

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. 20097
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.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Keith W. Herrmann, Legal Examiner,
on Thursday, November 15, 2018, at the New Mexico
Energy, Minerals and Natural Resources Department,
Wendell Chino Building, 1220 South St. Francis Drive,
Third Floor Meeting Room, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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APPEARANCES

FOR APPLICANT HILCORP ENERGY COMPANY:

ADAM G. RANKIN, ESQ.
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1 (10:17 a.m.)

2 EXAMINER McMILLAN: I would like at this
3 time to call Case Number 20097, application of Hilcorp
4 Energy Company for an exception to the well density
5 requirements and other special rules and regulations of
6 the Blanco-Mesaverde Gas Pool, San Juan County, New
7 Mexico.

8 Call for appearances.

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

12 EXAMINER McMILLAN: Any other appearances?
13 Please proceed.

14 MR. RANKIN: Mr. Examiner, I'd like to
15 present this case by affidavit. I've got three exhibits
16 to present.

17 The first exhibit is Exhibit A, which
18 reflects the affidavit of Mr. Brad Pearson. Mr. Pearson
19 is a landman for Hilcorp. He's previously testified and
20 had his credentials as an expert petroleum landman
21 accepted and made a matter of record.

22 In Mr. Pearson's affidavit, he reflects
23 that Hilcorp is requesting an exception to the
24 Blanco-Mesaverde Gas Pool rules which limit the number
25 of wells -- the density wells in a spacing unit -- a

1 320-acre spacing unit to four wells, two wells in a
2 quarter section and one well in a quarter-quarter
3 section. Their application is seeking an exception
4 because they are proposing to recomplete a well in the
5 Mesaverde Gas Pool in the same quarter-quarter section
6 as an existing well.

7 The subject spacing unit is the south half
8 of Section 26, Township 29, Range 10 West, San Juan
9 County. There are three existing wells in that spacing
10 unit, one of which is in Unit I, which is the Abrams L
11 1A well. Hilcorp is seeking an exception to the well
12 density requirements in order to recomplete the Morris
13 Gas Com C 1E well in that same unit within that spacing
14 unit, in Unit I. Doing so requires an exception to the
15 well density rule.

16 Mr. Pearson, in Exhibit A1, identified the
17 subject spacing unit in that exhibit as depicted with
18 the red hash marks. That exhibit also reflects the
19 three existing wells depicted in the exhibit with gray
20 circles. The proposed recompletion is depicted with a
21 gray triangle, and that's the Morris Gas Com C 1E well.
22 Surrounding the spacing unit is an area outlined with a
23 red dash mark, and that is the notice area identified by
24 Mr. Pearson and reflects the area in which the parties
25 are required to receive notice under the special pool

1 rules.

2 Mr. Pearson, in his exhibit affidavit,
3 identifies the parties requiring notice in paragraph 16.

4 Exhibit A2 to Mr. Pearson's affidavit is a
5 copy of the administrative application which was filed
6 with the Division. Upon receipt, the Division apprised
7 the Applicant that because they're seeking a
8 recompletion of a well in the same quarter-quarter
9 section, it must go to hearing. Hilcorp, the Applicant,
10 requested this case be presented by hearing.

11 Exhibit B is a copy of the affidavit
12 prepared by me and my law office reflecting that we have
13 provided notice in accordance with Division rules to all
14 the parties identified to us by Hilcorp. The second
15 page of that exhibit is a copy of the letter that was
16 sent out to all the notice parties. The third and
17 fourth pages are a copy of the United States Postal
18 Service tracking sheet reflecting that all the parties
19 have actually received notice except for one who has
20 requested that the post office hold their mail at that
21 box.

22 The following pages -- the last page of
23 that exhibit is a copy of the Affidavit of Publication
24 reflecting that we published notice in the newspaper of
25 the county identifying each of the notice parties by

1 name, apprising them of the application before the
2 Division at today's hearing.

3 Again, Mr. Examiner, there are a couple
4 of partial names that were cut off by reproduction here,
5 and I'll provide a supplement reflecting so none of
6 those names are cut off in Exhibit B.

7 So all parties, Mr. Examiner, were given
8 notice of today's hearing.

9 Exhibit C -- which appears to not be
10 included in my copy.

11 Do you have Exhibit C in yours.

12 Is yours there? I've got one, I'm sure.

13 Exhibit C is a copy of the affidavit
14 prepared by Hilcorp's engineer, Mr. Kevin Lafferty.
15 Mr. Lafferty has previously been -- Mr. Lafferty is a
16 reservoir engineer for Hilcorp Energy, and his
17 credentials as an expert petroleum reservoir engineer
18 have been accepted now and made a matter of record by
19 the Division.

20 Mr. Lafferty, in his affidavit, reviews his
21 analysis of the gas reserves in the subject spacing unit
22 and reflects in his analysis that the existing well
23 density is insufficient to fully drain the spacing unit
24 and, in particular, identifies the proposed recompletion
25 as necessary to fully and effectively drain the area.

1 Exhibit C1 is a copy of his resume and CV.

2 Exhibit C2 is an exhibit that depicts
3 Section 26 in this township, identifies by the red
4 circle the subject proposed recompletion, as well as
5 existing wells in the Blanco-Mesaverde Pool and reflects
6 his analysis that the proposed recompletion will help
7 drain the spacing unit to the southwest.

8 Exhibit C3 is a graphical depiction of his
9 volumetric analysis. The first page is their
10 calculation of the original gas in place in the subject
11 pool. The second page is a copy of their graphical
12 analysis of the cumulative gas production in the pool,
13 and the third page of that exhibit is a graphical
14 depiction of their calculated remaining gas in place.

15 In each page of this exhibit, the red star
16 depicts the location of the subject recompletion and
17 reflects that there is substantial gas remaining in
18 place undrained by the existing well density.

19 Exhibit C4 is a copy of his numerical
20 calculations reflecting that the recovery factors under
21 the existing well density in the spacing unit have been
22 insufficient to drain the spacing unit based on his --
23 based on his -- in his opinion, a reservoir of this type
24 is expected, you know, to have a recovery factor in the
25 range of 70 to 80 percent. The current drainage in the

1 area is on the order of 15 to 17 percent, as depicted in
2 the exhibit. Based on that analysis and Mr. Lafferty's
3 affidavit, he indicates that the subject proposed
4 recompletion is necessary to fully and adequately -- or
5 more fully and adequately drain the reservoir, and he
6 testifies that, in his opinion, it's necessary to fully
7 and adequately drain the reserves in the area.

8 With that, Mr. Examiner, I would move the
9 admission of Exhibits A, B and C into the record, and
10 with the supplementation of Exhibit B, the Notice of
11 Publication, I ask that the Division take Case Number
12 20097 under advisement.

13 EXAMINER McMILLAN: Okay. Exhibits A, B
14 and C may now be accepted as part of the record, and
15 Case Number 20097 shall be taken under advisement.

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

17 (Hilcorp Energy Company Exhibit Letters A,
18 B and C are offered and admitted into
19 evidence.)

20 EXAMINER McMILLAN: Let's come back at
21 10:30. We're going to hear the HPPC case, 16455.

22 (Case Number 20097 concludes, 10:27 a.m.)

23 (Recess, 10:27 a.m. to 10:32 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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 18th day of December 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

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