

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                      CASE NO. 16118  
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.

Consolidated with

APPLICATION OF HILCORP ENERGY COMPANY                      CASE NOS. 16119,  
FOR AN EXCEPTION TO THE WELL DENSITY                      16120, 16121,  
REQUIREMENTS OF THE SPECIAL RULES AND                      16122, 16123,  
REGULATIONS OF THE BLANCO-MESAVERDE GAS                      16124, 16125,  
POOL, RIO ARriba COUNTY, NEW MEXICO.                      16126, 16127

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 3, 2018

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
             SCOTT DAWSON, TECHNICAL EXAMINER  
             DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, Scott Dawson, Technical Examiner, and  
David K. Brooks, Legal Examiner, on Thursday, May 3,  
2018, 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

1 APPEARANCES

2 FOR APPLICANT HILCORP ENERGY COMPANY:

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 6

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1 (1:31 p.m.)

2 EXAMINER McMILLAN: I'm going to call the  
3 hearing back to order.

4 We're going to call Case Number 16118,  
5 application of Hilcorp Energy Company for an exception  
6 to the well-density requirements of the special rules  
7 and regulations of the Blanco-Mesaverde Gas Pool. This  
8 case shall be combined with Case Number 16119, Case  
9 Number 16120, Case Number 16121, Case Number 16122, Case  
10 Number 16123, Case Number 16124, Case Number 16125, Case  
11 Number 16126 and Case Number 16127.

12 Call for appearances.

13 MR. RANKIN: Mr. Examiner, Adam Rankin,  
14 with the law office of Holland & Hart in Santa Fe, on  
15 behalf of the Applicant. I have two witnesses today.

16 EXAMINER McMILLAN: Okay. If the witnesses  
17 would please stand up and be sworn in at this time.  
18 Thank you.

19 (Mr. Creekmore and Mr. Osborn sworn.)

20 MR. RANKIN: Mr. Examiner, before we begin,  
21 I just want to point out on the cover sheet of the  
22 exhibit packet before you and on the cover sheet of the  
23 inside sleeve, there is an error that was just brought  
24 to my attention, and the case numbers are incorrectly  
25 noted there. The last two cases should be 16126 and

1 16127. 16126 is omitted, and 16128 is an incorrect  
2 reference.

3 EXAMINER McMILLAN: Okay. Please proceed.

4 MR. RANKIN: Mr. Examiner, I call my first  
5 witness, Mr. Chuck Creekmore.

6 CHARLES "CHUCK" E. CREEKMORE,  
7 after having been previously sworn under oath, was  
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. RANKIN:

11 Q. Mr. Creekmore, will you please state your name  
12 for the record?

13 A. Charles Creekmore.

14 Q. In what capacity -- by whom are you employed?

15 A. Hilcorp Energy Company.

16 Q. And in what capacity do you work for Hilcorp?

17 A. I'm a landman.

18 Q. And what do your responsibilities include with  
19 Hilcorp?

20 A. My primary responsibilities are the San Juan  
21 Basin.

22 Q. And have you previously testified before the  
23 Division?

24 A. Yes, I have.

25 Q. And have you had your credentials as a

1     petroleum landman accepted and made a matter of record?

2           A.     Yes.

3           Q.     Prior to joining Hilcorp, did you previously  
4     work as a landman in the San Juan Basin?

5           A.     Yes, I did, for ten years.

6           Q.     Are you familiar with the applications filed in  
7     this case?

8           A.     Yes, I am.

9           Q.     Have you conducted a study of the lands and the  
10    parties who are potentially affected by these  
11    applications?

12          A.     Yes, I have.

13          Q.     And are you familiar with the special pool  
14    rules that are the subject of these ten combined  
15    applications?

16          A.     Yes, I am.

17                   MR. RANKIN:  Mr. Examiner, I would tender  
18    Mr. Creekmore as an expert in petroleum land matters.

19                   EXAMINER McMILLAN:  So qualified.

20          Q.     (BY MR. RANKIN) Mr. Creekmore, just to reorient  
21    the Commissioners [sic] to these applications and what  
22    it is that Hilcorp is requesting, will you just remind  
23    the Examiners whether this acreage is subject to the  
24    special rules -- any special pool rules?

25          A.     Yes, they are, to the Blanco-Mesaverde pool

1 rules, which require four wells per 320 acres and two  
2 wells per each quarter section that make up that 320  
3 acres.

4 Q. So what relief is Hilcorp seeking with each of  
5 these ten cases?

6 A. We are wanting -- in all but two of the cases,  
7 we're wanting a fifth well in the drill block and the  
8 spacing unit for the Mesaverde, and then that will  
9 result in three wells per quarter section. And then in  
10 two of the cases, we're requesting just three wells in a  
11 quarter section.

12 Q. For ease of reference, the two wells -- the two  
13 cases which you're seeking a third well in the quarter  
14 section, are those the first and last cases in these  
15 exhibit packets?

16 A. Yes, they are.

17 Q. Those are cases outside of the federal units;  
18 is that right?

19 A. Yes.

20 Q. And so then every other case, eight cases,  
21 middle cases, all are seeking a fifth well and a third  
22 well in the quarter section, correct?

23 A. That is correct.

24 Q. Okay. Now, do the special pool rules require  
25 you come in to hearing every time you want to seek an

1     **exception for the density requirements?**

2           A.     That is the requirement in the rules.

3           **Q.     Now, are these applications and density**  
4     **exceptions part of the overall strategy to identify**  
5     **unrecovered reserves in the Mesaverde Formation?**

6           A.     Yes. We have identified areas that there are  
7     unrecovered reserves. We do have Dakota wells that are  
8     in the same location, and to make it -- make those wells  
9     economic, we're using wellbores of the Dakota to go  
10    uphole into the Blanco-Mesaverde.

11          **Q.     Now, in this case there are ten applications**  
12    **pending. In each case is it a Dakota -- existing Dakota**  
13    **completion for all ten cases?**

14          A.     Yes. One of the cases, though, 16122, is going  
15    to be a trimingle. It is 28-5 63E. It is also  
16    completed in the Mancos Formation.

17          **Q.     So that would be the Mancos, Dakota and**  
18    **Mesaverde. That'll be a trimingle?**

19          A.     Yes, a trimingle.

20          **Q.     Is Hilcorp in the process of preparing for**  
21    **approval for a trimingle in that well?**

22          A.     Yes, we are.

23          **Q.     Otherwise, for all the other nine cases, has**  
24    **the Division already preapproved downhole commingling**  
25    **between the Dakota and Mesaverde Formations?**

1           A.     Yes.   That is already approved.

2           Q.     So the only requirements here for approval  
3     would be the well-density exceptions pursuant to the  
4     special pool rules?

5           A.     That is correct.

6           Q.     Now, has the company brought a reservoir  
7     engineer to the Division here today to testify about the  
8     drainage issues and the request for the well-density  
9     exceptions?

10          A.     Yes, we have.

11          Q.     Your job today is to testify about the notice  
12     requirement, right?

13          A.     Primarily, yes.

14          Q.     Now, will you just give a brief overview --  
15     just review for the Examiners how the exhibit packet,  
16     which is significant, is organized?

17          A.     Well, they're all organized in the same manner.  
18     The first three identify and locate where the wells are,  
19     and then under Tab 3, we go into notice and how we  
20     provided notice to the parties.

21          Q.     So the same sequence of the exhibits exists for  
22     each of the ten cases?

23          A.     Yes.   It's the same sequence.

24          Q.     And speaking of notice, how did Hilcorp provide  
25     notice in these cases?   Who are the affected parties?



1           A.    Well, if we're the operator, we'll provide  
2   notice to the nonoperators.  And offsetting operators,  
3   we will -- offsetting acreage, we'll provide notice to  
4   the operators.  And if we're the offsetting operator,  
5   we'll provide notice to the nonoperators.

6           Q.    And that notice goes to all the offsetting  
7   spacing units surrounding your spacing units that you're  
8   seeking the well-density exception, right?

9           A.    That is correct.

10          Q.    All right.  Well, let's go ahead and jump into  
11   the review of one of the cases, and let's take a look at  
12   Case Number 16121, which is the third case in your  
13   exhibit packet.

14          A.    You'll see under Tab Number 1, we tried to  
15   locate -- we didn't try.  We located all of the wells,  
16   to put you in perspective, and these are the Rio Arriba  
17   cases.  These are the Rio Arriba wells, and they're all  
18   in federal units.

19          Q.    So this exhibit, Number 1, is the same exhibit  
20   for each of the eight cases that are for the spacing  
21   units within federal units, correct?

22          A.    Yes.  They're all located here, and they're in  
23   each one of your case tabs.

24          Q.    Now, the other two wells that are outside the  
25   unit are the first and last cases in the exhibit

1     notebook; is that correct?

2           A.     That is correct.

3           Q.     And there, Exhibit 1 reflects the spacing units  
4     for which you're seeking well-density exceptions in  
5     Exhibit Number 1; is that correct?

6           A.     Yes, that is correct.

7           Q.     So if you flip to the first case in your  
8     exhibit notebook, you'll see Exhibit Number 1. That  
9     shows the spacing units at issue in the first and last  
10    cases; is that correct?

11          A.     That is correct. And the section -- east half  
12    of Section 35, that is for the Johnston Federal 9F well.

13          Q.     And then Case 26 [sic] is for Sunray F 1F well;  
14    is that correct?

15          A.     That is correct.

16          Q.     Now, going back -- let's go back to the case  
17    we -- we started out with, Case Number 16121, which  
18    involves the San Juan 27-5 Unit 139 well; is that  
19    correct?

20          A.     Yes.

21          Q.     And you've identified an overview of the eight  
22    spacing units that are within the federal units?

23          A.     Yes.

24          Q.     What does Exhibit Number 2 show?

25          A.     Exhibit Number 2 is focused on just this case,

1 and we've highlighted the spacing unit in question where  
2 we're asking for the fifth well. And it also shows the  
3 boundary for the -- the exterior boundary for notice  
4 purposes of the adjoining tracts.

5 Q. So the green is the spacing unit, and the red  
6 outline is the notice area, right?

7 A. Correct.

8 Q. And this is a situation where it's within the  
9 federal unit. And so all the offsets are operated by  
10 Hilcorp, so Hilcorp provided notice to the working  
11 interest owners in the unit, correct?

12 A. Correct. And they also got ballots, too, so  
13 they got notice twice, in essence.

14 Q. Now, is Exhibit 3 a copy of the letter that was  
15 provided to all these offsetting owners by Hilcorp?

16 A. Yeah. Well, it starts out with the notice  
17 letter that we sent. And yes, it lists all the various  
18 owners who we've sent notice to.

19 Q. So the next page of the exhibit is a copy of  
20 the list of the owners in that spacing unit, right?

21 A. Not only that spacing unit. We combined --  
22 many of these owners were in all the different cases, so  
23 provided all the different cases in one packet to each  
24 of the owners to save money and time.

25 Q. But for each case, this list is different --

1 the second sheet is different for each case because this  
2 is --

3 A. Oh. Yes. I'm sorry. Yeah. I jumped ahead.  
4 Yes. These are the owners --

5 Q. Just for that --

6 A. -- for each specific well.

7 Q. Thank you.

8 And then your next list is a copy of the  
9 United States Postal Service tracking information sheet  
10 showing that each of these parties -- the status of  
11 their receipt of the notice; is that right?

12 A. And that's as I was explaining. If they're in  
13 more than one unit, they would reflect on this.

14 Q. Now, all parties reflected here have received  
15 and notice was delivered to all parties except for a  
16 handful; is that right?

17 A. That is correct.

18 Q. Now, the handful that didn't -- either because  
19 of the timing, don't show up as a signature received,  
20 what did Hilcorp do with respect to those parties?

21 A. We notified them either by email and got  
22 recognition that they had received notice -- and you'll  
23 see a letter to BP, and their land negotiator sent back  
24 and said he had received notice. Kurt Fagrelus, with  
25 Dugan, also indicated they had received notice. And

1 Sharon Burns also indicated that. And then we also  
2 showed indications where if we had not emailed them or  
3 received notice that the postal service had given them  
4 notice, we sent them by FedEx to them.

5 **Q. Now, these addresses you used to send out**  
6 **notice, these are all valid and correct addresses based**  
7 **on your frequently -- frequent correspondence with your**  
8 **working interest owners in the unit?**

9 A. That's correct.

10 EXAMINER BROOKS: Excuse me. I'm kind of  
11 lost. You have a lot of sequences that are all the same  
12 number. Where are you in the notebook?

13 MR. RANKIN: So we are in Exhibit Number 3  
14 for Case Number 16121, which is the --

15 EXAMINER BROOKS: Okay. 16121. And the  
16 cases behind the tab?

17 MR. RANKIN: Yup. Behind the case is the  
18 tab.

19 EXAMINER BROOKS: Thank you.

20 MR. RANKIN: So we have walked through the  
21 notice letter, the list of affected parties for that  
22 spacing unit, the USPS tracking service data sheet for  
23 each of those parties. And then, in addition, we have  
24 the parties for whom tracking was not updated. Hilcorp  
25 followed up and confirmed either by email or sent them a

1 FedEx in advance of the deadline so they would be  
2 assured of having received those.

3 Q. (BY MR. RANKIN) And then, Mr. Creekmore, you've  
4 confirmed that these are all valid and correct addresses  
5 based on Hilcorp's business records and long-term  
6 correspondence of these parties as part of the interest  
7 owners in these units?

8 A. That is correct.

9 EXAMINER BROOKS: Thank you. Thank you.

10 Q. (BY MR. RANKIN) Each Exhibit 3 for all these  
11 cases reflect the same exhibits, is that correct, except  
12 for the notice part?

13 A. The Rio Arriba unit cases, yes, that's correct.

14 Q. Now, on the -- on the nonunit cases, we'll just  
15 flip back to the first case. And Exhibit 3 in the first  
16 case in your exhibit packet, again as with the case we  
17 just walked through, is a notice letter that Hilcorp  
18 sent out to the offsetting interest owners; is that  
19 correct?

20 A. That is correct.

21 Q. And then the subsequent cases, a USPS tracking  
22 data sheet showing each of those parties actually did  
23 receive notice?

24 A. Yes. That is -- well, with the exception of  
25 BP.

1           Q.     With the exception of BP, right.

2                     Behind that tracking sheet is a letter  
3     indicating that BP did receive notice and didn't have  
4     any objection; is that correct?

5           A.     That's correct.

6           Q.     And the same exhibit is -- the last case in the  
7     exhibit packet is Case Number 16127, correct?

8           A.     That is correct.

9           Q.     Is it true, Mr. Creekmore, that all parties --  
10    affected parties within each spacing unit who are  
11    required to receive notice actually did get notice in  
12    advance of today's hearing?

13          A.     That is correct.

14                   MR. RANKIN: Mr. Examiner, I'll just say  
15    that we did also publish notice in the newspapers in  
16    both San Juan County and Rio Arriba County. We had a  
17    problem getting the -- because people were not at the  
18    newspaper, getting the Notice of Publication for the Rio  
19    Arriba County newspaper. So if you'd like that, we  
20    would be happy to supplement the record with that, but  
21    there is no issue with notice, so I don't think there is  
22    any reason to. So we just want to point that out.  
23    We'll be happy to provide those once we get them from  
24    the paper.

25          Q.     (BY MR. RANKIN) Mr. Creekmore, did you prepare

1 or oversee the preparation of Exhibits 1 through 3 for  
2 Case Numbers 16118 through 16127?

3 A. Yes.

4 MR. RANKIN: Mr. Examiner, I'd move the  
5 admission of Exhibits 1 through 3 for each of the cases  
6 I just recited.

7 EXAMINER McMILLAN: Exhibits 1 through 3 in  
8 Cases 16118 through 16127 shall be admitted.

9 MR. RANKIN: Thank you, Mr. Examiner.  
10 (Hilcorp Energy Company Exhibit Numbers 1  
11 through 3 in all cases are offered and  
12 admitted into evidence.)

13 THE WITNESS: Do we want to admit --

14 MR. RANKIN: Well, I don't think we need to  
15 worry about it because we've covered all the notice  
16 issues.

17 So with that, Mr. Examiner, I have no  
18 further questions and pass the witness.

19 EXAMINER McMILLAN: Any questions?

20 EXAMINER DAWSON: I don't have any  
21 questions.

22 EXAMINER McMILLAN: David?

23 EXAMINER BROOKS: No questions.

24 EXAMINER McMILLAN: Thank you very much.

25 THE WITNESS: Thank you.



1 MR. RANKIN: Thank you, Mr. Creekmore.

2 With that, Mr. Examiner, I'd like to call  
3 my second witness.

4 EXAMINER McMILLAN: Okay. Please proceed.

5 JAMES OSBORN,  
6 after having been previously sworn under oath, was  
7 questioned and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. RANKIN:

10 Q. Mr. Osborn, please state your name for the  
11 record.

12 A. James Osborn.

13 Q. By whom are you employed?

14 A. Hilcorp Energy Company.

15 Q. In what capacity?

16 A. Reservoir engineer.

17 Q. And have you previously testified before the  
18 Division?

19 A. I have.

20 Q. And had your credentials as an expert reservoir  
21 engineer accepted as a matter of record by the Division?

22 A. I have.

23 Q. And have you conducted a study of the reservoir  
24 and the lands at issue here for all these ten cases?

25 A. Yes.

1           Q.    Are you familiar with the ten applications that  
2   were filed?

3           A.    Yes.

4           Q.    Have you prepared exhibits and opinions and  
5   conclusions based on your analysis on whether the  
6   existing well density is appropriate in these cases?

7           A.    Yes.

8                   MR. RANKIN:  Mr. Examiner, I would retender  
9   Mr. Osborn as an expert witness in reservoir  
10   engineering.

11                   EXAMINER McMILLAN:  So qualified.

12           Q.    (BY MR. RANKIN) Mr. Osborn, would you explain  
13   briefly Hilcorp's analytical approach to evaluating the  
14   propriety of the well density for each of these spacing  
15   units?

16           A.    So the approach that we used to identify  
17   bypassed areas was to focus on these unconventional  
18   [sic] decline curve analysis of the existing wells, log  
19   drive volumetric calculations and then mapping all that  
20   information and identifying the basinwide original gas  
21   in place, cumulative gas production and estimated  
22   ultimate recoveries.

23                   With that information, we identified the  
24   areas that have lower-than-expected recoveries both to  
25   date and estimated for the existing wellbores -- well

1 stock in those areas. And so we used that to find the  
2 areas with lower -- lower recoveries and focused our  
3 efforts.

4 Q. So as with the original case you presented back  
5 in January, have you continued to do your analysis with  
6 the input from Hilcorp's geologists in order to evaluate  
7 well-density issues?

8 A. Yes.

9 MR. RANKIN: And, Mr. Examiner, I would  
10 just reiterate that we are seeking to incorporate the  
11 prior testimony of Hilcorp's geologist for original gas  
12 in place for the entire --

13 Q. (BY MR. RANKIN) Mr. Osborn, is it your opinion  
14 that each of these consolidated cases represent and have  
15 identified areas where there are unrecovered reserves  
16 under the existing well-density patterns in the area?

17 A. Yes.

18 Q. And is it your opinion that the gas is not  
19 being fully and effectively drained by the existing well  
20 patterns?

21 A. Yes.

22 Q. So let's just take a look at the first exhibit  
23 in the third case in the exhibit packet, Case Number  
24 16121. And turn, if you will, Mr. Osborn, to Exhibit  
25 Number 5, which is behind Tab Number 5, and review for

1     **the Examiners what this bubble map shows with respect to**  
2     **the San Juan 27-5 Unit 139 well?**

3           A.     Okay. Exhibit 5 -- on the right-hand side of  
4     Exhibit 5 is some specific well information for this  
5     subject well. On the left-hand side of the exhibit is a  
6     bubble map of cumulative production to date. The red  
7     circle is centered over the San Juan 27-5 Unit 139  
8     subject well. And looking at the bubble map, the darker  
9     colors and larger circles indicate more cumulative gas  
10    produced from the existing wells. The smaller circles  
11    or lighter colors are less recovery. And you can see  
12    that the 139 is looking to drain undrained -- the  
13    undrained area to the north of that well where there is  
14    a big gap in production.

15          **Q.     And you prepared a similar exhibit for each of**  
16    **these cases, for each of the proposed wells that you're**  
17    **seeking to recomplete in the Mesaverde, right?**

18          A.     That is correct.

19          **Q.     And you've got another set of exhibits here**  
20    **that review your certain analytical approach in**  
21    **determining whether there should be gas remaining in**  
22    **place; is that right?**

23          A.     Correct.

24          **Q.     Will you review for the Examiners those next**  
25    **three exhibits?**

1           A.    Uh-huh.  So Exhibit 6 is a map -- a basin --  
2   basinwide map of Mesaverde original gas in place.  The  
3   hotter colors indicate more original gas in place.  The  
4   cooler area -- the cooler colors indicate less original  
5   gas in place.  And the red star on the southeastern  
6   portion of the Basin indicates the location of the 139  
7   subject well.  So this area -- this well is in an area  
8   of moderately high gas in place.

9                     Exhibit Number 7 is a map of cumulative gas  
10   production to date in the Mesaverde.  Again, hotter  
11   colors indicate more gas production.  Cooler colors  
12   indicate less gas production.  And the red star over the  
13   139 area indicates that this area is relatively low cum  
14   gas production to date.

15                    Exhibit Number 8 is simply a map of  
16   remaining gas in place.  So this is original gas in  
17   place less of cumulative gas to date produced.  And,  
18   again, you can see the red star over the 139 well is in  
19   an area of considerable remaining gas in place in terms  
20   of high original gas in place and low recovery to date.

21           **Q.    And you've prepared the same three exhibits for**  
22   **each of these cases.  The only difference between the**  
23   **location of that red star indicating the different**  
24   **location for each specific wells; is that right?**

25           A.    That's correct.

1           **Q.    Have you also conducted -- in addition to this**  
2           **sort of general theoretical analysis of the undrained**  
3           **reserves, have you also conducted a numerical analysis**  
4           **of the specific spacing unit at issue in this case?**

5           A.    Yes.

6           **Q.    Is that your next exhibit?**

7           A.    Yes.

8           **Q.    Can you review it for the Examiners?**

9           A.    So Exhibit 9 is a table of the area surrounding  
10          the Unit 139 subject well.  We look at it at three  
11          different levels, just slicing and dicing, to make sure  
12          things are in alignment, so at a quarter section, a  
13          section and a nine-section level.

14                The table indicates calculated volumetric  
15          gas in place for that reference area, the section  
16          equivalent gas in place, cumulative production for that  
17          area and associated recovery factor, remaining gas in  
18          place -- and that's, again, original gas in place less  
19          of cumulative -- and finally, the estimated ultimate  
20          recovery of the existing wellbores and the associated  
21          recovery factor for those wells.

22          **Q.    Looking at the estimated ultimate recovery and**  
23          **the recovery factory in your last column there, does**  
24          **that reflect the existing well-density pattern?**

25          A.    So those numbers -- the low recovery factors to

1     date -- the low recovery factors attributed to the  
2     estimated ultimate recovery of the existing wells  
3     indicate that this area is not being sufficiently  
4     drained by the existing wells, and we're looking to add  
5     wellbores -- or utilize existing wellbores to add  
6     completions to further drain this area.

7           Q.     What would be, in your opinion, an adequate  
8     recovery factor indicating that the spacing unit is  
9     being adequately drained?

10          A.     70 to 80 percent.

11          Q.     So the numbers here are significantly below  
12     that value, right?

13          A.     Correct.

14          Q.     And now have you -- you've done the same  
15     analysis and have exhibits reflecting that analysis for  
16     each and every one of these cases in the exhibit folder;  
17     is that right?

18          A.     That's correct.

19          Q.     And if we were to walk through each one of  
20     those analyses for every case, while the numbers may be  
21     slightly different, your ultimate opinion and conclusion  
22     about the existing well spacing pattern is the same; is  
23     that correct?

24          A.     That's correct.

25          Q.     So without having to go through them all,

1 Mr. Osborn, it's your opinion that the applications that  
2 Hilcorp has filed should be approved in order to access  
3 these unrecovered reserves that would otherwise be left  
4 in place?

5 A. That's correct.

6 Q. Is it your opinion that the approval of  
7 Hilcorp's applications would impair in any way the  
8 reservoir?

9 A. No.

10 Q. Is it your opinion that the approval of these  
11 applications would impair the correlative rights of any  
12 offsetting interest owners?

13 A. No.

14 Q. Now, Mr. Osborn, is it your opinion that the  
15 granting of these ten applications would be in the best  
16 interest of conservation and the prevention of waste?

17 A. Yes.

18 MR. RANKIN: Mr. Examiner, at this time I  
19 would move the admission of Exhibits 5 through 9 in Case  
20 Numbers 16118 through 16127.

21 EXAMINER McMILLAN: Exhibits 5, 6, 7, 8 and  
22 9 in Cases 16118 through 16127 shall be accepted as part  
23 of the record.

24 (Hilcorp Energy Company Exhibit Numbers 5  
25 through 9 in all cases are offered and



1 admitted into evidence.)

2 MR. RANKIN: Thank you, Mr. Examiner.

3 I have no further questions and pass the  
4 witness.

5 CROSS-EXAMINATION

6 BY EXAMINER McMILLAN:

7 Q. Okay. And so what -- have the infill  
8 results -- how have they worked so far? Have they met  
9 your expectations?

10 A. Yes. They've actually exceeded our  
11 expectations in every -- every case so far.

12 Q. Every case it's been successful?

13 A. Yes.

14 Q. That's my only question.

15 EXAMINER McMILLAN: Do you have any  
16 questions?

17 EXAMINER DAWSON: I have a couple of  
18 questions.

19 CROSS-EXAMINATION

20 BY EXAMINER DAWSON:

21 Q. On the decline curves you prepared for each of  
22 the wells, did you -- those were exponential decline  
23 curves, correct?

24 A. Well, most of them are actually hyperbolic, but  
25 the age of the wellbores, most of these wells are at

1 this point effectively exponential. We have a limiting  
2 exponential factor. So a lot of these wells are 30, 40  
3 years old, so they've reached that terminal decline  
4 rate.

5 Q. Okay. And Hilcorp's plans are only to  
6 recomplete the Mancos in only one of the wells?

7 A. There is one well that's currently completed in  
8 the Dakota and Mancos, and we'll be adding the Mesaverde  
9 in that instance. And we're preparing the trimingling  
10 documentation.

11 Q. Okay. Are you expecting to trimingle any other  
12 wells after you see the results of how that well  
13 performs?

14 A. Potentially, yes, sir.

15 Q. All right. That's all the questions I have.

16 MR. RANKIN: Mr. Examiner, before I ask you  
17 to take these cases under advisement, I just would  
18 respectfully make the point that there are two wells for  
19 which Hilcorp is hoping to being able to reinitiate  
20 recompletion in the month of June. And I know that you  
21 have a lot on your plate, but I just want to point out  
22 if it's possible to get an order. We can help you.

23 EXAMINER McMILLAN: Will has this down. So  
24 I'm just the hearing examiner. He's writing it.

25 MR. RANKIN: Okay. If it's helpful, we'll

1 provide Word versions of the applications.

2 EXAMINER McMILLAN: Will's got a sheet  
3 that's got -- an Excel spreadsheet that has everything  
4 in there, and if there is a question, he'll call you.

5 MR. RANKIN: All right. Thank you.

6 No further questions from me.

7 With that, I would request that these cases  
8 all be taken under advisement.

9 EXAMINER McMILLAN: All right. Cases 16118  
10 through 16127 shall be taken under advisement. Thank  
11 you.

12 (Case Numbers 16118 through 16127 conclude,  
13 2:00 p.m.)

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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 9th day of June 2018.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

25