

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 LIME ROCK RESOURCES CASE NO. 20212
II-A, L.P. 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 LIME ROCK RESOURCES II-A, L.P.:

GARY W. LARSON, ESQ.
HINKLE SHANOR, LLP
218 Montezuma Avenue
Santa Fe, New Mexico 87501
(505) 982-4554
glarson@hinklelawfirm.com

FOR INTERESTED PARTY PERCUSSION PETROLEUM OPERATING,
LLC:

MICHAEL H. FELDEWERT, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
mfeldewert@hollandhart.com

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EXHIBITS OFFERED AND ADMITTED

Lime Rock Resources II-A, L.P. Exhibit Numbers 1 and 2	6
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1 (11:01 a.m.)

2 EXAMINER DAWSON: At this point I'll call
3 Case Number 20212, Lime Rock Resources II-A, Limited
4 Partnership for compulsory pooling, Eddy County, for the
5 Brainard 12 #2H well, the Yeso well.

6 Call for appearances.

7 MR. LARSON: Good morning, Mr. Examiner.

8 EXAMINER DAWSON: Good morning.

9 EXAMINER LARSON: Gary Larson, with the
10 Santa Fe office of Sharon Hinkle, for the Applicant,
11 Lime Rock Resources II-A, L.P. I have no witnesses.

12 EXAMINER DAWSON: Okay. Any other
13 appearances?

14 MR. FELDEWERT: Mr. Examiner, Michael
15 Feldewert, with the Santa Fe office of Holland & Hart,
16 appearing on behalf of Percussion Petroleum Operating,
17 LLC, and I have no witnesses.

18 EXAMINER DAWSON: Okay. So whenever you're
19 ready, Mr. Larson.

20 MR. LARSON: Thank you, Mr. Examiner.

21 Lime Rock's amended application seeks the
22 pooling of all uncommitted interests in the Yeso
23 Formation, a standard 200-acre horizontal spacing unit
24 comprised of the north half-north half of Section 11 and
25 the northwest quarter-southwest quarter of Section 12,

1 Township 18 South, Range 26 East in Eddy County. And
2 the horizontal spacing unit will be dedicated to the
3 proposed Brainard 12 #2H well.

4 And as a preliminary matter, I'll address
5 the sole reason why Lime Rock filed an amended
6 application. In its initial application, the
7 quarter-quarter section in Section 12 that is included
8 in the horizontal spacing unit was incorrectly
9 identified as the northeast quarter-southwest quarter of
10 Section 12. The amended application correctly
11 identifies it as the northwest quarter-southwest quarter
12 of Section 12. And the revised property description and
13 the amended application has no bearing on the issue of
14 notice because Lime Rock holds 100 percent of the
15 interest in that quarter-quarter section.

16 And turning to the exhibits, Exhibit 1 is
17 the self-affirmed statement of Lime Rock landman Doug
18 Lacey. The attachments to his affidavit include the
19 C-102 for the well, the sample of Mr. Lacey's
20 well-proposal letter, a list identifying the uncommitted
21 mineral interests and the royalty interest owners in the
22 horizontal spacing unit, proof of notice of today's
23 hearing and the AFE for the proposed well.

24 As Mr. Lacey notes in his affidavit, there
25 are no depth severances in the Yeso.

1 Lime Rock is requesting overhead and
2 administrative rates of \$8,000 and \$800, which are the
3 same rates as are found in Lime Rock's proposed JOA for
4 the well. And finally, Lime Rock is also requesting a
5 200 percent risk penalty.

6 Exhibit 2 is a self-affirmed statement of
7 Lime Rock geologist Stan Bishop. Attached to
8 Mr. Bishop's self-affirmed statement are a location map
9 that depicts the location of the proposed well and
10 offset Yeso-producing wells, a top of the Yeso carbonate
11 structure contour map, an east-to-west cross section
12 that delineates well logs that Mr. Bishop used in
13 preparing this stratigraphic cross section, and,
14 finally, his cross section that depicts the target
15 interval.

16 As stated in Mr. Bishop's affidavit, the
17 horizontal spacing unit is justified from a geological
18 standpoint, and east-to-west orientation is preferred.
19 There is no faulting or other geologic impediment that
20 might adversely affect the drilling of the proposed
21 well, and each quarter section in the proposed unit will
22 contribute more or less equally to production.

23 And with that, I move the admission of
24 Exhibits 1 and 2.

25 EXAMINER DAWSON: Any objection?

1 MR. FELDEWERT: No objection.

2 EXAMINER DAWSON: Exhibits 1 and 2 with
3 attachments will be admitted to the record at this time.

4 (Lime Rock Resources II-A, L.P. Exhibit
5 Numbers 1 and 2 are offered and admitted
6 into evidence.)

7 EXAMINER DAWSON: Mr. Brooks, do you have
8 any questions?

9 EXAMINER BROOKS: No.

10 EXAMINER DAWSON: Okay. No questions?

11 EXAMINER MURPHY: No questions.

12 EXAMINER DAWSON: Okay. So at this point,
13 I have no questions.

14 Are you asking this be taken under
15 advisement?

16 MR. LARSON: I have nothing further and
17 request the case be taken under advisement.

18 EXAMINER DAWSON: Okay, Mr. Larson. Case
19 20212 will be taken under advisement.

20 Thank you very much.

21 (Case Number 20212 concludes, 11:06 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