Mr. Lipinski
20 showing a location map. And as you can see, the
21 north-south orientation is very common in this area.

22 Exhibit B is a structure map showing not
23 much structural change throughout the section.

24 C is a cross-section location map
25 showing -- I think it's five wells that he used to put

1 together his cross-section exhibit, and that is
2 Attachment D. And then I just wanted to point out on
3 this exhibit, he calls out each of the targets. So the
4 4H, the 15H and the 9H are all shown in different colors
5 on that exhibit.

6 EXAMINER JONES: Oh, that's nice.

7 MS. KESSLER: Exhibit 3 has the notice for
8 each of these three cases, and they correspond to the
9 different tabs. So the 4H is behind Tab A. The 9H is
10 behind Tab B, and the 15H is behind Tab C.

11 Once again, we'll ask that this case --
12 these three cases be continued to the 24th to perfect
13 notice, and notice exhibits will be presented on that
14 day.

15 So I'll ask, Mr. Examiner, that these
16 exhibits be entered into the record.

17 EXAMINER JONES: Okay. Exhibits for Cases
18 20187, 20188 and 20189, as presented, are admitted into
19 the record, unless there was an objection.

20 Is there any objection?

21 MR. BRUCE: No.

22 (Percussion Petroleum Operating, LLC
23 Exhibit Numbers 1 through 3 are offered and
24 admitted into evidence.)

25 EXAMINER JONES: Okay. And these cases are

1 all continued to January the 24th.

2 Now, can you explain one more time why
3 we've got all these cases?

4 MS. KESSLER: So the -- because of the
5 holidays, the timing on the notice got messed up. So
6 they all went out -- I think it was just a couple of
7 days after the 20 days. So at that -- you know, two
8 days from now, notice will have been perfected, and then
9 at the subsequent hearing, these cases will be called.
10 Anyone will have an opportunity to get in touch with us
11 before then and ask what's going on with this case.

12 EXAMINER BROOKS: But you have to continue
13 them for four weeks even if we didn't have that policy
14 because you need to have the 20 days.

15 MS. KESSLER: No, Mr. Examiner. It just
16 went out a day or two after what would have been the 20
17 days. So at this point, notice has been out for 18 or
18 19 days, so two weeks will give us plenty of time to
19 perfect notice.

20 EXAMINER BROOKS: Yeah. You've got to give
21 another notice, though, because your other notice is
22 not -- it didn't -- it wasn't -- I mean, it was for
23 today, and they didn't have 20 days' notice for today.
24 You've got to give another notice that it's now set for
25 another date.

1 MS. KESSLER: So my understanding,
2 Mr. Examiner, is that because the case is continued on
3 the record, any party would have the opportunity to see
4 that it had been continued.

5 EXAMINER BROOKS: That would be true if it
6 was timely noticed, but I'm not sure it is when the
7 notice is not timely. We've usually required, if they
8 have to renotice, that we continue it for four weeks.

9 MS. KESSLER: Yeah. My understanding had
10 been that it could just be for two weeks based on cases
11 we've had in the past.

12 EXAMINER BROOKS: Well, I have to find out
13 what the policy has been because I don't want to depart
14 from it when the legal basis is not real clear. But my
15 understanding was the contrary, and I think I have
16 applied it in some cases. So I want to be sure we're
17 all on the same page.

18 MS. KESSLER: Okay. So perhaps we can
19 continue --

20 EXAMINER BROOKS: But it doesn't matter now
21 because we're going to continue it for four weeks
22 anyway.

23 EXAMINER JONES: No, two. Because the end
24 of the month is the continuance docket anyway.

25 MS. KESSLER: So perhaps what we can do is

1 continue it to that docket, and Mr. Feldewert and I can
2 get in touch with you and make sure that that's the
3 correct --

4 EXAMINER BROOKS: Okay. That's fine.
5 (Case Numbers 20187, 20188 and 20189
6 conclude, 2:42 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 31st day of January 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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