

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:

CASE NOS: 20234

Application of Percussion Petroleum
Operating LLC for compulsory pooling,
Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 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: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Applicant: Adam Rankin
Holland & Hart
110 N Guadalupe Street, Suite 1
Santa Fe, NM 87501

I N D E X

CASE NO. 20229 CALLED	
JOE DICHIARA (By Affidavit)	04
C.J. LIPINSKI (By Affidavit)	06
TAKEN UNDER ADVISEMENT:	11

E X H I B I T I N D E X

Admitted

Exhibit 1, Attachments A-C	09
Exhibit 2, Attachments A-D	09
Exhibit 3	09

1 HEARING EXAMINER: Call case Number 20234.

2 MR. RANKIN: Good morning, Mr. Examiner. Adam
3 Rankin appearing on behalf of the applicant in this case,
4 Percussion Petroleum LLC, of the Law Firm of Holland & Hart.

5 This case will be presented by affidavit.

6 If I may proceed, Mr. Examiner.

7 This exhibit packet that I just distributed to
8 you is an exhibit packet that contains three exhibits. It's
9 a very similar circumstance to the one we just reviewed in
10 the prior case, and I will just review the facts, the
11 highlights, and if you have any questions, I will be happy
12 to try to address them.

13 MR. BROOKS: Let me interrupt you just a moment.
14 What is the case number?

15 MR. RANKIN: This is Case Number 20234.

16 MR. BROOKS: Okay. What was the the case number
17 on the one involving the Radiohead?

18 MR. RANKIN: 20229.

19 MR. BROOKS: You might suggest to your -- it
20 would be helpful if we had a case number on the front of the
21 cover --

22 MR. RANKIN: I agree.

23 MR. BROOKS: -- so we can keep these straight.
24 20229 --

25 MR. RANKIN: Is the first one.

1 MR. BROOKS: -- is the Radiohead?

2 MR. RANKIN: Correct. This is Case Number 20234.

3 Percussion Petroleum LLC exhibit packet before
4 you has three exhibits with attachments.

5 The first is a landman's affidavit. The second
6 is a geologist's affidavit, and third is a notice affidavit.

7 Quickly reviewing each of those, the first
8 affidavit is by the same landman as the first case we just
9 did, Mr. Joe Dichiara. He previously testified before the
10 Division.

11 In this case Percussion is seeking to pool a
12 160-acre horizontal spacing unit in the Atoka, Glorietta
13 Yeso pooling. The spacing unit will be comprised of the S/2
14 N/2 of Section 28, Township 18 South, Range 26 East in Eddy
15 County.

16 As with the prior case, there is a depth
17 severance in this case. It is at 3000 feet, okay. The
18 proposed horizontal spacing unit in this case, as, with the
19 prior case, is seeking to pool only the top portion of the
20 pool from the top of the Atoka, Glorietta Yeso pool down to
21 3000 feet to the point of depth severance. This proposed
22 spacing unit will be dedicated to the Weezer 1H Well.

23 Exhibit 1A is a copy of the C-102 that depicts
24 the proposed location first point for the Weezer 1H within
25 that spacing unit.

1 As laid out in Mr. Dichiara's affidavit,
2 Percussion has also proposed wells in and is seeking to pool
3 interests below the 3000 foot depth severance in a
4 subsequent case that will be heard before the Division next
5 month.

6 No interest owner that Percussion seeks to pool
7 has indicated opposition to this depth severance pooling.
8 Percussion has given notice to those interest owners within
9 the proposed spacing unit and in the same pool below the
10 depth severance that they are excluding from the spacing
11 unit.

12 Exhibit 1C is a -- sorry -- Exhibit 1B is a copy
13 of the land tract map reflecting each of the tracts by
14 ownership tracts that comprise this proposed spacing unit.
15 This land tract map is broken into two pages because, one,
16 the tract is complicated, so there is a two-page land tract
17 map exhibit.

18 The third page of that is -- third and subsequent
19 page of the exhibit is a breakdown by interest and by depth
20 of each of the parties in each of those tracts depicted in
21 the first two pages.

22 The parties Percussion is seeking to pool are
23 those highlighted in green. So this exhibit reflects the
24 pooled parties in green. It reflects interest owners by
25 tract and by depth. And the parties in the deeper zones

1 were provided notice who are being excluded from the spacing
2 unit that Percussion is seeking to grade a severance depth
3 basically.

4 Exhibit C is a copy of the well proposal letter
5 that was sent to each of the interest owners that Percussion
6 is seeking to pool in this case, is seeking to pool all
7 uncommitted interest owners which include working interest
8 owners, overrides, as well as unleased mineral interest
9 owners.

10 Behind the well proposal letter is a copy of the
11 AFE or estimated cost that Percussion anticipates it will
12 incur drilling this well. In Mr. Dichiarara's affidavit, he
13 testifies that these costs are consistent with what
14 Percussion and other operators have incurred to drill
15 similar wells in the area.

16 Percussion is seeking administrative costs for
17 drilling and producing the well at \$700 -- at \$7,000 per
18 month while drilling -- and while producing -- I'm sorry,
19 while drilling -- and \$700 a month while producing.

20 Mr. Dichiarara testifies those administrative costs
21 are consistent with what other operators have incurred for
22 similar wells. The wells are all -- this well is going to
23 be an orthodox location.

24 Exhibit 2 is a copy of the affidavit of Mr.
25 Lipinski, the geologist who reviewed and studied the

1 geology. His testimony is similar to the other case which
2 is in this same area as this well. He testifies that,
3 referencing Exhibit 2A, he identifies the spacing unit which
4 is being identified here in the red outline, as well as the
5 initial proposed well, which is the well that will be
6 designated for the spacing which is the Weezer 1H in orange.

7 And the first anticipated infill well, which is
8 in blue, is 2H. Offsetting wells in the same pool are
9 identified in green.

10 Exhibit 2B is a copy of the structure map which
11 is based on the top of the Glorietta. It also depicts the
12 proposed spacing unit to the initial well in the first --
13 in the anticipated infill well, as well as the data points
14 used to construct the structure map.

15 Exhibit 2C is a copy of the well locator map
16 overlaid with a line of cross-section A to A Prime,
17 reflecting the wells that Mr. Lipinski used to construct a
18 cross-section which is reflected in Exhibit 2C.

19 Exhibit 2C is the stratigraphic structural
20 cross-section for this spacing unit. On that map it
21 reflects the landing zone for the initial proposed well,
22 which is the Weezer 1H, which has an anticipated landing
23 depth of 2700 feet.

24 On this same cross-section Mr. Lipinski has
25 depicted the depth severance here at 3000 feet, which is

1 approximately 300 feet below the proposed landing zone for
2 the initial proposed well.

3 Also on this map, a cross-section he's identified
4 the same landing target zone for the anticipated first
5 infill well which is the 2H which is 700 feet above the
6 initial proposed target, and 700 feet more above the depth
7 severance here.

8 In his testimony Mr. Lipinski testifies that
9 because of the location of the initial proposed well is more
10 than 300 feet above the depth severance, that the
11 hydrocarbons below that depth severance line will not be
12 drained -- he does not expect them to be drained with
13 production of this well.

14 In addition, Mr. Dichiara, testifies in his
15 affidavit that Percussion has proposed wells to the owners
16 with that depth severance line, and I filed an application
17 to pool those interests in a subsequent hearing before the
18 Division.

19 Exhibit 3 is a copy of the notice affidavit that
20 was prepared by me and my office reflecting that we sent
21 notice to all the parties that Percussion is seeking to pool
22 in this case, as well as those reflected in the notice list
23 who have an interest below that depth severance line
24 including the unleased mineral interests, overrides, and
25 other working interests.

1 Subsequent pages behind the letter reflecting
2 that we gave notice are copies of the United States Postal
3 Service tracking sheets reflecting the status of each of
4 those notice packets. In many cases they were signed for.
5 In other cases they remained at the post office for pick up.

6 Last page of the exhibit reflects that a notice
7 of publication was issued in the newspaper within the county
8 reflecting that each of the parties by name were identified
9 giving notice of this hearing today. There were no
10 unlocated well interests either above or below the depth
11 severance line.

12 With that, Mr. Examiner, I would move the
13 admission of Exhibits 1, 2 and 3 and their attachments into
14 the record.

15 HEARING EXAMINER: Exhibits 1, 2 and 3 are
16 admitted into the record.

17 MR. RANKIN: If there are any additional
18 questions, or questions I may try to answer or pass on to --

19 MR. JONES: You said there is no -- there are no
20 unlocated interests?

21 MR. RANKIN: Correct.

22 MR. JONES: But then the newspaper notice lists,
23 in this case, a whole bunch of people. But you just listed
24 them for --

25 MR. RANKIN: Those are suspenders.

1 MR. JONES: Okay. Sounds good.

2 MR. BROOKS: Well, what was the reason? I mean,
3 title examiner does not claim any interest?

4 MR. RANKIN: No, as a precaution we identified
5 everybody by name.

6 MR. BROOKS: Oh, this, they are people who may or
7 may not have been served. As far as you know they were
8 served.

9 MR. RANKIN: As far as we know everybody got
10 notice. It's just a matter of course to make sure there is
11 no questions about it, they got constructive notice as well.

12 MR. BROOKS: Very good. This is similar to the
13 last one?

14 MR. RANKIN: Very similar spacing unit, just to
15 the north, I think.

16 MR. BROOKS: It's in the same situation as you
17 are proposing a well now in the upper zone, and you are
18 going to drill in the lower zone later?

19 MR. RANKIN: It's slightly different. The
20 initial well that would be designated to the spacing unit is
21 actually the one that's closest to the depth severance line.
22 So in this case the initial well, the Weezer 1H is the one
23 that's just 300 feet off the depth severance line, and the
24 anticipated infill well will be further removed and so --

25 MR. BROOKS: Okay. So both of the wells -- all

1 of the wells you are now proposing are above the depth
2 severance line?

3 MR. RANKIN: Correct.

4 MR. BROOKS: And in this case do you also expect
5 that you will be bringing a forced pooling proceeding to
6 pool this spacing unit below the depth severance?

7 MR. RANKIN: That is correct. The well has been
8 proposed, and the application is pending. We expect to hear
9 it before the Division next month.

10 MR. BROOKS: Thank you.

11 MR. JONES: Is it going to be Percussion?

12 MR. RANKIN: It will be.

13 MR. JONES: Even though EOG owns -- so Percussion
14 is St. Devote?

15 MR. RANKIN: St. Devote is the, I believe, the
16 lessee.

17 MR. JONES: Lessee, okay, so there is a lessee.

18 MR. RANKIN: Yeah. It's my understanding.

19 MR. JONES: Okay.

20 MR. RANKIN: No further questions, I ask that
21 this case be taken under advisement.

22 HEARING EXAMINER: Case Number 20234 will be
23 taken under advisement.

24 (Adjourned.)

25

