

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. 20231  
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  
                  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 (11:29 a.m.)

2 EXAMINER DAWSON: That moves us down the  
3 list to docket number 58 on the list -- sorry -- 59 on  
4 the list, Case Number 20231, which is another Percussion  
5 Petroleum Operating, LLC case, for compulsory pooling,  
6 Eddy County, New Mexico. Ms. Kessler is the attorney of  
7 record.

8 When you're ready, Ms. Kessler.

9 MS. KESSLER: Thank you.

10 Mr. Examiners, this case will also be  
11 presented by affidavit. It is -- in front of you is the  
12 affidavit of Mr. Mike Roach. Again, he outlines his  
13 credentials and expertise in the Permian Basin. He then  
14 describes the spacing unit, which is the east half of  
15 Section 23, incorporating the proximity tracts. And  
16 this is the N. Seven Rivers Pool, 97565, again in  
17 Section 23, Township 19 South, 25 East in Eddy County.

18 And the spacing unit will be dedicated to  
19 four initial wells. He describes those wells, and  
20 behind Tab A, you'll see the C-102s for each of those  
21 well. It's the Shelby 23 2H, 3H, 4H and 5H.

22 EXAMINER BROOKS: Now, is this -- what is  
23 the case number?

24 EXAMINER DAWSON: 20231.

25 EXAMINER BROOKS: 20231. Is this the

1 Shelby 2H, 3H, 4H and 5H?

2 EXAMINER DAWSON: Correct.

3 EXAMINER BROOKS: And it's 20231?

4 EXAMINER DAWSON: Yes.

5 EXAMINER BROOKS: Okay. I'm looking at the  
6 right paper.

7 EXAMINER DAWSON: Okay.

8 MS. KESSLER: All right. Behind Tab B is  
9 an ownership breakdown. They're seeking to pool just a  
10 few unleased mineral owners, as well as MRC. Those  
11 interest owners are highlighted in green behind the  
12 first page. On the second page of Tab B are the  
13 overriding royalty interest owners.

14 Exhibit C is a copy of the well-proposal  
15 letter and offer to lease that was sent to the working  
16 interest owners and also the unleased mineral interest  
17 owners, and behind these letters are AFEs for all four  
18 wells. They're right around 4 million. The affidavit  
19 also outlines Percussion's effort to reach an agreement  
20 with these parties.

21 And I'll note that all of the working  
22 interest owners and unleased mineral interest owners  
23 were locatable.

24 I'll move on to the geology exhibit, which  
25 is behind Tab 2. And Mr. Lipinski has put together

1 several maps for the Yeso in this area, showing first  
2 behind Tab A all four of the wells, and you'll see a  
3 Strawn [sic] reference for stand-up wells.

4 Behind Tab B is a structure map of the  
5 area, and there are no major structural changes, no  
6 geologic impediments based on the structure in this  
7 area.

8 C identifies the five wells that -- that  
9 Mr. Lipinski used to put together his corresponding  
10 cross-section exhibit, which is behind Tab D. And then  
11 you'll see each of the targets, along with -- their TVDs  
12 are called out. So four Yeso targets all within the  
13 same pool, all of them in the same formation.

14 Mr. Lipinski notes in his affidavit that  
15 each of these tracts will contribute more or less  
16 equally to production to each of the wells, that the  
17 south-to-north orientation is appropriate to effectively  
18 drain the targeted reservoir.

19 Finally, he states that approval of this  
20 application is in the best interest of conservation and  
21 the prevention of waste.

22 You'll see my affidavit behind Tab 3, a  
23 letter providing notice of this hearing. I mentioned  
24 that all of the unleased mineral interest owners were  
25 locatable. There were a few overriding royalty interest

1 owners who we received returned letters from, so we  
2 published notice, and that's included in Exhibit 4.

3 Mr. Examiners, I would move admission of  
4 these exhibits, Exhibits 1 through 4.

5 EXAMINER DAWSON: Okay. At this point  
6 Exhibits 1 through 4 and their attached exhibits will be  
7 admitted to the record.

8 (Percussion Petroleum Operating, LLC  
9 Exhibit Numbers 1 through 4 are offered and  
10 admitted into evidence.)

11 MS. KESSLER: And I would ask this case be  
12 taken under advisement, unless there are any questions.

13 EXAMINER DAWSON: Does anyone have any  
14 questions?

15 EXAMINER MURPHY: On 2D, on the Shelby and  
16 the Parino well --

17 EXAMINER DAWSON: Which exhibit are you  
18 looking at?

19 EXAMINER MURPHY: 2D, the cross section.

20 EXAMINER DAWSON: Okay.

21 EXAMINER MURPHY: What are the magenta dots  
22 along the side of the well?

23 MS. KESSLER: I'd be happy to verify that  
24 with the geologist. Typically, those are where those  
25 logs -- those wells are completed.

1                   EXAMINER DAWSON: The pink perforations in  
2 the wellbore.

3                   EXAMINER MURPHY: Okay. Thank you.

4                   EXAMINER DAWSON: Is that all?

5                   EXAMINER MURPHY: That's all. Thank you.

6                   EXAMINER DAWSON: I have no questions.

7                   And with your request for Case Number 20231  
8 to be taken under advisement, at this time Case Number  
9 20231 will be taken under advisement.

10                   Thank you, Ms. Kessler.

11                   (Case Number 20231 concludes, 11:36 a.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 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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