

**BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING MAY 2, 2019**

**CASE NO. 20427**

*GROSS 0001 WELL*



**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. 20427**

**AFFIDAVIT OF ROB CARLSON IN SUPPORT OF CASE NO. 20427**

I, Rob Carlson, being of lawful age and duly sworn, declare as follows:

1. My name is Rob Carlson. 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 three Mesaverde gas wells in the same quarter section, for a total of three Mesaverde gas wells within the same non-standard 160-acre, more or less, spacing and proration unit.

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 non-standard 160-acre, more or less, spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the SW/4 of Section 7, Township 31 North, Range 12 West, San Juan County, New Mexico, in which the following two wells are currently completed and producing:

- a. Owens 001 Well (API No. 30-045-10866) Sec. 7, T31N, R12W (Unit M); and
- b. Owens 001A Well (API No. 30-045-30130), Sec. 7, T31N, R12W (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. **Gross 001 Well** (API No. 30-045-10856) Sec. 7, T31N, R12W (Unit N).

9. This will be the third well within the same non-standard spacing unit with three wells in the same quarter section, 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 **Gross 001 Well** (API No. 30-045-10856) within the SW/4 of Section 7, Township 31 North, Range 12 West, permitting the total number of wells dedicated and producing within this non-standard spacing and proration unit to three, with three wells in the same quarter section.

11. The proposed simultaneous dedication of the **Gross 001 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 may own 100% of the working interest, in which case there are no affected parties to notice.

14. **Exhibit A-1** is an overview map identifying the location of the subject Blanco-Mesaverde Gas Pool spacing unit, in the green outline, within the SW/4 of Section 7, Township 31 North, Range 12 West, to which the 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 **Gross 001 Well** as a gray triangle.

16. Exhibit A-1 also depicts the notice area comprised of the offsetting spacing units, which is the area within the gray dashed line surrounding the subject spacing unit outlined in green. For some offsetting spacing units, Hilcorp is the operator in which Hilcorp has provided notice to the affected parties where applicable. Where Hilcorp is not the operator, Hilcorp provided notice to the operator of the offsetting spacing unit.

17. **Exhibit A-2** identifies the affected parties within the offsetting spacing units who are required to be noticed. I provided a list of all affected parties requiring notice to Holland & Hart LLP. All parties were locatable.

18. 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.

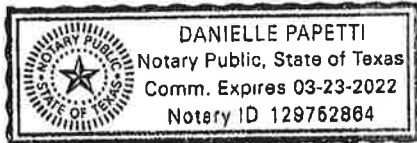
19. Exhibits A-1 and A-2 were prepared by me or under my direction and supervision.

FURTHER AFFIANT SAYETH NAUGHT.

  
\_\_\_\_\_  
Rob Carlson

STATE OF TEXAS                    )  
  )  
COUNTY OF HARRIS            )

SUBSCRIBED and SWORN to before me this 30 day of April, 2019 by Rob Carlson.

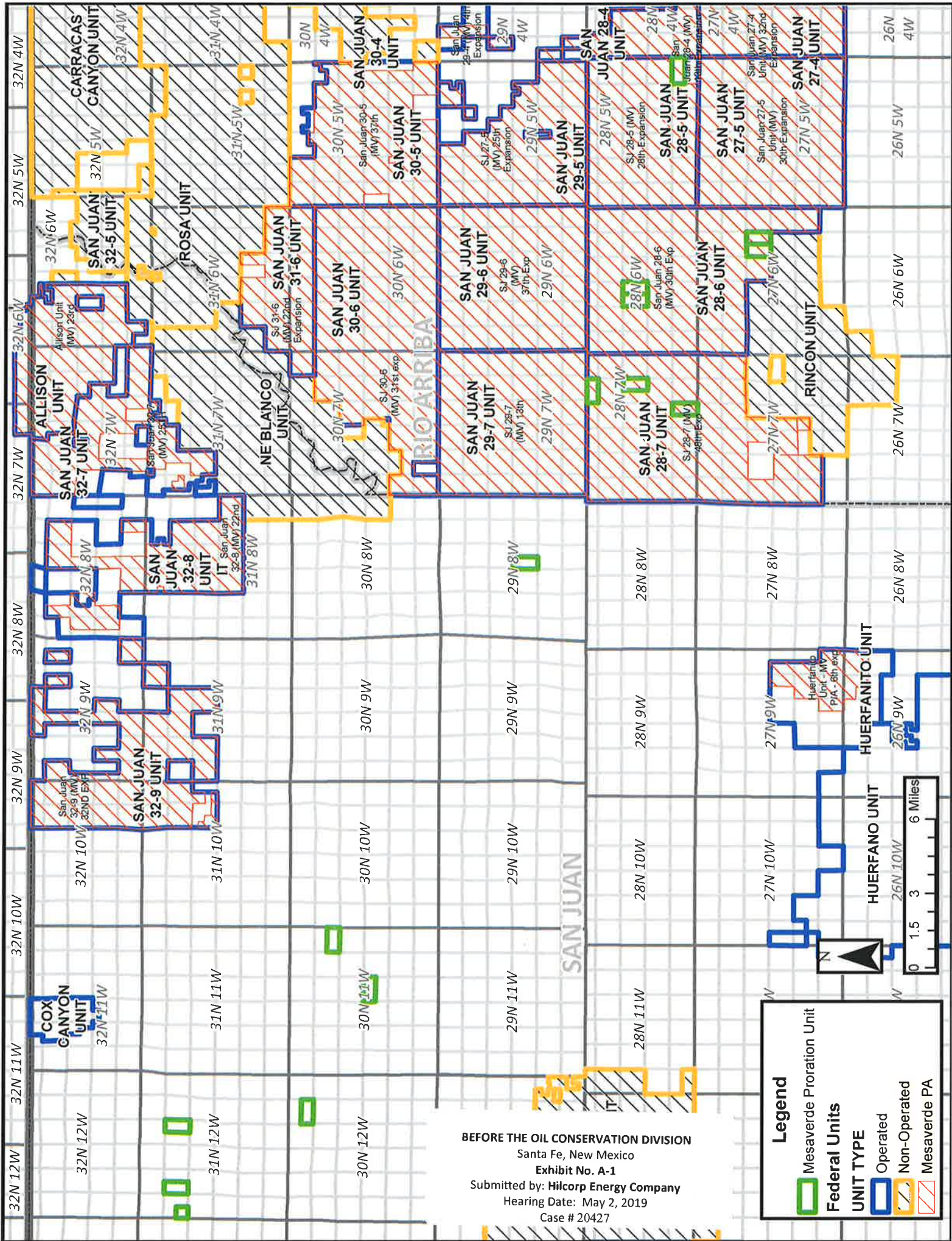


  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

03-23-2022





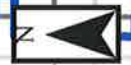
BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Exhibit No. A-1  
 Submitted by: Hilcorp Energy Company  
 Hearing Date: May 2, 2019  
 Case # 20427

**Legend**

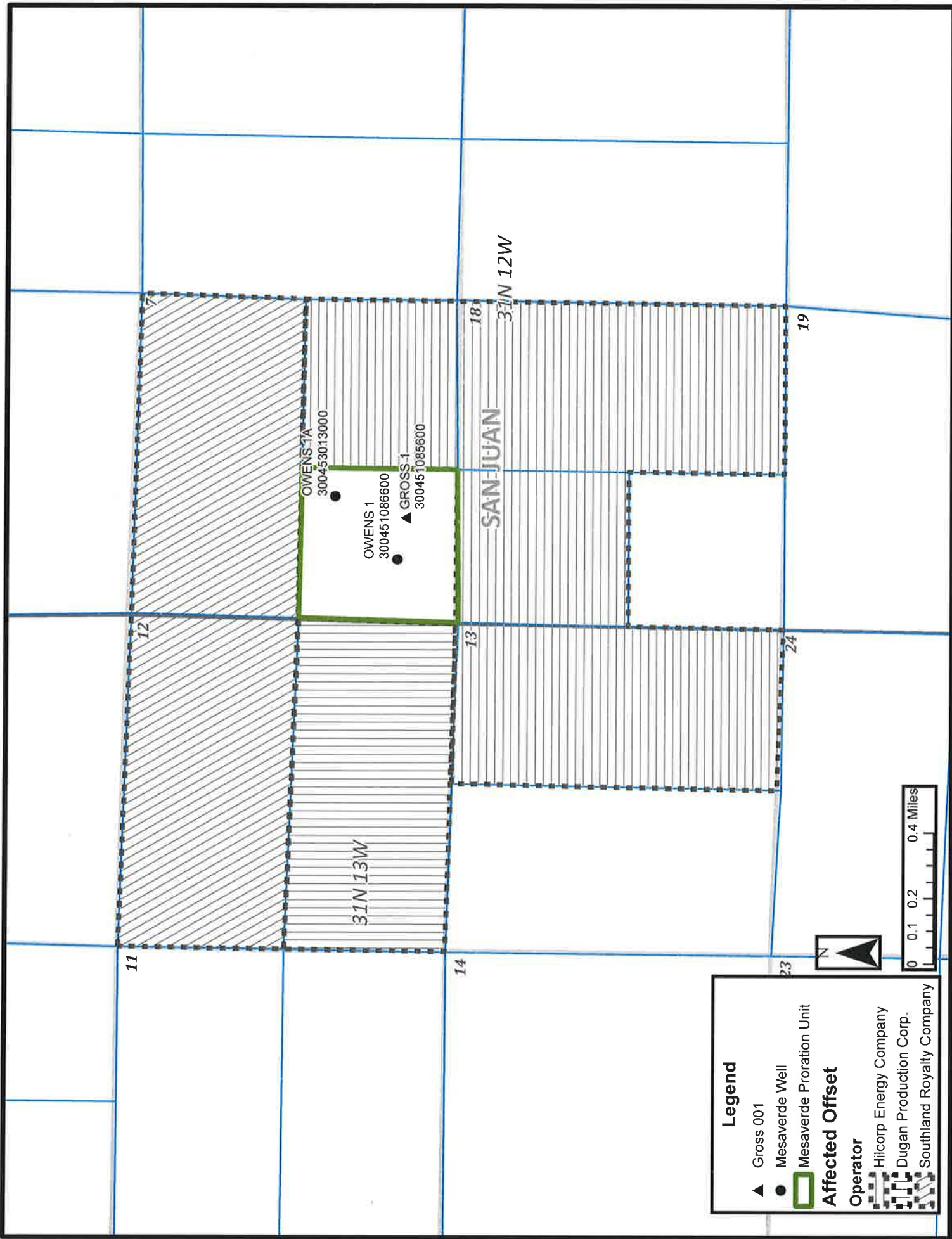
- Mesaverde Proration Unit
- Federal Units
- Operated
- Non-Operated
- Mesaverde PA

**Federal Units**

**UNIT TYPE**







**Legend**

- ▲ Gross 001
- Mesaverde Well
- Mesaverde Proration Unit

**Affected Offset**

**Operator**

- Hilcorp Energy Company
- Dugan Production Corp.
- Southland Royalty Company



**GROSS 001 (30-045-10856)**

Owner Name	Address 1	Address 2	City	State	Zip
JOHN V GUTTAG	273 EMERSON RD		LEXINGTON	MA	02420-1936
JAMES G BACHMAN	& RICHARD A BACHMAN 2501 GREENBRIAR DR		SPRINGFIELD	IL	62704-3166
ANDREA ALSBERG DOLIN	12407 SARAH		STUDIO CITY	CA	91604
RICHARD A BACHMAN	260 NELSON ROAD		SCARSDALE	NY	10583
CLIFFORD ALSBERG	1480 SHEFFIELD DR NE		ATLANTA	GA	30329-3422
STEPHEN ALSBERG	447 ZION STREET		NEVADA CITY	CA	95959
KAREN KOROBKIN	571 E BROAD ST		NEVADA CITY	CA	95959
Hilcorp San Juan, LP	1111 Travis Street		Houston	TX	77002
Southland Royalty Company LLC	400 West 7th Street		Fort Worth	TX	76102
Southland Royalty Company LLC	400 West 7th Street		Fort Worth	TX	76102
Dugan Production Corp	707 17th Street		Denver	CO	80202
CROSS TIMBERS ENERGY LLC	400 West 7th Street	Suite 3020	Fort Worth	TX	76102
JOHN V GUTTAG	273 EMERSON RD		LEXINGTON	MA	02420-1936
ANDREA ALSBERG DOLIN	12407 SARAH		STUDIO CITY	CA	91604
CLIFFORD ALSBERG	1480 SHEFFIELD DR NE		ATLANTA	GA	30329-3422
STEPHEN ALSBERG	447 ZION STREET		NEVADA CITY	CA	95959
KAREN KOROBKIN	571 E BROAD ST		NEVADA CITY	CA	95959
BACHMAN BROTHERS	2501 GREENBRIAR DR		SPRINGFIELD	IL	62704
Hilcorp San Juan, LP	1111 Travis Street		Houston	TX	77002
JOHN V GUTTAG	273 EMERSON RD		LEXINGTON	MA	02420-1936
ANDREA ALSBERG DOLIN	12407 SARAH		STUDIO CITY	CA	91604
CLIFFORD ALSBERG	1480 SHEFFIELD DR NE		ATLANTA	GA	30329-3422
STEPHEN ALSBERG	447 ZION STREET		NEVADA CITY	CA	95959
KAREN KOROBKIN	571 E BROAD ST		NEVADA CITY	CA	95959
BACHMAN BROTHERS	2501 GREENBRIAR DR		SPRINGFIELD	IL	62704
Hilcorp San Juan, LP	1111 Travis Street		Houston	TX	77002
LEON M DUCHARME MARITAL TR	MICHAEL C POTARF TRUSTEE 5990 GREENWOOD PLAZA BLVD STE 255		GREENWOOD VILLAGE	CO	80111
CALEDONIAN ENERGY	AUCTION PARTNERS XVI LLC 72 DEER PATH		DAHLONEGA	GA	30533
CHEROKEE ENERGY	INCOME FUND 2008 CO GROSS 458 N DOHENY DR #708		LOS ANGELES	CA	90048
JOSEPHINE J TEMPLETON	601 PEMBROKE ROAD		BRYN MAWR	PA	19010
PETROLEUM PARTNERS	72 DEER PATH		DAHLONEGA	GA	30533
SEGAL OIL & GAS INC	10 E 70TH ST 6A		NEW YORK	NY	10021-4913
UPLAND PARTNERS 2007 LP	PO BOX 191627		DALLAS	TX	75219
Hilcorp San Juan, LP	1111 Travis Street		Houston	TX	77002
Hilcorp San Juan, LP	1111 Travis Street		Houston	TX	77002

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico

Exhibit No. A-2

Submitted by: Hilcorp Energy Company

Hearing Date: May 2, 2019

Case # 20427







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

April 12, 2019

**VIA CERTIFIED MAIL**  
**CERTIFIED 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.**

Ladies & Gentlemen:

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on May 2, 2019 and the status of the hearing can be monitored through the Division’s website at <http://www.emnrd.state.nm.us/ocd/>. Division hearings will commence at 8:15 a.m. in Porter Hall at 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 four business days in advance of a scheduled hearing. This statement must be filed at the Division’s Santa Fe office at the above specified address and should 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 Rob Carlson at (832) 839-4596.

Sincerely,

Adam G. Rankin  
**ATTORNEY FOR HILCORP ENERGY COMPANY**

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. B-1**  
Submitted by: **Hilcorp Energy Company**  
Hearing Date: May 2, 2019  
Case # 20427



# Shipment Confirmation Acceptance Notice

## A. Mailer Action

**Note to Mailer:** The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

Gross 001 20427  
CM# HEC/OCD 93904.0003

Shipment Date: 04/09/2019  
Shipped From:  
Name: HOLLAND & HART LLP  
Address: 110 N GUADALUPE ST # 1  
City: SANTA FE  
State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®*	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	18
Total	18

\*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

## B. USPS Action

- Note to RSS Clerk:
1. Home screen > Mailing/Shipping > More
  2. Select Shipment Confirm
  3. Scan or enter the barcode/label number from PS Form 5630
  4. Confirm the volume count message by selecting Yes or No
  5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.  
Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0013 7651 24





**Firm Mailing Book For Accountable Mail**

Name and Address of Sender  
**Holland & Hart LLP**  
**110 N Guadalupe St # 1**  
**Santa Fe NM 87501**

**Affix Stamp Here**  
*(if issued as an international certificate of mailing or for additional copies of this receipt).*  
**Postmark with Date of Receipt.**

**Check type of mail or service**  
 Adult Signature Required  
 Adult Signature Restricted Delivery  
 Certified Mail  
 Certified Mail Restricted Delivery  
 Collect on Delivery (COD)  
 Insured Mail  
 Priority Mail  
 Priority Mail Express  
 Registered Mail  
 Return Receipt for Merchandise  
 Signature Confirmation  
 Signature Confirmation Restricted Delivery

USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee
1. 9214 8901 9403 8381 2286 20	JOHN V GUITTAG 273 EMERSON RD LEXINGTON MA 02420-1936	0.49	3.50								1.60			
2. 9214 8901 9403 8381 2286 37	JAMES G BACHMAN & RICHARD A BACHMAN 2501 GREENBRIAR DR SPRINGFIELD IL 62704-3166	0.49	3.50								1.60			
3. 9214 8901 9403 8381 2286 44	ANDREA ALSBERG DOLIN 12407 SARAH STUDIO CITY CA 91604	0.49	3.50								1.60			
4. 9214 8901 9403 8381 2286 51	RICHARD A BACHMAN 260 NELSON ROAD SCARSDALE NY 10583	0.49	3.50								1.60			
5. 9214 8901 9403 8381 2286 68	CLIFFORD ALSBERG 1480 SHEFFIELD DR NE ATLANTA GA 30329-3422	0.49	3.50								1.60			
6. 9214 8901 9403 8381 2286 75	STEPHEN ALSBERG 447 ZION STREET NEVADA CITY CA 95959	0.49	3.50								1.60			
7. 9214 8901 9403 8381 2286 82	KAREN KOROBKIN 371 E BROAD ST NEVADA CITY CA 95959	0.49	3.50								1.60			
8. 9214 8901 9403 8381 2286 99	SOUTHLAND ROYALTY COMPANY 405 West 7th Street Fort Worth TX 76102	0.49	3.50								1.60			
Total Number of Pieces Listed by Sender		Postmaster, Per (Name of receiving employee)												
18														



**Firm Mailing Book For Accountable Mail**

Name and Address of Sender		Check type of mail or service		Affix Stamp Here (if issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.														
UNITED STATES POSTAL SERVICE® Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501		<input type="checkbox"/> Adult Signature Required <input type="checkbox"/> Adult Signature Restricted Delivery <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery (COD) <input type="checkbox"/> Insured Mail <input type="checkbox"/> Priority Mail		<input type="checkbox"/> Priority Mail Express <input type="checkbox"/> Registered Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Signature Confirmation <input type="checkbox"/> Signature Confirmation Restricted Delivery		Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee
9.	9214 8901 9403 8381 2287 05	Addressee (Name, Street, City, State, & ZIP Code™) DUGAN PRODUCTION CORP 707 17th Street Ste 3020 Denver CO 80202		0.49	3.50									1.60				
10.	9214 8901 9403 8381 2287 12	CROSS TIMBERS ENERGY LLC 400 West 7th Street Fort Worth TX 76102		0.49	3.50									1.60				
11.	9214 8901 9403 8381 2287 29	BACHMAN BROTHERS 2501 GREENBRIAR DR SPRINGFIELD IL 62704		0.49	3.50									1.60				
12.	9214 8901 9403 8381 2287 36	LEON M DUCHARME MARITAL TR MICHAEL C POTARF TRUSTEE 5990 GREENWOOD PLAZA BLVD STE 255 GREENWOOD VILLAGE CO 80111		0.49	3.50									1.60				
13.	9214 8901 9403 8381 2287 43	CALEDONIAN ENERGY AUCTION PARTNERS XVI LLC 72 DEER PATH DAHLONEGA GA 30653		0.49	3.50									1.60				
14.	9214 8901 9403 8381 2287 50	CHEROKEE ENERGY INCOME FUND 2008 CO GROSS 458 N DOWNEY DR #708 LOS ANGELES CA 90048		0.49	3.50									1.60				
15.	9214 8901 9403 8381 2287 67	JOSEPHINE J TEMPLETON 601 PEMBROKE ROAD BRYN MAWR PA 19010		0.49	3.50									1.60				
16.	9214 8901 9403 8381 2287 74	PETROLEUM PARTNERS 72 DEER PATH DAHLONEGA GA 30633		0.49	3.50									1.60				
Total Number of Pieces Listed by Sender 18		Total Number of Pieces Received at Post Office 18		Postmaster, Per (Name of receiving employee)														





**Firm Mailing Book For Accountable Mail**

Name and Address of Sender

Holland & Hart LLP  
110 N Guadalupe St # 1  
Santa Fe NM 87501

**Affix Stamp Here**  
*(if issued as an international certificate of mailing or for additional copies of this receipt).*  
**Postmark with Date of Receipt.**

Check type of mail or service

- Adult Signature Required
- Adult Signature Restricted Delivery
- Certified Mail
- Certified Mail Restricted Delivery
- Collect on Delivery (COD)
- Insured Mail
- Priority Mail
- Priority Mail Express
- Registered Mail
- Return Receipt for Merchandise
- Signature Confirmation
- Signature Confirmation Restricted Delivery

Addressee (Name, Street, City, State, & ZIP Code™)

17. 9214 8901 9403 8381 2287 81  
SEGAL OIL & GAS INC 10 E 70TH ST 6A NEW YORK NY 10021-4913

18. 9214 8901 9403 8381 2287 88  
UPLAND PARTNERS 2007 LP PO BOX 191627 DALLAS TX 75219

USPS Tracking/Article Number

Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee
0.49	3.50								1.60			
0.49	3.50	Handling Charge - If Registered and over \$50,000 in value				Adult Signature Required	Adult Signature Restricted Delivery	Restricted Delivery	Return Receipt	Signature Confirmation	Signature Confirmation Restricted Delivery	Special Handling

Postmaster, Per (Name of receiving employee)

Total Number of Pieces Listed by Sender: 18

Total Number of Pieces Received at Post Office: 18

Complete in Ink

Privacy Notice: For more information on USPS privacy policies, visit [usps.com/privacypolicy](http://usps.com/privacypolicy).

Barcode	Recipient	Status
9.21489E+21	JOHN V GUTTAG 273 EMERSON RD LEXINGTON MA 02420-1936	Delivered Signature Received
9.21489E+21	JAMES G BACHMAN & RICHARD A BACHMAN 2501 GREENBRIAR DR SPRINGFIELD IL 62704-3166	Delivered Signature Received
9.21489E+21	ANDREA ALSBERG DOLIN 12407 SARAH STUDIO CITY CA 91604	Delivered Signature Received
9.21489E+21	RICHARD A BACHMAN 260 NELSON ROAD SCARSDALE NY 10583	Delivered Signature Received
9.21489E+21	CLIFFORD ALSBERG 1480 SHEFFIELD DR NE ATLANTA GA 30329-3422	Delivered Signature Received
9.21489E+21	STEPHEN ALSBERG 447 ZION STREET NEVADA CITY CA 95959	Delivered Signature Received
9.21489E+21	KAREN KOROBKIN 571 E BROAD ST NEVADA CITY CA 95959	Delivered Signature Received
9.21489E+21	SOUTHLAND ROYALTY COMPANY 400 West 7th Street Fort Worth TX 76102	Delivered Signature Received
9.21489E+21	DUGAN PRODUCTION CORP 707 17th Street Ste 3020 Denver CO 80202	In-Transit
9.21489E+21	CROSS TIMBERS ENERGY LLC 400 West 7th Street Fort Worth TX 76102	Delivered Signature Received
9.21489E+21	BACHMAN BROTHERS 2501 GREENBRIAR DR SPRINGFIELD IL 62704	Delivered Signature Received
9.21489E+21	LEON M DUCHARME MARITAL TR MICHAEL C POTARF TRUSTEE 5990 GREENWOOD PLAZA BLVD STE 255 GREENWOOD VILLAGE CO 80111	In-Transit
9.21489E+21	CALEDONIAN ENERGY AUCTION PARTNERS XVI LLC 72 DEER PATH DAHLONEGA GA 30533	Delivered Signature Received
9.21489E+21	CHEROKEE ENERGY INCOME FUND 2008 CO GROSS 458 N DOHENY DR #708 LOS ANGELES CA 90048	Delivered Signature Received
9.21489E+21	JOSEPHINE J TEMPLETON 601 PEMBROKE ROAD BRYN MAWR PA 19010	In-Transit
9.21489E+21	PETROLEUM PARTNERS 72 DEER PATH DAHLONEGA GA 30533	Delivered Signature Received
9.21489E+21	SEGAL OIL & GAS INC 10 E 70TH ST 6A NEW YORK NY 10021-4913	In-Transit
9.21489E+21	UPLAND PARTNERS 2007 LP PO BOX 191627 DALLAS TX 75219	Delivered Signature Received

AFFIDAVIT OF PUBLICATION

Ad No. 0001283239

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

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):

04/16/19

[Signature of Anna Kanitz] Legal Clerk

Subscribed and sworn before me this 16th of April 2019.

[Signature of Notary Public] State of WI, County of Brown NOTARY PUBLIC

9/19/21 My Commission Expires

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 May 2, 2019, 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 April 22, 2019. Public documents, including the agenda and 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: JOHN V. GUTTAG, HIS HEIRS AND DEVISEES; JAMES G. BACHMAN & RICHARD A. BACHMAN, THEIR HEIRS AND DEVISEES; ANDREA ALSBERG DOLIN, HER HEIRS AND DEVISEES; RICHARD A. BACHMAN, HIS HEIRS AND DEVISEES; CLIFFORD ALSBERG, HIS HEIRS AND DEVISEES; STEPHEN ALSBERG, HIS HEIRS AND DEVISEES; KAREN KOROBKIN, HER HEIRS AND DEVISEES; SOUTHLAND ROYALTY COMPANY LLC; DUGAN PRODUCTION CORP.; CROSSTIMBER ENERGY LLC; BACHMAN BROTHERS; LEON M. DUCHARME MARITAL TR, MICHAEL C. POTARF TRUSTEE; CALEDONIAN ENERGY CHEROKEE ENERGY; JOSEPHINE J. TEMPLETON, HER HEIRS AND DEVISEES; PETROLEUM PARTNERS; SEGAL OIL & GAS INC; UPLAND PARTNERS 2007 LP.

CASE 20427: 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 three Mesaverde gas wells in the same non-standard 160-acre, more or less, spacing and proration unit, with three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **Gross 001** (API No. 30-045-10856) in the Mesaverde formation with a surface location in Unit N of the SW/4 of Section 7, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico, and authorization to simultaneously complete and produce the **Gross 001** from the Blanco-Mesaverde Gas Pool. Said area is located approximately 9 miles northwest of Aztec, NM.

Legal No. 1283239 published in The Daily Times on April 16, 2019.

**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. 20427**

**AFFIDAVIT OF ALEX LIANG IN SUPPORT OF CASE NO. 20427**

Alex Liang, being of lawful age and duly sworn, declare as follows:

1. My name is Alex Liang. I work for Hilcorp Energy Company (“Hilcorp”) as a reservoir engineer.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert in reservoir engineering. My credentials as a reservoir engineer 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 have conducted an engineering study of the subject area and of the Blanco-Mesaverde Gas Pool.
4. 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 recoverable



gas and lower-than-expected gas recoveries where additional well bores or well completions are necessary to adequately drain remaining gas reserves.

5. Exhibit C-1 contains information relating to the subject spacing unit and the **Gross 001** (API No. 30-045-10856) within the SW/4 of Section 7, Township 31 North, Range 12 West, 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 third Mesaverde completion in the quarter section in the spacing unit. I anticipate that it will help drain the area to the east.

6. Exhibit C-2 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.

7. Exhibit C-3 is a map depicting the calculated estimated ultimate recovery (EUR) from the Blanco-Mesaverde Gas Pool and drainage radius. The larger radius circles reflect wells with higher EURs and larger drainage areas. The red star identifies the location of the subject well where there is relatively low EURs and the drainage radii are smaller.

8. Exhibit C-4 is a map depicting calculated remaining recoverable gas. The cooler colors indicate areas where there is relatively less remaining recoverable gas. The warmer colors reflect areas where there is relatively more remaining recoverable gas. The red star identifies the location of the subject well in an area where we calculate that there is relatively considerable remaining recoverable gas and relatively low EURs under the existing well density.

9. Exhibit C-5 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.

10. I would expect recovery factors of approximately 70-80% in a gas pool of this type. The relatively low recovery factors in Exhibit C-5 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.

11. 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.

12. Exhibit C-6 is a well bore diagram for the subject well. It provides the most current information known regarding the status and construction of the well, as well as the location and condition of cement within the wellbore. Hilcorp will separately seek administrative approval from the Division's Aztec District Office for authorization to recomplete this well in advance of undertaking any recompletion operations.

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.

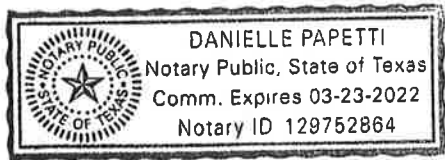
14. Exhibits C-1 through C-6 were prepared by me or under my direction and supervision.

FURTHER AFFIANT SAYETH NAUGHT.

Alex Liang  
Alex Liang

STATE OF TEXAS )  
COUNTY OF HARRIS )

SUBSCRIBED and SWORN to before me this 29 day of April, 2019 by Alex Liang.



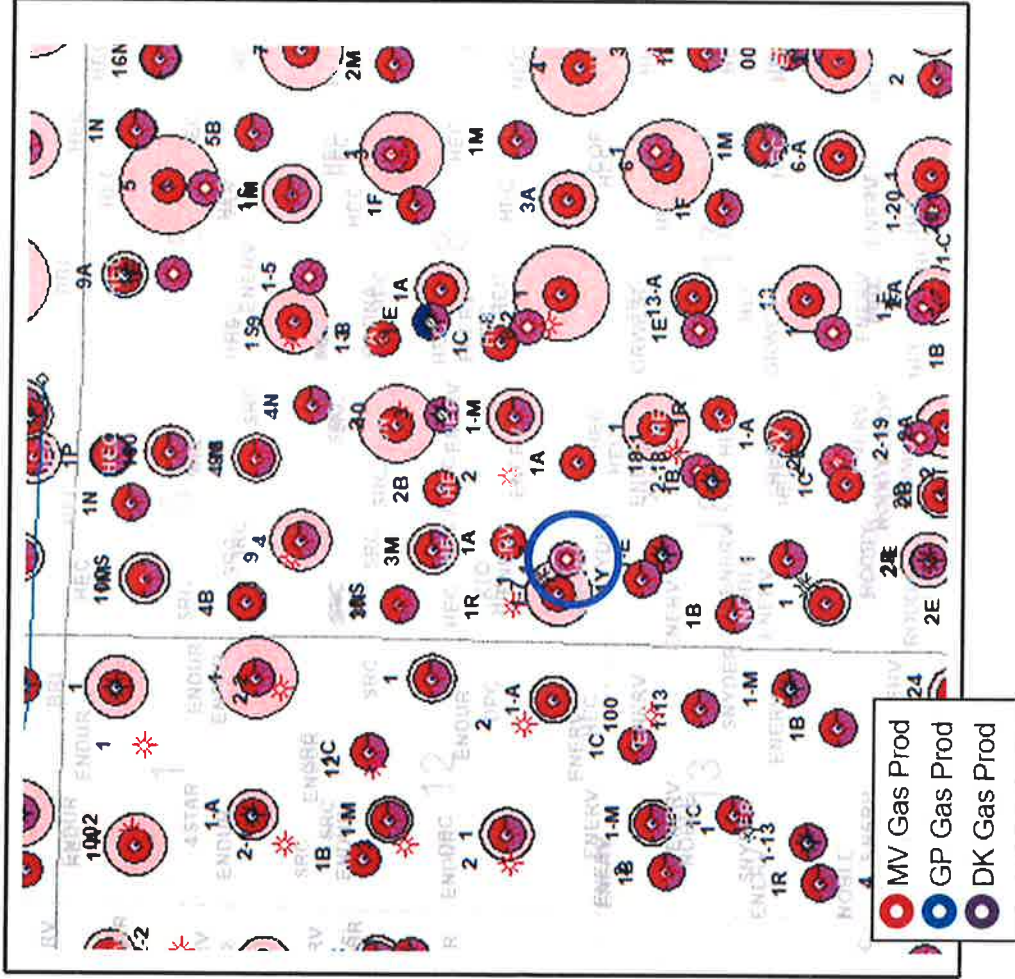
Danielle Papetti  
NOTARY PUBLIC

My Commission Expires:

03-23-2022



# Gross 1

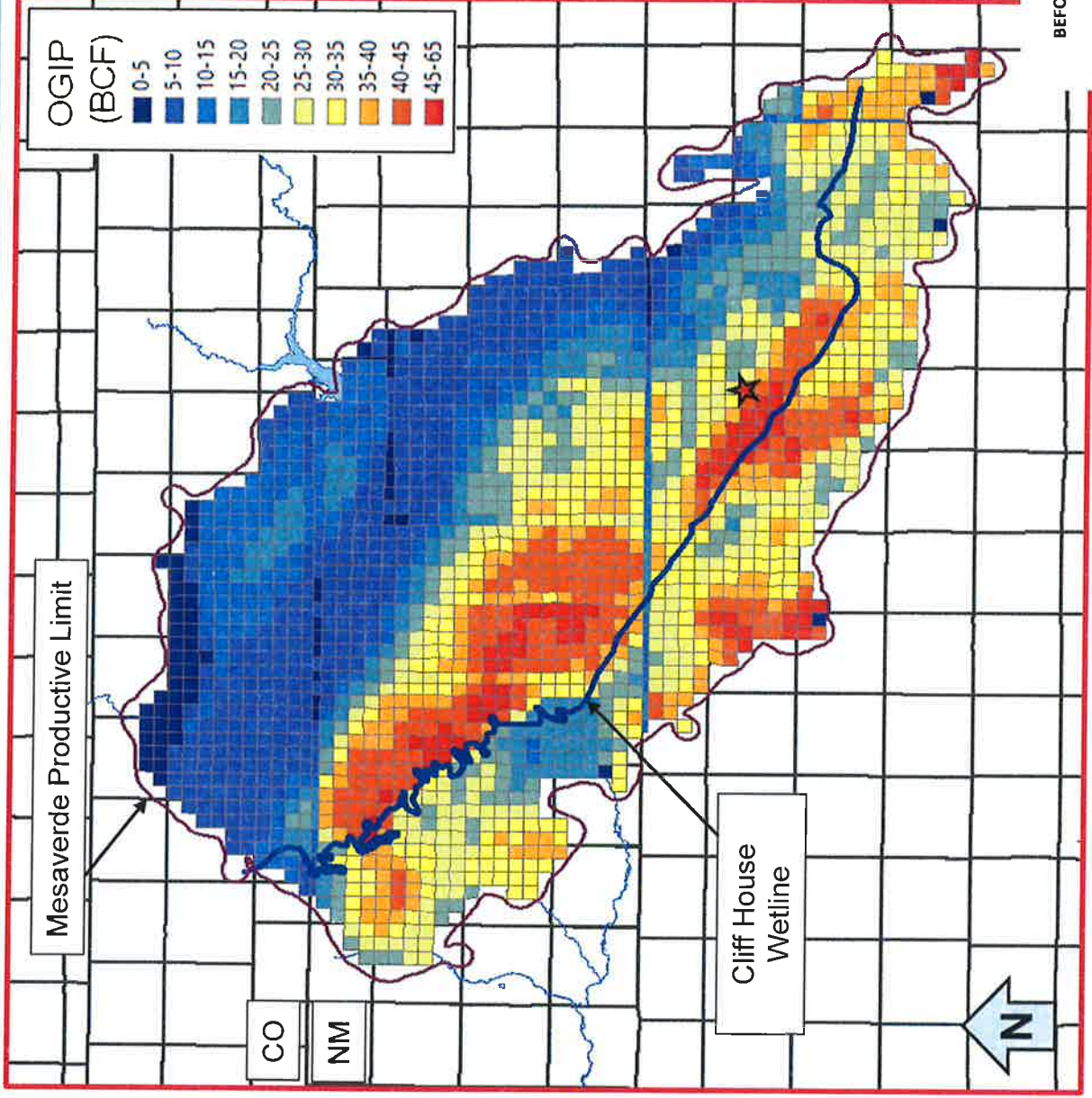


## Well Specifics

- SW07 31-12 3004510856 1960 drill
- 3rd MV completion in 1/4 section
- 700' from nearest MV producer
- Help drain area to the east
- Complete MV in 1-2 stages



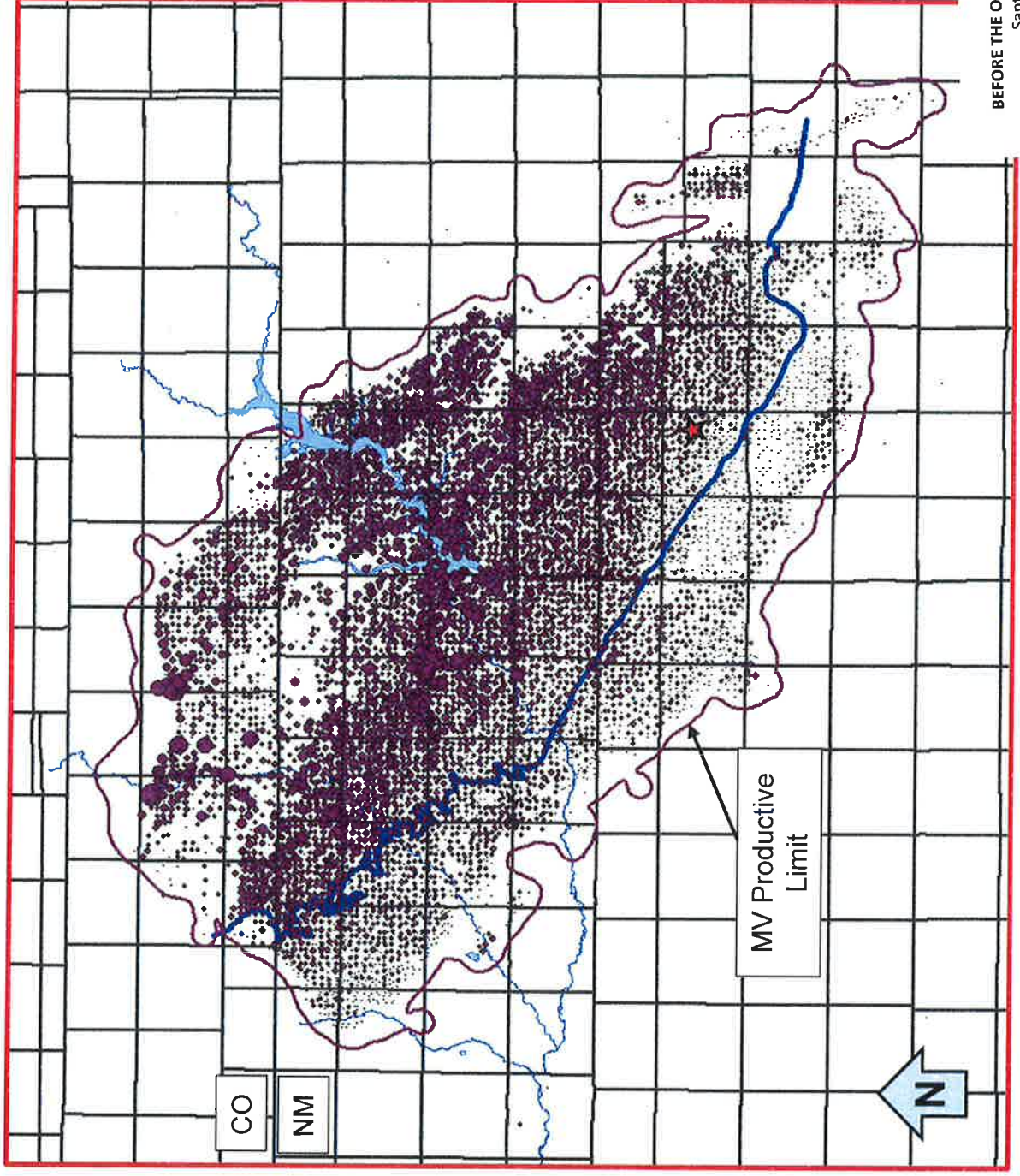
# MV Original Gas In Place







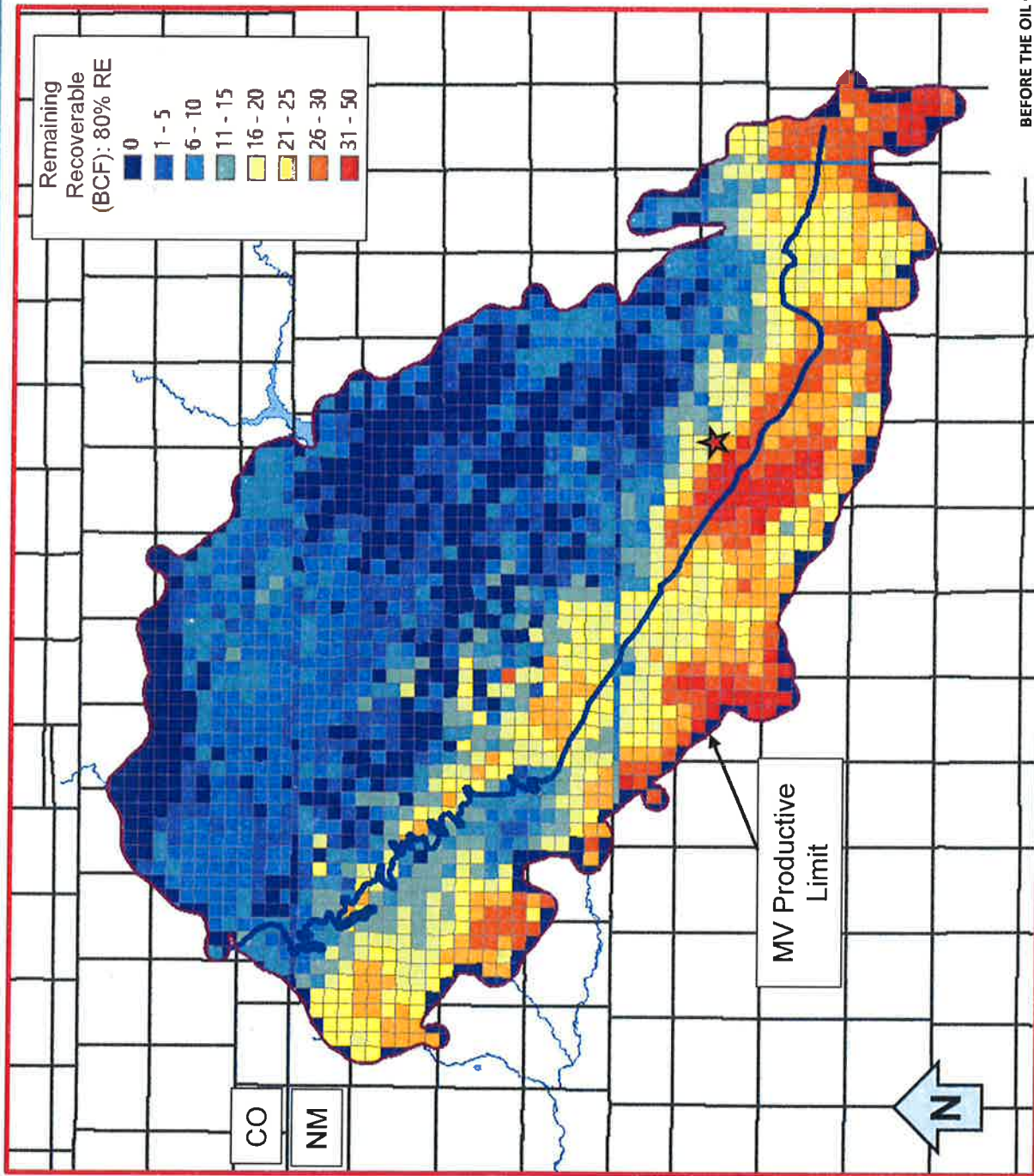
# MV EUR and Drainage Radius



BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. C-3  
Submitted by: Hilcorp Energy Company  
Hearing Date: May 2, 2019  
Case # 20427



# MV Remaining Recoverable Gas





# Gross 1



Reference Area	Volumetric OGIP	Section Equivalent OGIP	CTD / RF%	Remaining GIP	EUR / RF%
Qtr Section	3.2 Bcf	12.8 Bcf	2.3 Bcf / 75%	0.9 Bcf	2.4 Bcf / 76%
Section	13.9 Bcf	13.9 Bcf	9.6 Bcf / 69%	25.3 Bcf	9.7 Bcf / 70%
9 Section	175.3 Bcf	19.4 Bcf	64.5 Bcf / 37%	110.8 Bcf	72.4 Bcf / 41%

- Remaining Gas in Place in Quarter Section of 0.9 Bcf
- Cumulative Recovery Factor to Date 75% and 69% in the Quarter Section and Section, respectively
- Considerable gas remaining in area with opportunity to recover additional volumes utilizing existing wellbore

# Gross 1



This well is just acquired from Enervest so the wellbore diagram may not reflect all information

