

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 FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 20637

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 11, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, July 11, 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 HILCORP ENERGY COMPANY:

ADAM G. RANKIN, ESQ.  
HOLLAND & HART, LLC  
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1 (3:44 p.m.)

2 EXAMINER JONES: Call Case 20654,  
3 application of Hilcorp Energy Company for compulsory  
4 pooling in San Juan County, New Mexico.

5 Call for appearances.

6 MR. RANKIN: Adam Rankin on behalf of the  
7 Applicant in these cases --

8 EXAMINER JONES: 20654?

9 MR. RANKIN: -- 20637 and 20654. And,  
10 Mr. Examiner, I'll be presenting these cases by  
11 affidavit.

12 EXAMINER JONES: Yeah. I'm calling Case  
13 20637 also.

14 MR. RANKIN: Mr. Examiner, I'd like to  
15 present these cases separately, if that's okay, starting  
16 with 20637.

17 EXAMINER JONES: Call Case 20637 first.

18 MR. RANKIN: Mr. Examiner, in this case  
19 Hilcorp owns a working interest in the southwest quarter  
20 of Section 30 in Township 29 North Range 10 West, San  
21 Juan County, New Mexico, and they seek to pool a  
22 standard spacing unit within the Aztec-Pictured Cliffs  
23 Pool, all uncommitted interests within that spacing  
24 unit. The -- in this case, Mr. Examiner, before you are  
25 Exhibits A, B and C.

1           A is the affidavit of Mr. Brad Pearson, who  
2   has previously testified before the Division and had his  
3   credentials as an expert in petroleum land matters  
4   accepted as a matter of record.

5           Exhibit B is a copy of the affidavit  
6   reflecting that -- of notice -- that we provided notice  
7   to each of the parties that are being pooled.

8           And Exhibit C is a Notice of Publication  
9   identifying each of the parties subject to this pooling  
10   by name.

11           And I'll just walk through each of these  
12   exhibits briefly.

13           Again, in this case Hilcorp is seeking to  
14   pool all uncommitted interests within the southwest  
15   quarter of Section 30 of which the Abrams Gas Com E 1 --  
16   E well is located. It's a vertical well that was  
17   completed -- is completed in the Dakota Formation and is  
18   dedicated to a 320-acre spacing unit in the south half  
19   of Section 30 within the Basin-Dakota Pool. Hilcorp is  
20   seeking to recomplete that well within Section 30 to  
21   test and simultaneously to dedicate the well to the  
22   Aztec-Pictured Cliffs Pool.

23           Exhibit C1 -- I'm sorry. Exhibit 1 and  
24   attached to the affidavit is a C-102 reflecting the  
25   spacing unit within the Aztec-Pictured Cliffs Pool.

1 Hilcorp is seeking to consolidate and pool with this  
2 application. The spacing unit is comprised of the  
3 southwest quarter of Section 30. All the acreage in  
4 that spacing unit is fee and fed. The location of this  
5 well complies with the applicable setback requirements  
6 for gas wells in this pool.

7               Exhibit 2 attached to the affidavit, on the  
8 second page, is a list of all the parties highlighted in  
9 yellow, the working interest owners, that Hilcorp seeks  
10 to pool in this case, along with their interests on a  
11 unit basis. In addition to the working interest owners  
12 on that list, Hilcorp also is seeking to pool overriding  
13 royalty interest owners within the spacing unit.

14              Exhibit 3 attached to the affidavit is a  
15 list of all the overrides who are subject to pooling in  
16 this case. None of the interest owners have indicated  
17 opposition to Hilcorp presenting this case by affidavit.

18              Now, Exhibit 2 to the affidavit is a copy  
19 of the well-proposal letter and the AFE, estimated well  
20 costs, that were sent to each of the working interest  
21 owners that Hilcorp is seeking to pool in this case.  
22 The cost reflected in the AFE are consistent with what  
23 other operators have incurred for similar recompletions  
24 in this formation.

25              In addition to sending the well-proposal

1 letters, Mr. Pearson testifies that he attempted to  
2 reach agreement with each of the parties, and in his  
3 opinion, Hilcorp made a good-faith effort to reach  
4 agreement with those parties that they are seeking to  
5 pool. He notes that should they reach agreement  
6 subsequent to this hearing, before an order is entered,  
7 they will notify the Division that they have reached  
8 voluntary agreement and eliminate those parties from the  
9 pooling order.

10                   There are no ownership or depth severances  
11 within this proposed spacing unit.

12                   Hilcorp has estimated the overhead and  
13 administrative costs at 7,500 a month while drilling and  
14 \$750 a month while operating the well. Mr. Pearson  
15 testifies that the costs are consistent with what other  
16 operators are charging in the area for similar vertical  
17 well recompletions. Hilcorp requests that these costs  
18 be incorporated into any order entered by the Division.

19                   Mr. Pearson provided us with a list of all  
20 the parties, working interest owners and overrides that  
21 they're seeking to pool that are identified in these  
22 exhibits and has performed a diligent search to  
23 ascertain the last known correct address for the parties  
24 they are seeking to pool. And in his opinion, Hilcorp  
25 made a good-faith effort to locate each party, and all

1 parties were locatable.

2 Again, just to summarize, this is an  
3 application to pool a vertical well within a vertical  
4 spacing unit in the southwest quarter of a standard gas  
5 spacing unit within the Aztec-Pictured Cliffs. And for  
6 that reason, there are no other geology exhibits.

7 And we are -- at this time I would move the  
8 admission of these exhibits to the record. Oh, sorry.  
9 I jumped way ahead.

10 Moving on to Exhibit B, Mr. Examiner, this  
11 is an affidavit that was prepared by me and my office  
12 reflecting that notice has been provided to each of the  
13 parties identified to us by Hilcorp, the working  
14 interest owners and the overrides in the case. The  
15 second page of that exhibit is a letter reflecting that  
16 we've provided notice of today's hearing to each of  
17 those parties. The subsequent page is a copy of all the  
18 parties that were identified to us by Hilcorp, along  
19 with their addresses and the status of the notice that  
20 was sent by certified mail.

21 Exhibit C is a copy of the -- because some  
22 of these were still in transit and don't reflect that  
23 everybody actually did receive notice, we went ahead and  
24 published notification in the newspaper, and Exhibit C  
25 is a copy of that Affidavit of Publication showing that

1 we identified each of these parties by name and that the  
2 notice was timely published in the newspaper of the  
3 county in which the well is located.

4 With that, Mr. Examiner, I would move the  
5 admission of Exhibits A, B and C, along with the  
6 attachments to the affidavit, to the record.

7 EXAMINER JONES: Exhibits A, B and C, along  
8 with attachments are admitted.

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

11 MR. RANKIN: If you have any questions, I'd  
12 be happy to answer them if I can.

13 EXAMINER JONES: The downhole commingle  
14 between the PC and the Dakota, is that -- is that going  
15 to be turned in separately, I guess?

16 MR. RANKIN: Yeah. I think kind of the  
17 practice has been to deal with those downhole  
18 commingling separately for this. And I just cannot, off  
19 the top of my head, remember if this would be a sundry  
20 or a C-107. I'm just not sure whether this is -- I  
21 think this is a preapproved, so it would be a C-103, I  
22 think, but I can't say for certain.

23 EXAMINER JONES: Either way --

24 MR. RANKIN: Yeah. Either way it's dealt  
25 with separately.



1                   EXAMINER JONES: Yeah. It would probably  
2 be a C-107. And then that one will be --

3                   So basically you didn't want -- they didn't  
4 want -- when you moved uphole in the well, you could  
5 have included potential targets other than just one, I  
6 guess.

7                   MR. RANKIN: That's right. So Hilcorp has  
8 decided, for purposes of this well, just to pool the  
9 Aztec-Pictured Cliffs. There are not any other depths  
10 within that vertical extent.

11                  EXAMINER JONES: Okay.

12                  EXAMINER BROOKS: No questions.

13                  EXAMINER JONES: Is that it in this case?  
14 Can we take --

15                  MR. RANKIN: Yeah. I'd request this case  
16 now be taken under advisement.

17                  EXAMINER JONES: Case 20637 is now taken  
18 under advisement.

19                  (Case Number 20637 concludes, 3:53 p.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 26th day of July 2019.

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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

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