

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. 20230
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 7, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 TERRY WARNELL, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner; Kathleen Murphy and Terry Warnell, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, February 7, 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
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APPEARANCES

FOR APPLICANT PERCUSSION PETROLEUM OPERATING, LLC:

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1 (11:22 a.m.)

2 EXAMINER DAWSON: The next case that we
3 will hear is on page 4 of 5. It's docket number 58 on
4 the list, Case Number 20230. It's Percussion Petroleum
5 Operating, LLC for compulsory pooling, Eddy County, New
6 Mexico.

7 Please call for appearances.

8 MS. KESSLER: Jordan Kessler, from the
9 Santa Fe office of Holland & Hart, on behalf of the
10 Applicant.

11 EXAMINER DAWSON: Any other appearances?
12 Seeing none, when you're ready,
13 Ms. Kessler.

14 MS. KESSLER: Thank you, Mr. Examiner.

15 EXAMINER BROOKS: What is the case number
16 in this case?

17 MS. KESSLER: It's 20230.

18 EXAMINER BROOKS: 20230?

19 EXAMINER DAWSON: Yeah. It's on 4 of 5.
20 When you're ready, Ms. Kessler.

21 MS. KESSLER: Thank you.

22 Mr. Examiner, in front of you are several
23 affidavits. The first is from Mr. Mike Roach who is a
24 landman with Percussion Operating, LLC. He first
25 outlines his credentials as a landman and his experience

1 and education and expertise in the Permian Basin in
2 New Mexico. He then describes the proposed spacing
3 unit, which is a 320-acre horizontal spacing unit in the
4 N. Seven Rivers Pool, and it's the south half of Section
5 12 in 19 South, 25 East, Eddy County. The spacing unit
6 does include the proximity tracts. And the spacing unit
7 will be dedicated to the Rose South 20H well and the
8 Rose South 21H well.

9 Attached behind Tab A are the two draft
10 C-102s for these two wells. And you'll see that the
11 second well, the 21H well, is along the centerline
12 between those two 160-acre spacing units, and that's the
13 one that will incorporate in the proximity tracts.
14 These are both Yeso wells.

15 The pool -- again, I contacted Mr. Kautz
16 with the Division to confirm the pool as described in
17 the affidavit. It's the N. Seven Rivers-Glorieta-Yeso
18 Pool, Pool Code 97565. And the spacing unit is entirely
19 comprised of fee acreage.

20 If you turn to Exhibit B, this is a tract
21 breakdown of the parties that Percussion seeks to pool.
22 This is obviously very small. When we send you the
23 email of the exhibits, it'll be, I think, easier to
24 read, but I was trying to get it all on one page here.
25 There are so many tracts. Percussion seeks to pool a

1 number of both unleased mineral interest owners and a
2 couple of working interest owners.

3 Exhibit C includes both the well-proposal
4 letter and the offer to lease that was sent to unleased
5 mineral interest owners. And those included AFEs for
6 each of the two wells, which you'll see total just shy
7 of 4 million for the 20H and just shy of 4 million for
8 the 21H wells.

9 Percussion is also seeking to pool the
10 overriding royalty interest owners that are shown on the
11 second page of Exhibit B. Sorry. I should have
12 mentioned that.

13 In compiling the notice list, I noted -- in
14 paragraph 14, Percussion states that they conducted a
15 diligent search of all public records in the county
16 where the proposed wells are located, including phone
17 directories and computer searches. However, several of
18 the unleased mineral interest owners were unlocatable.
19 And after searching for good addresses, the landman
20 directed Holland & Hart to publish notice directly to
21 those parties.

22 They are requesting \$7,000 per month while
23 drilling, 700 per month while producing.

24 I'll jump to the affidavit for Mr. C.J.
25 Lipinski, who is the geologist. He attaches as

1 Exhibit A a location map showing the two proposed wells
2 in the spacing unit, also a structure map showing that
3 there is no structural -- no major structural change in
4 the proposed spacing unit, no faulting or geologic
5 impediments to horizontal drilling.

6 C points out the six wells that he used for
7 his cross-section exhibit. You'll also note that there
8 are both stand-up and lay-down wells in the area of
9 producers.

10 Tab D includes his structural cross-section
11 exhibit, and you'll see the top of the Glorieta, top of
12 the Yeso. The 21H target is called out at 2,925 feet
13 with an orange line, and under that is the 20H well at
14 3,245 TVD. And the bottom of the Yeso is called out
15 with that 3,800-foot marker.

16 He notes also in his affidavit that each of
17 the proposed tracts will contribute more or less equally
18 to production and that approval of this application is
19 in the best interest of conservation and for the
20 prevention of waste.

21 Exhibit 3 is the affidavit from my office
22 providing notice of this hearing. As I mentioned, we
23 did seek to pool overriding royalty interest owners, and
24 there were a small handful of unlocatable unleased
25 mineral interest owners. We did publish notice, and

1 that's included behind Tab 4.

2 I would move admission of these four
3 exhibits, including their subtabs.

4 EXAMINER DAWSON: Do you have any
5 questions, Mr. Brooks?

6 EXAMINER BROOKS: No questions.

7 EXAMINER DAWSON: Mr. Warnell?

8 EXAMINER WARNELL: No questions.

9 EXAMINER DAWSON: Ms. Murphy?

10 EXAMINER MURPHY: No questions.

11 EXAMINER DAWSON: I have no questions.

12 At this point Case 20230 -- do you want to
13 admit the exhibits? Let me back up.

14 MS. KESSLER: I had requested to admit the
15 exhibits and that the case be taken under advisement.

16 EXAMINER DAWSON: Exhibits 1 through 4 and
17 their attachments will be admitted to the record, and
18 your request for this case to be taken under advisement
19 will be accepted. So this case will be taken under
20 advisement.

21 Thank you very much.

22 (Percussion Petroleum Operating, LLC
23 Exhibit Numbers 1 through 4 are offered and
24 admitted into evidence.)

25 (Case Number 20230 concludes, 11:29 a.m.)

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 7th day of March 2019.

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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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