

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 Numbers 20697, 20703, 20707, 20709, 20711 Called	3
Cases Presented by Affidavit	3
Proceedings Conclude	13
Certificate of Court Reporter	14

EXHIBITS OFFERED AND ADMITTED

Case Numbers 20697, 20703, 20707, 20709 and 20711: Hilcorp Energy Company Exhibits A, B and C for each case	12
---	----

1 (2:55 p.m.)

2 EXAMINER LOWE: Call Case Number 20697,
3 application of Hilcorp Energy Company for an exception
4 to the well density requirements of the special rules
5 and regulations of the Blanco-Mesaverde Gas Pool, San
6 Juan County, New Mexico.

7 Call for appearances.

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

11 As there were no other appearances or
12 prehearing statements filed, I would ask these cases be
13 presented by affidavit.

14 EXAMINER LOWE: Any other appearances?

15 Okay. Please proceed.

16 MR. RANKIN: Mr. Examiner, as done in the
17 past, I'd ask that we be able to just walk through one
18 of the cases and then incorporate each of the affidavits
19 and exhibits in each of those cases separately for the
20 record.

21 EXAMINER LOWE: We can probably do that.

22 MR. RANKIN: So turning to the first case
23 in your exhibit packet, which is Case Number 20697,
24 which relates to the Lefkovitz Gas Com B 001 well, in
25 this case Hilcorp is seeking an exception to the well

1 density rules under the Blanco-Mesaverde special pool
2 rules, which pool rules are governed by these special
3 pool rules which provide for 320-acre spacing and
4 proration units on which as many as four wells may be
5 drilled. The pools limit the number of wells in the
6 spacing unit to four and the number of wells in a half
7 section to two.

8 The special rules also provide that
9 well-density exceptions can be approved only after
10 notice of hearing. In each of these cases, Hilcorp is
11 seeking an exception under those special pool rules. In
12 some cases they're seeking a fifth well or a sixth well
13 with three wells in a half section, sometimes multiple
14 wells -- or two wells in a quarter-quarter section. So
15 each case is slightly different, but in all cases,
16 they're seeking an exception to the well-density
17 requirements.

18 I'll just review for you briefly the
19 sequence of the affidavits, and in this case, they're
20 all the same, in the same order.

21 The first exhibit, A, in each case is the
22 affidavit of the landman with exhibits reflecting the
23 notice area and the notice parties that were required to
24 receive notice under the Division rules and special pool
25 rules.

1 Exhibit B is a copy of the affidavit
2 prepared by me and my office reflecting that notice was
3 provided to each of the parties identified by Hilcorp by
4 certified mail, return receipt requested, as well as an
5 Affidavit of Publication reflecting that each of the
6 parties affected by these application were given notice
7 -- constructive notice by publication.

8 Exhibit C is the affidavit of an engineer
9 reviewing his engineering analysis supporting the
10 requested well-density exception.

11 I'll review each of those exhibits, in
12 turn, for this first case, Case 20697.

13 The first exhibit in that case, Exhibit A,
14 is the affidavit of Mr. Brad Pearson. He is a landman
15 employed by Hilcorp. He previously has testified before
16 the Division and has his credentials as an expert in
17 petroleum land matters accepted as a matter of record.
18 He's familiar with the status of the lands at issue in
19 each of these cases. He's the same landman for all of
20 these cases.

21 He notes that Hilcorp is seeking an
22 exception to those special pool rules. In this first
23 case, they're looking to drill -- or, rather, recomplete
24 a fifth well within the spacing unit where there are
25 already four existing wells completed within the

1 Blanco-Mesaverde Pool. The fifth well will be the --
2 will also be the third well in the same quarter section,
3 thereby exceeding the well-density limits imposed by the
4 special pool rules. His affidavit identifies each of
5 the four existing wells and the location of the proposed
6 fifth well completion. And, in addition, he identifies
7 the area of notice that is required under the special
8 pool rules, which is reflected in Exhibit 1 to his
9 affidavit.

10 Behind Tab 1, you'll see there is a map
11 showing the proposed subject spacing unit highlighted in
12 green, along with the four existing wells that are
13 dedicated to that Blanco-Mesaverde Pool. The proposed
14 recompletion is reflected by the triangle. It's the
15 Ludwig -- I'm sorry. That may be the wrong exhibit for
16 this. I think they have gotten switched. One moment.

17 My apologies, Mr. Examiner. I will take a
18 moment before I leave to make sure each of the exhibits
19 are in the right location.

20 But if you flip to the next case, 20703, to
21 Exhibit A1, you'll see the correct exhibit here reflects
22 the Lefkovitz well. And as I was saying, there are four
23 existing wells in the spacing unit, which is identified
24 by the green boundary. The fifth well would be the --
25 the fifth well of the spacing unit, a third-and-quarter

1 section, is identified by a triangle. The area
2 surrounding the subject spacing unit is reflected by the
3 dashed -- or the hatch marks. Each proration unit
4 surrounding the subject spacing unit reflects the area
5 of notice required by the special pool rules.

6 The next exhibit, Exhibit A2, is a copy of
7 the notice parties that are identified in each of those
8 offsetting spacing units. And in this case, the
9 Lefkovitz, it is just BP -- BP American Production
10 Company. That's the only offsetting operator that is
11 required to receive notice for this exception to the
12 well-density rule.

13 Exhibit B is a copy of the affidavit as
14 prepared by me reflecting that we provided notice of
15 this application by certified mail, return receipt
16 requested to the notice parties identified to us by
17 Hilcorp.

18 Exhibit D1 is a copy of the letter that was
19 sent reflecting the date that was sent. The next page
20 is a copy of the certified mail receipt, U.S. Postal
21 Service tracking information showing that the one party
22 was mailed a copy of the notice letter on 7/16/2019.
23 The next page shows the status of the certified mail.
24 The last page of that exhibit is a copy of the tracking
25 information showing that the recipient, BP, signed and

1 received the notice. And out of an abundance of
2 caution, it's our practice to go ahead and publish each
3 of these applications, and that's reflected in Exhibit
4 B2 showing that we received an Affidavit of Publication
5 for this application reflecting that the notice parties
6 were identified by name in the publication.

7 Exhibit C is a copy of the affidavit of the
8 engineer in this case, Mr. Tyler Teykl. He has
9 previously testified before the Division and had his
10 credentials as an expert petroleum engineer accepted as
11 a matter of record. Mr. Teykl's affidavit reviews his
12 methodology. He analyzed the propriety of the existing
13 well density under the pool rules for the spacing unit.
14 He reviews the same analysis in each of these cases
15 using an expert comparison of the original -- original
16 gas in place compared to the gas that has been produced,
17 and then he reviews how they calculated their remaining
18 gas in place. And his analysis reflects the calculation
19 for how much gas is remaining in this area and that the
20 existing well density is not adequate to properly fully
21 drain the spacing unit.

22 Exhibit C1 is a copy of a bubble map, which
23 is a cartoon representation of the drainage for each of
24 the wells existing in the spacing unit in the
25 surrounding area, as well as the Dakota well that

1 they're proposing to recomplete in this shallower
2 Blanco-Mesaverde Pool, which is reflected with the blue
3 circle. That's the well they're proposing to
4 recomplete. And as Mr. Teykl reflects in this exhibit,
5 they expect that this additional recompletion will help
6 drain the spacing unit to the east where there is not
7 adequate drainage at the time -- at this time under the
8 existing well density -- under the existing well
9 density.

10 Exhibit C2 is sort of a pictorial depiction
11 of the original gas in place for this area. The red
12 star that you can see in sort of the middle of the
13 Mesaverde Pool near the -- wet line is the location of
14 the proposed spacing unit. And the colors here
15 represent -- the cooler colors represent smaller or
16 lower original gas in place. The warmer colors, hotter
17 colors, represent a larger amount of gas in place
18 originally.

19 The next exhibit is a depiction of their
20 calculation of estimated recovery and drainage radius
21 for each of the wells in the Blanco-Mesaverde Pool.
22 Again, the existing -- or the proposed spacing unit is
23 identified by the red star. And the larger the radius,
24 the more that well is able to drain. And you'll see in
25 the area here, the radii for the drainage area is

1 smaller than other places reflecting -- indicating that
2 there is not as much drainage in the spacing unit here.

3 Exhibit 4 is also a pictorial depiction of
4 the -- their calculation -- Mr. Teykl's calculation for
5 remaining recoverable gas. Again, the warmer colors
6 indicate that there is a larger amount of gas remaining
7 in place, and the cooler colors are -- reflect there is
8 less remaining gas in place. Again, the red star
9 reflects the spacing unit in an area where there is
10 still a significant amount of remaining gas in place.

11 Exhibit 5 is their -- is Mr. Teykl's
12 calculations reflecting his analysis here. Each of the
13 columns -- each of the rows in this spreadsheet are a
14 separate calculation on different scales. And as
15 Mr. Teykl testifies in his affidavit, he just kind of
16 confirms that no matter what scale you look at here, the
17 remaining -- the recovery factor, the RF percent, is
18 lower than expected for a gas pool of this type. And he
19 testifies that expected recoveries are on the order of
20 70 to 80 percent, and here in this spacing unit, it's
21 down around -- you know, less than -- around 33 percent.

22 Based on that analysis, Mr. Teykl testifies
23 that the existing well density is inadequate to drain
24 the reservoir in this area and recommends approving the
25 application and allowing the fifth well and the third

1 well in this same quarter section.

2 The last exhibit in Mr. Teykl's affidavit
3 is a copy of a wellbore schematic which represents the
4 existing condition of the proposed well for
5 recompletion. This wellbore schematic reflects the most
6 updated information known to Hilcorp at the time. As
7 has been the practice in the past when Hilcorp proceeds
8 to recomplete this well, it will provide and conduct a
9 more thorough cement analysis and the condition of the
10 well and work with the district office to ensure that
11 the well meets the integrity and mechanical requirements
12 of the district office.

13 With that, Mr. Examiner, I'll just note
14 that each of these cases that we're consolidating here
15 for notice purposes -- for purposes of hearing, Case
16 Numbers 20703, 20707, 20709 and 20711 all have the same
17 sequence of exhibits and reflect the same analysis by
18 the landman and by the petroleum -- the reservoir
19 engineer.

20 With that, Mr. Examiner, I would ask that
21 Exhibits A, B and C in each of the cases be admitted to
22 the record.

23 And with that, if there are no questions
24 from the Division at this time, I'd ask that these cases
25 be taken under advisement.

1 EXAMINER LOWE: What about Case Number
2 20697?

3 MR. RANKIN: That's case as well. The
4 exhibits for those cases, we ask that they be entered
5 into the record and that that case be taken under
6 advisement as well.

7 EXAMINER LOWE: Okay. Exhibits A, B and C
8 for Cases 20703, 20707, 20709 and 20711 will be accepted
9 for the hearing.

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

12 EXAMINER LOWE: Any questions, Michael?

13 EXAMINER McMILLAN: All I'm going to ask
14 you to do is get one set of exhibits perfect and bring
15 it back to us because Will will write all these orders,
16 and they need to be right.

17 MR. RANKIN: Yeah. I just need to switch
18 out that one map.

19 EXAMINER DAVID: Counsel, do you want to
20 take my book and if you can fix this one, you can give
21 it to the Division, and they'll be really happy.

22 EXAMINER LOWE: Get it all straightened out
23 and submit the email to us as well.

24 MR. RANKIN: We'll do the exhibits.

25 EXAMINER LOWE: Yeah.

1 MR. RANKIN: I'm done, I think.

2 EXAMINER LOWE: Do you want it taken under
3 advisement?

4 MR. RANKIN: Yes. We'd ask that all five
5 cases be taken under advisement at this time.

6 EXAMINER LOWE: Case Numbers 20703, 20707,
7 20709 and 20711 will be taken under advisement.

8 (Case Numbers 20697, 20703, 20707, 20709
9 and 20711 conclude, 3:12 p.m.)

10

11

12

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 19th day of August 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