

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 PERCUSSION PETROLEUM CASE NO. 20231
OPERATING, LLC FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 7, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
KATHLEEN MURPHY, TECHNICAL EXAMINER
TERRY WARNELL, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner; Kathleen Murphy and Terry Warnell, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, February 7, 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

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APPEARANCES

FOR APPLICANT PERCUSSION PETROLEUM OPERATING, LLC:

JORDAN L. KESSLER, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
jlkessler@hollandhart.com

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1 (11:29 a.m.)

2 EXAMINER DAWSON: That moves us down the
3 list to docket number 58 on the list -- sorry -- 59 on
4 the list, Case Number 20231, which is another Percussion
5 Petroleum Operating, LLC case, for compulsory pooling,
6 Eddy County, New Mexico. Ms. Kessler is the attorney of
7 record.

8 When you're ready, Ms. Kessler.

9 MS. KESSLER: Thank you.

10 Mr. Examiners, this case will also be
11 presented by affidavit. It is -- in front of you is the
12 affidavit of Mr. Mike Roach. Again, he outlines his
13 credentials and expertise in the Permian Basin. He then
14 describes the spacing unit, which is the east half of
15 Section 23, incorporating the proximity tracts. And
16 this is the N. Seven Rivers Pool, 97565, again in
17 Section 23, Township 19 South, 25 East in Eddy County.

18 And the spacing unit will be dedicated to
19 four initial wells. He describes those wells, and
20 behind Tab A, you'll see the C-102s for each of those
21 well. It's the Shelby 23 2H, 3H, 4H and 5H.

22 EXAMINER BROOKS: Now, is this -- what is
23 the case number?

24 EXAMINER DAWSON: 20231.

25 EXAMINER BROOKS: 20231. Is this the

1 Shelby 2H, 3H, 4H and 5H?

2 EXAMINER DAWSON: Correct.

3 EXAMINER BROOKS: And it's 20231?

4 EXAMINER DAWSON: Yes.

5 EXAMINER BROOKS: Okay. I'm looking at the
6 right paper.

7 EXAMINER DAWSON: Okay.

8 MS. KESSLER: All right. Behind Tab B is
9 an ownership breakdown. They're seeking to pool just a
10 few unleased mineral owners, as well as MRC. Those
11 interest owners are highlighted in green behind the
12 first page. On the second page of Tab B are the
13 overriding royalty interest owners.

14 Exhibit C is a copy of the well-proposal
15 letter and offer to lease that was sent to the working
16 interest owners and also the unleased mineral interest
17 owners, and behind these letters are AFEs for all four
18 wells. They're right around 4 million. The affidavit
19 also outlines Percussion's effort to reach an agreement
20 with these parties.

21 And I'll note that all of the working
22 interest owners and unleased mineral interest owners
23 were locatable.

24 I'll move on to the geology exhibit, which
25 is behind Tab 2. And Mr. Lipinski has put together

1 several maps for the Yeso in this area, showing first
2 behind Tab A all four of the wells, and you'll see a
3 Strawn [sic] reference for stand-up wells.

4 Behind Tab B is a structure map of the
5 area, and there are no major structural changes, no
6 geologic impediments based on the structure in this
7 area.

8 C identifies the five wells that -- that
9 Mr. Lipinski used to put together his corresponding
10 cross-section exhibit, which is behind Tab D. And then
11 you'll see each of the targets, along with -- their TVDs
12 are called out. So four Yeso targets all within the
13 same pool, all of them in the same formation.

14 Mr. Lipinski notes in his affidavit that
15 each of these tracts will contribute more or less
16 equally to production to each of the wells, that the
17 south-to-north orientation is appropriate to effectively
18 drain the targeted reservoir.

19 Finally, he states that approval of this
20 application is in the best interest of conservation and
21 the prevention of waste.

22 You'll see my affidavit behind Tab 3, a
23 letter providing notice of this hearing. I mentioned
24 that all of the unleased mineral interest owners were
25 locatable. There were a few overriding royalty interest

1 owners who we received returned letters from, so we
2 published notice, and that's included in Exhibit 4.

3 Mr. Examiners, I would move admission of
4 these exhibits, Exhibits 1 through 4.

5 EXAMINER DAWSON: Okay. At this point
6 Exhibits 1 through 4 and their attached exhibits will be
7 admitted to the record.

8 (Percussion Petroleum Operating, LLC
9 Exhibit Numbers 1 through 4 are offered and
10 admitted into evidence.)

11 MS. KESSLER: And I would ask this case be
12 taken under advisement, unless there are any questions.

13 EXAMINER DAWSON: Does anyone have any
14 questions?

15 EXAMINER MURPHY: On 2D, on the Shelby and
16 the Parino well --

17 EXAMINER DAWSON: Which exhibit are you
18 looking at?

19 EXAMINER MURPHY: 2D, the cross section.

20 EXAMINER DAWSON: Okay.

21 EXAMINER MURPHY: What are the magenta dots
22 along the side of the well?

23 MS. KESSLER: I'd be happy to verify that
24 with the geologist. Typically, those are where those
25 logs -- those wells are completed.

1 EXAMINER DAWSON: The pink perforations in
2 the wellbore.

3 EXAMINER MURPHY: Okay. Thank you.

4 EXAMINER DAWSON: Is that all?

5 EXAMINER MURPHY: That's all. Thank you.

6 EXAMINER DAWSON: I have no questions.

7 And with your request for Case Number 20231
8 to be taken under advisement, at this time Case Number
9 20231 will be taken under advisement.

10 Thank you, Ms. Kessler.

11 (Case Number 20231 concludes, 11:36 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 7th day of March 2019.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters