

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 FRANKLIN MOUNTAIN                      CASE NOS. 20775,  
ENERGY, LLC FOR COMPULSORY POOLING,                      20776  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 5, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
KATHLEEN MURPHY, TECHNICAL EXAMINER  
DYLAN ROSE-COSS, TECHNICAL EXAMINER  
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Kathleen Murphy and Dylan Rose-Coss, Technical Examiners; and Dana Z. David, Legal Examiner, on Thursday, September 5, 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.

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1 APPEARANCES

2 FOR APPLICANT FRANKLIN MOUNTAIN ENERGY, LLC:

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1 (5:17 p.m.)

2 EXAMINER JONES: Okay. So let's call Cases  
3 20775 and 20776, application of Franklin Mountain  
4 Energy, LLC for compulsory pooling, Lea County, New  
5 Mexico.

6 Call for appearances.

7 MS. BENNETT: Good afternoon. My name is  
8 Deana Bennett, and this is Nicole Russell, on behalf of  
9 Franklin Mountain Energy.

10 And I have the same two witnesses that we  
11 had a moment ago, so I'd like to recall those witnesses  
12 subject to them already having been sworn in.

13 EXAMINER JONES: Okay. Let the record show  
14 they've already been sworn, and you can start with the  
15 first witness.

16 And you've got Nicole Russell as  
17 co-counsel.

18 And so are you new to Modrall?

19 MS. RUSSELL: Yes, as of last September, so  
20 almost a year now.

21 MS. BENNETT: Nicole is going to be helping  
22 me with -- helping us, our team, with compulsory pooling  
23 cases going forward, so you might see her for Marathon  
24 or FME or otherwise.

25 EXAMINER JONES: Okay. What happened to

1 Zoe?

2 MS. BENNETT: She jumped ship, so we don't  
3 talk about her anymore. Just kidding (laughter).

4 (Laughter.)

5 MS. BENNETT: She went to work for Xcel  
6 Energy. They opened a Santa Fe office, and so she's  
7 their Santa Fe in-house counsel now.

8 EXAMINER JONES: Okay.

9 SHELLY ALBRECHT,  
10 after having been previously sworn under oath, was  
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. BENNETT:

14 Q. Will you please state your name for the record?

15 A. Shelly Albrecht.

16 Q. Who do you work for and in what capacity?

17 A. Franklin Mountain Energy, LLC as operator and  
18 Franklin Mountain Energy 2, LLC as nonoperator, and I'm  
19 the director of land.

20 Q. And you previously testified before the  
21 Division, right, a moment ago?

22 A. Yes.

23 Q. And your credentials were accepted as a matter  
24 of record?

25 A. That's correct.

1           Q.    Are you familiar with the application that have  
2   been filed in these two cases?

3           A.    Yes.

4           Q.    And these are Cases 20775 -- I'm sorry -- 20775  
5   and 20776, correct?

6           A.    Correct.

7           Q.    And are you familiar with the status of the  
8   lands that are the subject of these applications?

9           A.    Yes, I am.

10          Q.    Does your area of responsibility include the  
11   area of Lea County, New Mexico where these wells are  
12   proposed?

13          A.    Yes, it does.

14                   MS. BENNETT:  At this time I'd like to  
15   tender Ms. Albrecht as an expert in petroleum land  
16   matters.

17                   EXAMINER JONES:  She's so qualified.

18          Q.    (BY MS. BENNETT) We talked about the  
19   development plan a moment ago, so we're just going to  
20   skip that exhibit, but you've included it here for the  
21   sake of completeness?

22          A.    Yes.  That's correct.

23                   I will just point out that there are two  
24   Bone Spring slots identified at the proration unit on  
25   the east half, and we are only seeking to pool

1 uncommitted owners in the west half of the east half.

2 The other one, everyone is committed and the JOA signed,  
3 so that one will not be addressed in these cases.

4 EXAMINER MURPHY: It's the Golden?

5 THE WITNESS: The Breckenridge.

6 Q. (BY MS. BENNETT) East half-east half?

7 A. East half of the east last.

8 Q. Okay. Let's look at Exhibit 2. Is Exhibit 2  
9 the -- we have two tabs within Exhibit 2, is that right,  
10 Tab A and Tab B?

11 A. That's correct.

12 Q. Is Tab 2A the exhibit for the application for  
13 Case Number 20775 for the Golden Fed Com 603H?

14 A. That's correct.

15 Q. Are you seeking to pool all uncommitted mineral  
16 interests in the Bone Spring horizontal spacing unit  
17 underlying the west half-east half of Sections 9 and 4  
18 of --

19 A. That's correct.

20 Q. -- Township 24 South, Range 35 East?

21 A. Yes.

22 Q. Is Tab B the application that you filed or that  
23 was filed on your behalf by me in Case Number 20776?

24 A. That's correct.

25 Q. Is that spacing unit going to be dedicated to

1 the Breckenridge Fed Com 705H, 706H and the Golden Fed  
2 Com 704H?

3 A. Yes.

4 Q. And are you seeking to pool the uncommitted  
5 mineral interest owners within a Wolfcamp horizontal  
6 spacing unit underlying the entire east half of Sections  
7 9 and 4?

8 A. Yes. That's correct.

9 Q. Let's look at Exhibit 3. Does Exhibit 3  
10 contain the C-102s for these wells?

11 A. Yes, it does.

12 Q. And are the C-102s -- or the C-102 on page 10,  
13 is that the C-102 for 603H well?

14 A. Yes, it is.

15 Q. And is that -- is the pool for that the Ojo  
16 Chiso; Bone Spring Pool?

17 A. Correct.

18 Q. And that's pool code 96553?

19 A. That's correct.

20 Q. Let's turn to Tab B. Is Tab B the C-102s --  
21 does that contain the C-102s for the proposed Wolfcamp  
22 wells?

23 A. That's correct.

24 Q. Is that the 705H, 706H and the Golden 704H?

25 A. Yes.

1           Q.    And has the Division identified a pool name and  
2 pool code for those wells?

3           A.    Yes, it has.

4           Q.    For that pool, I should say.

5                   And is that WC-025-G09S253502D wildcat  
6 Upper Wolfcamp pool?

7           A.    It is, yes.

8           Q.    Are you relying on the proximity tract pool  
9 here to pool the entire east half?

10          A.    Yes, we are. The proximity well will be the  
11 Breckenridge Fed Com 705H well.

12          Q.    Great.

13                   Again -- and I sort of skipped through  
14 this, but the C-102s don't identify the first take  
15 point, do they?

16          A.    No, they don't.

17          Q.    So let's really quickly run through the first  
18 take points for these wells. Let's start with the 603H  
19 well. What is the first take point for that well?

20          A.    So for the 603H, the take point, we have -- we  
21 will be 479 feet from the south line, 1,791 feet from  
22 the east line of Section 9.

23          Q.    And I see that you're reading off of a  
24 screenshot there. Can I get a copy of that, and I can  
25 email or include this with my exhibits for the



1     **examiners?**

2                   EXAMINER JONES:   That works.

3                   THE WITNESS:    Sure.

4           **Q.    (BY MS. BENNETT) And so for the 705H, what are**  
5     **the -- I'm sorry -- first take point?**

6           A.    So it's 630 feet from the south line, 1,336  
7     feet from the east line of Section 9.

8           **Q.    And the 706H?**

9           A.    The 706H well will be 794 feet from the south  
10   line, 464 feet from the east line of Section 9 for the  
11   first take point.

12          **Q.    And the 704H?**

13          A.    The 704H will be 773 feet from the south line,  
14   2,064 feet from the east line of Section 9 for the first  
15   take point.

16          **Q.    And is the Ojo Chiso and the wildcat Upper**  
17     **Wolfcamp pool, are they subject to the Division's**  
18     **statewide horizontal well rules?**

19          A.    Yes.

20          **Q.    Will these rules you're proposing comply with**  
21     **the setback requirements in the statewide horizontal**  
22     **well rules?**

23          A.    Yes, they will.

24          **Q.    Let's turn to Exhibit 4.  Exhibit 4 has the**  
25     **lease tract map for the two proposed spacing units, and**

1     **that's behind Tab A. And then behind Tab B is the**  
2     **summary of interests; is that right?**

3           A.     That's correct.

4           **Q.     Could you just briefly describe the two pages**  
5     **behind 4A?**

6           A.     Yes. So 4A, which is on page 14 and the  
7     following, page 15, are lease tract maps. You can see  
8     that we've tried to depict the different leases by the  
9     patterns and the labels that you'll see. These are all  
10    federal minerals, and they're leased. The red outlines  
11    on page 14 and page 15 indicate the proration unit  
12    boundary that we are seeking approval for under these  
13    pooling applications.

14          **Q.     Thank you.**

15                   **And then turning to Tab B, Tab B has the**  
16    **summary of interests?**

17          A.     Yes. So Tab B on pages 16 and 17 are a summary  
18    of interests for Case Numbers 20775, Case 20776,  
19    respectively. And the first one on page 16, Franklin  
20    Mountain interests combined, we have around 72 percent  
21    working interest, and then you'll see the other  
22    committed working interest owners with their percentages  
23    outline. And then I'll note that the only uncommitted  
24    working interest owner in both cases is Chevron USA,  
25    Inc.

1           Q.    And have you been working with Chevron to  
2 negotiate the terms of the JOA?

3           A.    Yes, we have.

4           Q.    And are you still negotiating with Chevron?

5           A.    We are.

6           Q.    And you'll continue to negotiate with them?

7           A.    That's correct.

8           Q.    In your opinion, has FME made a good-faith  
9 effort to obtain voluntary joinder in the well?

10          A.    Yes, we have.

11          Q.    Let's look at Exhibit 5. Does Exhibit 5, A and  
12 B, include examples of the well-proposal letters that  
13 were sent out?

14          A.    Yes, it does.

15          Q.    And does the -- does your well-proposal letter  
16 identify the surface-hole location and the bottom-hole  
17 location, as well as the approximate TVD?

18          A.    Yes. So the surface-hole and bottom-hole  
19 locations are detailed in the Regarding portion towards  
20 the top of the letters, and then the TVDs are identified  
21 in the first paragraph of the proposal letters.

22          Q.    And do your proposal letters also identify the  
23 approximate estimated costs associated with drilling and  
24 completing the wells?

25          A.    Yes, they do.

1           Q.    And in addition, did you send an AFE to every  
2   working interest owner?

3           A.    We did.  Each well-proposal packet included  
4   copies of proposals letters, AFEs for each well and then  
5   a JOA for the given proximity of the well -- I mean  
6   proration unit.

7           Q.    And behind Tab 6, are those the AFEs that you  
8   included with the proposal letters when you sent them  
9   out?

10          A.    Yes, they are.

11          Q.    And the AFEs here, I've highlighted the well  
12   name and the total costs on each AFE.  Do you see that  
13   on pages 26 through 29?

14          A.    Yes.

15          Q.    So rather than reading these off, what is the  
16   cost for the 603 Bone Spring well?

17          A.    So for the 603 3rd Bone Spring well, the  
18   estimated total costs for drilling and completing and  
19   equipping the well are \$10,561,225.

20          Q.    And then the cost for the three Wolfcamp wells,  
21   the estimated costs are the same, right?

22          A.    Yes.  That's correct.

23          Q.    And what about the estimated costs?

24          A.    10,911,225.

25          Q.    And that's the estimated cost for each well?

1           A.     That's correct.

2           Q.     And earlier you testified that you'd seen AFEs  
3     and estimated costs for other horizontal wells drilled  
4     to this length and depth in this area of New Mexico; is  
5     that right?

6           A.     Yes.

7           Q.     And in your opinion, are the costs that FME is  
8     estimating for these wells in line or similar to the  
9     cost of other horizontal wells drilled to this length  
10    and depth?

11          A.     Yes, they are.

12          Q.     Who should be appointed operator of the well?

13          A.     Franklin Mountain Energy, LLC.

14          Q.     Do you have a recommendation for the amounts  
15    which FME should be paid for overhead and administration  
16    expenses?

17          A.     Yes.    So 7,000 for drilling and 700 for  
18    producing well rates on a per-month basis.

19          Q.     In your opinion, are those amounts equivalent  
20    to those normally charged by FME and other operators in  
21    this area for horizontal wells of this length and depth?

22          A.     Yes.    That's what we see on all proposals that  
23    come in.

24          Q.     Do you request that these rates be adjusted  
25    periodically as provided by the COPAS accounting

1 procedure?

2 A. Yes.

3 Q. Does FME request the maximum cost plus a 200  
4 percent risk charge if any pooled working interest owner  
5 fails to pay its share of costs for drilling, completing  
6 and equipping the well?

7 A. Yes, we do.

8 Q. Are there overriding royalty interest owners  
9 that FME is requesting to pool in these applications?

10 A. Additional?

11 Q. Are there overriding royalty interest owners  
12 that FME is seeking to pool other than the overriding  
13 royalty interest owners in Section 9?

14 A. No. Yes. Sorry. We have sent notice to the  
15 override owners that we are aware of in our title that  
16 we have to date.

17 Q. But there might still be some -- there are  
18 still some lingering title issues that you're working  
19 out with respect to the east half?

20 A. Yes. That's correct.

21 Q. The same issue that we discussed in the earlier  
22 cases?

23 A. That's correct.

24 Q. Does FME request that it be allowed a period of  
25 one year between when the wells are drilled and when the

1     **first well is completed under the order?**

2           A.     Yes, we do.

3           **Q.     Are you under the same sort of drilling**  
4     **schedule for these two wells as we talked about for the**  
5     **prior three wells?**

6           A.     Yes.   That's correct.   We would -- to the  
7     extent we can, we'd like to batch drill them to minimize  
8     impacts to offsetting proration units.

9           **Q.     And so these are on the same schedule in terms**  
10    **of anticipating BLM approval by December of 2019 and**  
11    **hopefully a similar time frame for approval from the OCD**  
12    **if possible?**

13          A.     Yes.   As far as we know, the same.   Yeah.

14          **Q.     Okay.   And were Exhibits 1 through 6 prepared**  
15    **by you or under your supervision or compiled from**  
16    **company business records?**

17          A.     Yes, they were.

18                   MS. BENNETT:   At this time I'd like to move  
19    the admission of Exhibits 1 through 6.

20                   EXAMINER JONES:   Exhibits 1 through 6 will  
21    be admitted in these two cases.

22                               (Franklin Mountain Energy, LLC Exhibit  
23                               Numbers 1 through 6 are offered and  
24                               admitted into evidence.)

25                   MS. BENNETT:   Thank you.

1 I have no further questions of  
2 Ms. Albrecht.

3 EXAMINER JONES: Any land questions?

4 EXAMINER MURPHY: No questions.

5 EXAMINER COSS: No questions.

6 EXAMINER JONES: I'm sorry. I don't have  
7 any questions.

8 EXAMINER DAVID: You're off the hook.

9 MS. BENNETT: Great. At this time I'd like  
10 to call my SECOND witness, Mr. Ben Kessel.

11 BEN KESSEL,  
12 after having been previously sworn under oath, was  
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MS. BENNETT:

16 Q. Mr. Kessel, you testified a moment ago in FME's  
17 earlier cases; is that right?

18 A. Yes.

19 Q. Would you just state your name again for the  
20 record?

21 A. Ben Kessel. I'm the director of geology for  
22 Franklin Mountain Energy, LLC.

23 Q. A moment ago when you testified, were your  
24 credentials accepted as a matter of record?

25 A. Yes.



1           Q.    Does your area of responsibility at FME include  
2   the area of Lea County, New Mexico?

3           A.    Yes.

4           Q.    Are you familiar with the applications that FME  
5   filed in these cases?

6           A.    Yes.

7           Q.    Are you familiar with the status of the lands  
8   that are the subject of these applications?

9           A.    Yes, I am.

10          Q.    Are you familiar with the drilling plan for the  
11   wells that are the subject of these applications?

12          A.    Yes.

13          Q.    Did you conduct a geologic study of the area  
14   embracing the proposed spacing units for these wells?

15          A.    Yes.

16                   MS. BENNETT:  At this time I'd like to  
17   tender Mr. Kessel as an expert in petroleum geology  
18   matters.

19                   EXAMINER JONES:  He is qualified in  
20   New Mexico as a petroleum geologist.

21                   MS. BENNETT:  Thank you.

22          Q.    (BY MS. BENNETT) Mr. Kessel, as with the prior  
23   cases, you prepared a separate set of slides for each  
24   case; is that right?

25          A.    Yes.

1           Q.    And Exhibit is the geology exhibit for Case  
2   Number 20775, and Exhibit 8 are the geology exhibits for  
3   Case Number 20776; is that right?

4           A.    Yes.

5           Q.    Would you quickly walk us through the materials  
6   behind Tab 7 or Exhibit 7?

7           A.    The first map is a structure contour map of the  
8   3rd Bone Spring Sand at the top subsea TVD showing the  
9   spacing unit in purple and the structure contours in the  
10   back. You can see kind of a gentle structure moving to  
11   the north -- moving updip to the north at about 1-1/2  
12   degrees.

13          Q.    Is there anything shown on this map or in your  
14   study that would interfere with the production of the  
15   this acreage to the proposed well?

16          A.    No, no observed faults or stratigraphic  
17   pinch-outs.

18                   MS. BENNETT: I apologize. The slides got  
19   slightly out of order here.

20          Q.    (BY MS. BENNETT) But is page 32 the wells that  
21   you used for your cross section?

22          A.    Yes, it is.

23          Q.    And do those reference C to C prime?

24          A.    Yes, they do.

25          Q.    And then is page 31 the cross section that you

1     **prepared?**

2           A.     Yes, it is.

3           **Q.     And does the cross section identify the**  
4     **producing interval --**

5           A.     Yes.

6           **Q.     -- in green?**

7           A.     It's shown in green.

8           **Q.     And then the Golden Fed Com 603H is inserted at**  
9     **the bottom -- between the wells you use for the cross**  
10    **section?**

11          A.     Yes.

12          **Q.     And what does your cross section show you, or**  
13    **what kind of conclusions do you draw from this cross**  
14    **section about the formation?**

15          A.     I show a slight overall thinning of the 3rd  
16    Bone Spring Sand interval as you move from west to east,  
17    but the lower part of the 3rd Bone Spring Sand at the  
18    targeted interval stays relatively consistent.

19          **Q.     And are the wells that you chose for this cross**  
20    **section, in your opinion, representative of the Bone**  
21    **Spring in this area?**

22          A.     Yes.

23          **Q.     So the next page is the gross interval isochore**  
24    **map that you prepared?**

25          A.     Yes.

1           Q.    And does that show -- well, what conclusions  
2   have you drawn from that slide?

3           A.    The gross interval isochore or the thickness  
4   from the 3rd Bone Spring Sand to the top of the Wolfcamp  
5   generally thins as you move to the east and to the  
6   north-northeast.

7           Q.    And you noted on your slide that the FME wells  
8   will target the similar 3rd Bone Spring thickness as the  
9   successful offset laterals?

10          A.    Yes. That's correct.

11          Q.    And is the next page the net porosity height  
12   that you prepared for this well?

13          A.    Yes, it is.

14          Q.    And what conclusions have you drawn from this  
15   slide?

16          A.    The net porosity height increases as -- in the  
17   3rd Bone Spring Sand as you move to the northeast, but  
18   the proposed lateral in the 3rd Bone Spring Sand from  
19   Franklin Mountain Energy targets the 3rd Bone Spring net  
20   porosity and offset laterals.

21          Q.    Thanks.

22                   And if you could just speak up just a  
23   little bit, that would be great.

24          A.    Oh, sure.

25          Q.    So before we move on to the Wolfcamp slides,

1     what conclusions -- I mean, what is the preferred  
2     orientation for wells in this area?

3           A.     South to north or north to south, and that's  
4     based upon the regional stresses as mapped for the  
5     maximum horizontal stress.

6           Q.     And in your opinion, are there any impediments  
7     to a horizontal well in the Bone Spring Formation here?

8           A.     No.

9           Q.     Do you anticipate that each quarter-quarter  
10    section will be productive in the Bone Spring Formation?

11          A.     Yes.

12          Q.     Do you anticipate that each tract  
13    quarter-quarter section will contribute more or less  
14    equally to production from the well?

15          A.     Yes.

16          Q.     Great.

17                   Let's turn to Exhibit 8.  And is Exhibit 8  
18    the geologic study that you prepared for the Wolfcamp  
19    wells?

20          A.     Yes, it is.

21          Q.     And is the first page the structure map that  
22    you prepared?

23          A.     Yes.

24          Q.     And what does the structure map tell you about  
25    the gentle dip of the structure here?

1           A.     The structure map shows a gentle dip to the  
2     north at about 1.2 degrees, and we see no major  
3     structures or impediments or pinch-outs that would  
4     preclude production from the Wolfcamp interval.

5           Q.     Thank you.

6                     Did you prepare a cross section based on  
7     well logs?

8           A.     Yes.

9           Q.     Are the wells that you chose for your cross  
10    section identified on page 36?

11          A.     Yes, they are.

12          Q.     And in your opinion, are those the wells that  
13    you chose representative of the Wolfcamp Formation in  
14    this area?

15          A.     Yes.

16          Q.     Great.

17                     And is the cross section that you prepared  
18    on page 37?

19          A.     Yes, it is.

20          Q.     Does it identify the producing interval in  
21    green with the words "Producing Interval" on the right?

22          A.     Yes, it does.

23          Q.     And did you insert the Golden and Breckenridge  
24    wells in the location where they would fall into the  
25    cross-reference wells?

1           A.     Yes.

2           Q.     And what does the cross-reference or this cross  
3     section tell you about the proposed target interval?

4           A.     The target interval, as you move to the east,  
5     thins slightly and also increases in carbonate solution  
6     of the source rock, but the source rock in the proposed  
7     lateral stays consistent.

8           Q.     Let's turn to page 38, and that's the gross  
9     interval isochore that you prepared for the Wolfcamp  
10    wells?

11          A.     Yes.

12          Q.     And what conclusions have you drawn from these  
13    slides?

14          A.     That overall the Wolfcamp thickness -- the  
15    Wolfcamp thins to the east, but the laterals that  
16    Franklin Mountain is proposing target a similar  
17    thickness as the offset laterals.

18          Q.     Okay. And then turning to page 39, is that the  
19    net porosity height study that you prepared for the  
20    Wolfcamp wells?

21          A.     Yes.

22          Q.     And what conclusions have you drawn from that  
23    study?

24          A.     Overall, the net porosity height thins in the  
25    Upper Wolfcamp to the north and to the northeast, and

1 the proposed laterals for the Wolfcamp from Franklin  
2 Mountain's target is a similar net porosity height as  
3 other offsetting successful laterals.

4 Q. Thank you.

5 Based on your geologic study of the  
6 Wolfcamp, are there any impediments to a horizontal well  
7 in the Wolfcamp?

8 A. No.

9 Q. In your opinion, do you anticipate that each  
10 quarter-quarter section will be productive in the  
11 Wolfcamp?

12 A. Yes.

13 Q. In your opinion, do you anticipate that each  
14 tract quarter-quarter section will contribute  
15 approximately equally to the production from the  
16 Wolfcamp wells?

17 A. Yes.

18 Q. In your opinion, would the granting of FME's  
19 two applications that we're talking about here be in the  
20 best interest of conservation, the prevention of waste  
21 and the protection of correlative rights?

22 A. Yes, it would.

23 Q. Were Exhibits 7 and 8 prepared by you or  
24 compiled under your direction and supervision?

25 A. Yes, they were.



1 MS. BENNETT: At this time I'd move the  
2 admission of Exhibits 7 and 8.

3 EXAMINER JONES: Exhibits 7 and 8 are  
4 admitted.

5 (Franklin Mountain Energy, LLC Exhibit  
6 Numbers 7 and 8 are offered and admitted  
7 into evidence.)

8 MS. BENNETT: I have no further questions  
9 for Mr. Kessel.

10 EXAMINER MURPHY: I actually have a  
11 question. I know it's late.

12 CROSS-EXAMINATION

13 BY EXAMINER MURPHY:

14 Q. Companies tend to want to drill the Wolfcamp  
15 because you can propose more wells there, but they're  
16 wildcat wells. Is it because the pools are spatially  
17 not connected, or is it the fault of how we spatially  
18 assign pools or --

19 A. I'm not sure I understand your question.

20 Q. That could be true.

21 It's a wildcat pool?

22 MS. BENNETT: Yeah. The designation by  
23 the -- by Paul Kautz is wildcat.

24

25

1 REDIRECT EXAMINATION

2 BY MS. BENNETT:

3 Q. Does that have any correlation to the actual  
4 pool? Does that mean the pool itself is not  
5 contiguous --

6 A. No.

7 Q. -- or is there something interesting about the  
8 pool that would suggest why he named it wildcat?

9 A. No, not to my knowledge.

10 EXAMINER MURPHY: But "wildcat" tends to --  
11 has the connotation that it's a chance, good luck,  
12 right?

13 MS. BENNETT: Yeah.

14 EXAMINER MURPHY: Isn't it?

15 EXAMINER JONES: There is a chance?

16 (Laughter.)

17 EXAMINER MURPHY: Okay.

18 EXAMINER JONES: No, no. The reason  
19 is -- the reason is New Mexico rules say that if you're  
20 over a mile from an existing pool or a well that has  
21 produced from the Wolfcamp, then you have to name that  
22 wildcat starting out, and you can designate a name later  
23 and go to a nomenclature hearing, which actually -- the  
24 companies could actually bring those cases if they  
25 wanted to, hint, hint.

1                   EXAMINER MURPHY: I'm just saying that I  
2     remember the Purple Sage. There were all sorts of  
3     individual pools. Are we starting the same kind of  
4     situation?

5                   EXAMINER JONES: That's something that you  
6     guys could do --

7                   EXAMINER MURPHY: Thank you --

8                   EXAMINER JONES: -- or the companies could  
9     lead the charge on that.

10                  EXAMINER COSS: What would be the pros and  
11     cons of doing that?

12                  EXAMINER MURPHY: Huge. The Purple Sage  
13     has 80 different individual pools.

14                  EXAMINER JONES: Yeah, over 80 pools that  
15     were abolished and made one Purple Sage Pool, consistent  
16     setbacks, consistent spacing, everybody knew what's  
17     going on, so there is no playing around with all these  
18     little individual pools.

19                  The problem in Lea County is the Wolfcamp,  
20     Upper and Lower Wolfcamp, and then the -- sometimes it  
21     breaks the Bone Spring and Lower Bone Spring. And then  
22     you've got the Wolfbone sometimes. So you've got to  
23     make sure you navigate all those uncharted waters. But  
24     working with Paul Kautz in Hobbs is the thing to do.

25                  MS. BENNETT: Any other questions?

1 EXAMINER COSS: No questions.

2 EXAMINER JONES: No questions.

3 EXAMINER DAVID: None from me.

4 MS. BENNETT: Great. Well, then --

5 EXAMINER JONES: We appreciate you coming.

6 THE WITNESS: Thank you.

7 MS. BENNETT: I'd also like to just quickly  
8 talk about Exhibit 9, which is my Notice of Affidavit  
9 and here I've prepared a single Notice of Affidavit.  
10 For these two cases, they have the same notice parties.  
11 And so the first page of my affidavit, page 40, is my  
12 affidavit. The second page, page 41, is my list of the  
13 folks to whom we sent notice. Page 42 is our version of  
14 the green cards, which shows that all letters were  
15 delivered with the exception of the letter to the BLM.  
16 And the next page, page 43, is our Affidavit of  
17 Publication showing that notice of this hearing was  
18 published on August 23rd, 2019.

19 At this time I'd like to move that Exhibit  
20 9 be admitted into the record.

21 EXAMINER JONES: Exhibit 9 is admitted.  
22 (Franklin Mountain Energy, LLC Exhibit  
23 Number 9 is offered and admitted into  
24 evidence.)

25 MS. BENNETT: Thank you.

1                   At this time, given that we have the same  
2 potential for additional overrides to be identified as a  
3 result of the finalizing of the title work, I'd ask  
4 these two cases be continued to October 17th for notice  
5 purposes only.

6                   EXAMINER JONES: Okay. The examiner is  
7 going to agree with you on that, and we're going to  
8 continue them to October 17th.

9                   MS. BENNETT: Thank you very much.

10                  EXAMINER JONES: And with that, that'll be  
11 it for today. We'll come back tomorrow at 9:00 a.m.

12                  MS. BENNETT: Thank you. And thank you for  
13 taking the time to finish up.

14                   (Case Numbers 20775 and 20776 conclude,  
15 5:44 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 1st day of October 2019.

21

22

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

25