

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 HILCORP ENERGY  
COMPANY FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 20654

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 11, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, July 11, 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  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 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

APPEARANCES

FOR APPLICANT HILCORP ENERGY COMPANY:

ADAM G. RANKIN, ESQ.  
HOLLAND & HART, LLC  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
agrarkin@hollandhart.com

INDEX

PAGE

Case Number 20654 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	8
Certificate of Court Reporter	9

EXHIBITS OFFERED AND ADMITTED

Hilcorp Energy Company Exhibits A, B and C	7
--	---

1 (3:54 p.m.)

2 EXAMINER JONES: Call Case 20654.

3 MR. RANKIN: Mr. Examiner, Adam Rankin,  
4 with the law firm of Holland & Hart, appearing on behalf  
5 of the Applicant in this case.

6 I'm presenting my witnesses by affidavit.

7 EXAMINER JONES: Any other appearances?

8 MR. RANKIN: In this case, Mr. Examiner,  
9 you have before you an exhibit packet that contains  
10 Exhibits A, B and C.

11 Exhibit A is an affidavit of the landman in  
12 this case, Mr. Brad Pearson, who has previously  
13 testified before the Division and had his credentials as  
14 an expert in petroleum land matters accepted as a matter  
15 of record.

16 Exhibit B is a copy of the affidavit  
17 prepared by my office reflecting that we provided notice  
18 pursuant to the Division rules.

19 And Exhibit C is a copy of the Affidavit of  
20 Publication reflecting that notice of this case -- of  
21 this hearing was published in the newspaper in the  
22 county where the well is located.

23 I'll quickly run through these.

24 The affidavit by Mr. Pearson reflects that  
25 Hilcorp is seeking -- is an interest owner in the south

1 half of Section 30 in Township 29 North, Range 10 West,  
2 San Juan County, New Mexico. They are, in this case,  
3 seeking to pool all uncommitted interests within the --  
4 the -- which spacing unit is it -- 320-acre standard gas  
5 proration unit in the Blanco-Mesaverde Pool and  
6 dedicating that acreage to the -- that spacing unit to  
7 the Abrams Gas Com E 1 well. That well is an existing  
8 well, vertical well, that is completed within the  
9 Basin-Dakota Pool that is located in the south half of  
10 Section 30 of that same township. Hilcorp intends to  
11 recomplete the Abrams Gas Com E 1 well at a standard gas  
12 well location in the northeast quarter of the southeast  
13 quarter, letter Unit I in Section 30, to a depth  
14 sufficient to test the Mesaverde Formation and to  
15 simultaneously dedicate it to the Blanco-Mesaverde Pool.

16 Exhibit 1 to the affidavit is a copy of the  
17 C-108 that reflects the location of the well within that  
18 standard spacing unit. And, again, it's comprised of  
19 the south half of Section 30 within that same township.  
20 The acreage in this case within that spacing unit is fee  
21 and federal, and the location of the well complies with  
22 all the applicable setback requirements for gas wells in  
23 the Blanco-Mesaverde Pool.

24 Exhibit 2 to Mr. Pearson's affidavit is  
25 a -- on the second page of that attachment is a copy --

1 is a list of the parties that they're seeking to pool in  
2 this case. Here, it's just a single party. It's the  
3 David McLane Family Partnership LTD. Page 2 of that  
4 exhibit shows Mr. -- that party's interest and  
5 identifies them as a party that Hilcorp is seeking to  
6 pool, and it's highlighted in yellow.

7           There are no overriding royalty interest  
8 owners or unleased mineral interest owners in this -- in  
9 this pool at this depth, so the only party that Hilcorp  
10 is seeking to pool is the David McLane Family  
11 Partnership LTD.

12           Exhibit 2 also contains, in this sample, a  
13 well-proposal letter and an estimate of costs for the  
14 recompletion that was provided to each of the working  
15 interest owners that Hilcorp is seeking to pool. The  
16 costs reflected in the AFE are consistent, as  
17 Mr. Pearson testifies, with what other operators have  
18 incurred for similar recompletions in vertical wells in  
19 this formation. In addition to signing the  
20 well-proposal letter and the AFE, Mr. Pearson testifies  
21 that he attempted to reach an agreement with the party  
22 and that in his opinion, Hilcorp has undertaken a  
23 good-faith effort to reach agreement. And should they  
24 reach agreement prior to the issuance of an order,  
25 Mr. Pearson testifies that he will notify the Division

1 so the party can be excluded from the pooling.

2                   There are no ownership depth severances in  
3 the spacing unit here. Hilcorp has estimated the  
4 overhead and administrative costs at approximately  
5 \$7,500 a month while drilling and \$750 a month while  
6 operating and that these costs are consistent with what  
7 other operators are incurring to drill similar vertical  
8 recompletions. Hilcorp requests that these costs be  
9 incorporated into any order issued by the Division.

10                   Mr. Pearson testifies that he provided  
11 Holland & Hart with a list of the addresses and the  
12 parties that required notice of this case.

13                   Exhibit B is the affidavit that I prepared  
14 reflecting that we did provide notice of those parties  
15 provided to us by Hilcorp. The second page of that  
16 Exhibit B is a copy of the letter that was sent out to  
17 those parties, and the last page of that exhibit is a  
18 list of the parties that received notice.

19                   It shows here that the McLane Family  
20 Partnership actually did receive notice. Nevertheless,  
21 we went ahead and just out of an abundance of caution  
22 included our Notice of Publication affidavit reflecting  
23 that all the parties were identified by name in the  
24 newspaper in the county where the well is located.

25                   With that, Mr. Examiner, I would move the

1 admission of Exhibits A, B and C to the record.

2 EXAMINER JONES: Exhibits A, B, C are  
3 admitted.

4 (Hilcorp Energy Company Exhibits A, B and C  
5 are offered and admitted into evidence.)

6 MR. RANKIN: I have nothing further to  
7 present for this case. If you have any questions, I  
8 will try to answer them. Otherwise, I will try to  
9 supplement the record.

10 EXAMINER BROOKS: Well, I guess the only  
11 reason I remember it is because you said it several  
12 times in this case and you've got only one party -- one  
13 party to be pooled --

14 MR. RANKIN: Right.

15 EXAMINER BROOKS: -- but generally  
16 speaking, we pool all uncommitted interests. Now, this  
17 party that you named, are you saying you're asking to be  
18 pooled any uncommitted interests?

19 MR. RANKIN: Yes.

20 EXAMINER BROOKS: Okay. Well, that's good  
21 to know. Usually we can assume that, but some people  
22 have the impression that they can select certain parties  
23 to pool, and that's -- they can ask us to do that. And  
24 I don't care how you say it. I just want to know if  
25 you're asking to pool all the uncommitted interests --

1     that you're asking us to pool all the uncommitted  
2     interests or you're asking us to pool some of them.  And  
3     if not all, then why not all?  That's just for future  
4     reference.

5                     MR. RANKIN:  Yeah, understood.

6                     EXAMINER BROOKS:  There is no need -- no  
7     need to follow it except just to say these are all  
8     uncommitted interests.

9                     MR. RANKIN:  Right.

10                    EXAMINER JONES:  Okay.  We'll take Case  
11     20654 under advisement.

12                    (Case Number 20654 concludes, 4:00 p.m.)

13

14

15

16

17

18

19

20

21

22

23

24

25



1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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 26th day of July 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

25