1 PUBLIC HEARING 2 STATE OF NEW MEXICO 3 OIL CONSERVATION COMMISSION 4 Pecos Hall, 1st Floor, Wendell Chino Building 5 1220 S. Saint Francis Drive 6 7 Santa Fe, New Mexico 8 9 10 TRANSCRIPT OF PROCEEDINGS April 22, 2025 11 12 VOLUME XIII 13 14 HEARD BEFORE: 15 HEARING OFFICER RIPLEY HARWOOD 16 17 COMMISSION MEMBERS: 18 GERASIMOS ROZATOS, Chair 19 BAYLEN LAMKIN, Member 20 DR. WILLIAM AMPOMAH, Member 21 COUNSEL TO THE COMMISSION: 22 MR. ZACHARY SHANDLER, ESQ. 23 2.4 25 Page 1

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(On the record at 9:00 a.m.)

1

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## TRANSCRIPT OF PROCEEDINGS

3 CHAIR ROZATOS: Good morning, everybody. My name is Gerasimos Rozatos. I am the acting director 4 5 for the Oil Conservation Division. I am also the 6 acting chair for the Oil Conservation Commission. Today is April the 22nd. We are in our continuation 7 8 for the consolidated cases by Goodnight Midstream and Empire New Mexico. This is a hearing that we are 9 continuing, an evidentiary hearing. This is for Case 10 11 Numbers 24123, 23614 through 17, Case Number 23775, 12 and also Case Number 24018 through 24020, and 24025. 13 Before I transfer it over to the hearing officer, Mr. Hearing Officer, I wanted to bring up a 14 15 scheduling issue that we're going to have for Friday. 16 We do need to finish kind of early. I and the actual 17 other two commissioners do have to be done by 3:00 p.m., so if we could wrap it up by 2:45 on 18 19 Friday. 20 At the pace we're going, we're going to

need that third week that we had planned in May. So obviously things will probably go out through to then. So if we can make sure that we're done by 2:45 on Friday, that we can accommodate Commissioner Ampomah, Acting Commissioner Lamkin and my schedule

Page 5

| 1  | as well.  |
|----|---|
| 2  | HEARING OFFICER HARWOOD: All right.                   |
| 3  | Perfect. Chairman Rozatos, I'll be sure to set the    |
| 4  | duck for 2:45.  |
| 5  | CHAIR ROZATOS: Excellent. I appreciate                |
| 6  | that.   |
| 7  | The other thing that I wanted to mention              |
| 8  | and this kind of what I reiterated yesterday, and I   |
| 9  | have reiterated this multiple times in this setting,  |
| 10 | things are getting heated, people, and we need        |
| 11 | decorum. Whether it's witness responding to           |
| 12 | attorneys, attorneys responding to witnesses, witness |
| 13 | responding commissioners, commissioners responding to |
| 14 | the witness, we need decorum in here.                 |
| 15 | The Hearing Officer is purposely set                  |
| 16 | here to make sure that things are functioning         |
| 17 | appropriately. We need to give him all due respect.   |
| 18 | If there are objections, we stop dead in our tracks.  |
| 19 | Do not try to answer. Let the objection be heard,     |
| 20 | let the objection be ruled upon, then a statement can |
| 21 | be made. This is normal etiquette. If this was a      |
| 22 | district court, some of these shenanigans would not   |
| 23 | have been accepted, and we all know this.             |
| 24 | So, witnesses, make sure that you're                  |
| 25 | following with decorum. Attorneys, make sure you      |
|    | Page 6  |

1 have the decorum and respect for the hearing officer. 2 And everybody make sure that this is a respectful 3 setting. I have said this multiple times and I'm 4 5 actually kind of getting tired of saying it. So please make sure that you're following through with 6 This is for everybody. This disrespect is not 7 this. 8 going to be tolerated. So please make sure that you continue it. 9 And if I have to shut it down, we will 10 11 shut it down for the day. But it will be because of 12 your guys' respect. So please make sure that you're 13 following through with this. 14 I'm off my soapbox. Mr. Hearing 15 Officer, I transfer it over back to you. 16 HEARING OFFICER HARWOOD: I'll try and --17 you know, I know some of this is inadvertent. Τt. happens when witnesses understand what the question 18 19 is going to be, and lawyers want to ignore the answer 20 and move on to the next question. So I understand 21 how that works. It's not always intentional. So 22 I'll try and keep a closer eye out for that. 23 Before we proceed, let me just make sure 24 we have a court reporter online and we're on the record. 25

1 CHAIR ROZATOS: Mr. Hearing Officer, I just 2 wanted to add, Mr. Shandler also will be joining via 3 us via Teams today and for the rest of the week. HEARING OFFICER HARWOOD: Thank you, 4 5 Mr. Rozatos. Okay. I don't see a witness. Where is 6 7 our witness, Mr. Rankin? 8 MR. RANKIN: Mr. Hearing Officer, good 9 morning. Adam Rankin with Holland & Hart appearing for Goodnight Midstream in this case. 10 11 As we broke for the day yesterday, 12 Dr. Davidson had completed his cross-examination by 13 the parties and the Commission. And the question was whether or not Goodnight was going to bring him back 14 15 for redirect. And upon evaluating the questions 16 pending -- or that had been addressed, we decided not 17 to bring Dr. Davidson back for redirect. 18 So with that, Mr. Hearing Officer, we 19 would ask that he be excused. 20 HEARING OFFICER HARWOOD: Okay. Ι 21 appreciate that. I didn't mean to be flip yesterday 22 at the end of the day when I suggested that he had 23 said everything he possibly could have on the 24 subject. I think he has and did. So I appreciate 25 the judgment call. I do see him in the back, I see

1 your witness, Dr. Davidson, in the back of the room 2 now. 3 MR. RANKIN: He's here. On that point, Mr. Hearing Officer, if the commissioners have any 4 5 additional questions for Dr. Davidson before we move on, happy to allow them to ask additional questions 6 of Dr. Davidson. 7 8 One point of order that I do want to 9 just point out, Commissioner Lamkin did ask a question about whether Dr. Davidson had additional 10 11 analyses reflecting his petrophysical interpretation. 12 I can just point those out to Commissioner Lamkin and 13 he can identify them in the record, if that's 14 acceptable. 15 Dr. Davidson did include additional 16 petrophysical analyses in his direct testimony, 17 attached as Exhibit B, and those are all the -there's, I believe, a total of seven EMSU wells, and 18 19 one of Goodnight Midstream's injection wells within the unit. 20 21 And then in his rebuttal testimony, 22 Exhibit D-7, has an additional saltwater disposal 23 well operated by Goodnight. So I think there's a 24 total of nine petrophysical analyses included in his 25 direct testimony and his rebuttal testimony.

1 HEARING OFFICER HARWOOD: Mr. Lamkin, is 2 that helpful to you? 3 COMMISSIONER LAMKIN: That is. Thank you 4 very much. 5 HEARING OFFICER HARWOOD: All right. То 6 follow up on Mr. Rankin's offer, do either of you 7 gentleman have additional questions or you, Chairman 8 Rozatos, for Dr. Davidson? CHAIR ROZATOS: I'll start off. I do not. 9 10 COMMISSIONER AMPOMAH: No, I do not. 11 COMMISSIONER LAMKIN: I don't either. 12 HEARING OFFICER HARWOOD: Before we move on 13 to your next witness, overnight I was thinking about And for the record, as well as for the benefit 14 this. 15 of the parties, I want to -- it was late in the 16 afternoon, my brain was tired. I have to listen to 17 every question throughout the day. So toward the end of the day, this issue came up with Dr. Davidson's 18 19 opinion in connection with Mr. Moander's cross-examination. 20 21 And I just want for the record and for 22 the benefit of the parties, although you all are 23 sophisticated players, so this is more for the record 24 than anything else, but I wanted to make sure that my 25 ruling was clear on that. I did not actually grant Page 10

1 Mr. Moander's motion to exclude that testimony. 2 If that testimony were presented in a 3 court of law, it likely would have been excluded because only expert witnesses can offer opinion 4 5 testimony. It's beside the point, really, that this was an undisclosed opinion because this was a 6 question that was asked and answered. 7 8 But the point is, it was an opinion that 9 only an expert could offer, and Dr. Davidson explained that he was not an expert in that subject 10 11 matter. So in a court of law, that testimony would 12 have been excluded and a jury would have been 13 instructed to disregard the testimony. Of course, this is not a court of law, 14 15 and the rules of evidence do not technically and 16 strictly apply. They're just for guidance here. And 17 that's for a good reason. I mean, this particular setting exemplifies the reason that there is a 18 19 relaxed standard. We're not here with a jury of 20 unsophisticated laypersons listening to sophisticated 21 experts where there's a risk of being misled. Not 22 that I'm suggesting that Dr. Davidson was in any way 23 attempting to do that. But the risk is not present 24 in a situation where you have sophisticated 25 fact-finders that are experts in their own right,

1 either in the a specific field or a closely related 2 field. The risk is simply not there. 3 So those were the bases for my decision to not grant Mr. Moander's motion and simply allow 4 5 the Commission, under the guidance of Mr. Shandler, to give that opinion such weight, if any, that they 6 thought it might deserve. 7 8 All right. Anyway, that said, 9 Mr. Rankin, who is your next witness? MR. RANKIN: Mr. Hearing Officer, our next 10 11 witness I'd like to call to the stand is Mr. William 12 Knights. 13 HEARING OFFICER HARWOOD: I've seen you in the back of the room for a long time, Mr. Knights. 14 15 Good to put a face to a name. 16 WILLIAM J. KNIGHTS, 17 having first been duly sworn, testified as follows: 18 DIRECT EXAMINATION 19 BY MR. RANKIN: 20 Q. Mr. Knights, will you please state your name 21 for the record. A. William J. Knights. 22 23 Q. By whom are you employed? 24 A. Netherland, Sewell & Associates. And I'm 25 senior technical advisor, vice president. Page 12

| 1  | Q. And what is your role in that capacity with         |
|----|--|
| 2  | Netherland, Sewell?                                    |
| 3  | A. Basically due diligence on financial                |
| 4  | transactions, SEC reportings, signing reserve reports  |
| 5  | and evaluating financial transactions.                 |
| 6  | Q. And you do that based on a geologic                 |
| 7  | analysis; is that right?                               |
| 8  | A. Yes. I'm primarily a geologist, but I've            |
| 9  | been there 35 years and worked with engineers closely  |
| 10 | for that entire time.                                  |
| 11 | Q. Have you testified before the Commission?           |
| 12 | A. No, I have not.                                     |
| 13 | Q. Are you seeking to be qualified as an expert        |
| 14 | in petroleum geology?                                  |
| 15 | A. I don't like to yes, I think so.                    |
| 16 | Q. Okay. And is your curriculum vitae, your            |
| 17 | resume, attached as Appendix A to direct written       |
| 18 | testimony?   |
| 19 | A. Yes, it is.   |
| 20 | Q. Because you haven't yet testified before the        |
| 21 | Commission, Mr. Knights, and just to give a little     |
| 22 | background for the Commission to understand your       |
| 23 | experience, will you just give a brief summary of your |
| 24 | education first.                                       |
| 25 | A. A master's degree in geology from Texas             |
|    | Page 13  |
|    |  |

| 1  | Christian University in Fort Worth. And basically     |
|----|---|
| 2  | experience in the industry since 1983.                |
| 3  | Q. So I'll move on to your experience now. So         |
| 4  | when did you obtain your master degree from TCU?      |
| 5  | A. 1983.  |
| 6  | Q. So with respect specifically to your               |
| 7  | experience around the Central Basin Platform and the  |
| 8  | Permian Basin, if you would, just give us a brief     |
| 9  | summary of your experience as a petroleum geologist;  |
| 10 | in particular, as it relates to conducting geologic   |
| 11 | evaluations and reserve assessments for fields in and |
| 12 | around the Central Basin Platform.                    |
| 13 | A. I think the largest project I've worked on         |
| 14 | was the Altura acquisition, which was the acquisition |
| 15 | of BP and Shell's CO2 projects in the Central Basin   |
| 16 | Platform at Title 23 fields, including the Hobbs      |
| 17 | North, South, Seminole, Wasson, Goldsmith. I think    |
| 18 | those were mentioned in this hearing. Then 18 other   |
| 19 | fields.   |
| 20 | Q. All around the Central Basin Platform?             |
| 21 | A. All in the Central Basin Platform and CO2          |
| 22 | projects.   |
| 23 | Q. And what exactly were you tasked with doing        |
| 24 | as part of your job responsibility?                   |
| 25 | A. It was basically due diligence, screening          |
|    | Page 14   |

1 the oil in place, recovery factors, things that go 2 into the reservoir model, things that influence the financial transaction. A lot of it had to do with 3 depth volumes curse, where the oil in place is, and 4 5 reviewing the geologic inputs to the models. 6 Q. So do you have experience evaluating ROZ 7 projects? 8 A. Every oil project I have has a component of 9 ROZ. Q. And as to this case, what were you asked to 10 11 do in this case? 12 A. Review the geology, specifically relating to 13 oil in place. And then also the communication between the injection zone and the shallower reservoirs. 14 15 Q. And as part of that assessment, were you 16 asked to evaluate whether or not there's any potential 17 communication between Goodnight's injection disposal zone and the overlying zones within the EMSU? 18 A. Yes. 19 That was part of my task. 20 Q. And have you conducted, therefore, a geological study of the history of oil and water 21 22 production in and around the EMSU? 23 A. Yes, I have. 24 Q. And that would be both from the Grayburg and San Andres formations? 25

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| 1  | A. Correct.  |
|----|--|
| 2  | Q. Did your analysis also include the                  |
| 3  | determination of whether there's any potentially       |
| 4  | economically recoverable hydrocarbons in an ROZ within |
| 5  | the EMSU?  |
| 6  | A. Yes.  |
| 7  | Q. What did you look at to come to your                |
| 8  | opinions?  |
| 9  | A. All the data provided by Empire, Goodnight,         |
| 10 | and some individual research, as I always do, through  |
| 11 | all the public data and literature.                    |
| 12 | Q. So you looked at data that was provided by          |
| 13 | Empire as part of this case?                           |
| 14 | A. Yes.  |
| 15 | Q. And data that was provided by Goodnight as          |
| 16 | part of this case?                                     |
| 17 | A. Correct.  |
| 18 | Q. Did you also construct your own                     |
| 19 | investigation looking through public records?          |
| 20 | A. Correct. Yes.                                       |
| 21 | Q. And as a result of your analysis, did you           |
| 22 | prepare a written direct rebuttal and surrebuttal      |
| 23 | testimony and exhibits that are marked as Exhibit E    |
| 24 | that provide your opinions and analyses?               |
| 25 | A. Yes, I did.   |
|    |  |

1 Q. Now, before I go any further, you did 2 prepare a revised direct testimony that was filed with the Commission, correct? 3 4 A. Yes, I did. 5 Q. Will you let us know what it was that you 6 revised in that direct testimony? A. It was a mathematical error in the 7 8 calculation of hydrocarbon pore volume. 9 0. And what was the error there? A. The intervals were based on half foot, and I 10 11 summed them up instead of taking the .5 foot. So it 12 was a significant mathematical error that we 13 corrected. O. And in addition to the mathematical error 14 15 that you made in your direct testimony, was there 16 another revision that you made in your direct 17 testimony? I changed a cutoff, which changed some 18 A. Yes. 19 numbers to more reflect the 20 percent cutoff that 20 Melzer and Trentham defined as the ROZ. 21 Q. So originally you had used 30 percent as 22 your cutoff? 23 A. Yes. 24 Q. Can you explain why it is that you initially used 30 percent and why you revised -- why you 25 Page 17

1 originally used 30 percent and why you revised it to 2 20 percent? A. Generally, I like to use a higher cutoff to 3 kind of get a higher quality rock, an idea of kind of 4 5 a sensitivity analysis. But then I realized that in this setting, being more conforming to all the other 6 processes makes it easier to relate one oil in place 7 8 to the other. 9 Q. So that was based on the testimony of Dr. Trentham and Mr. Melzer, correct? 10 11 A. Yes, correct. 12 Q. Now, you also prepared revised surrebuttal 13 testimony that was in response to Ops Geologic 14 rebuttal testimony that was filed with the Commission, 15 correct? 16 A. Correct. 17 Q. What were the revisions that you made on that revised surrebuttal? 18 A. There's a 16,000-foot -- 16,000 number that 19 20 should have been 19,000. And so I updated that. 21 Q. That was the only correction you made to 22 that revised testimony? 23 A. Correct. 24 Q. Were there exhibits and figures included in your revised direct rebuttal and revised surrebuttal 25 Page 18

| 1  | testimony prepared by you and compiled on your       |
|----|--|
| 2  | direction and supervision?                           |
| 3  | A. Yes.  |
| 4  | Q. Any additional corrections or changes to the      |
| 5  | testimony, figures or exhibits that were filed with  |
| 6  | the Commission?                                      |
| 7  | A. No.   |
| 8  | Q. Do you adopt the testimony in the                 |
| 9  | self-affirmed direct written rebuttal and revised    |
| 10 | surrebuttal testimony that's marked as Exhibit E as  |
| 11 | your sworn testimony?                                |
| 12 | A. Yes, I do.  |
| 13 | MR. RANKIN: Mr. Hearing Officer, I would             |
| 14 | tender Mr. Knights as an expert witness in petroleum |
| 15 | geology.   |
| 16 | HEARING OFFICER HARWOOD: Any objection from          |
| 17 | Empire?  |
| 18 | MR. WEHMEYER: Without objection.                     |
| 19 | HEARING OFFICER HARWOOD: OCD?                        |
| 20 | MR. MOANDER: No objection.                           |
| 21 | HEARING OFFICER HARWOOD: Rice?                       |
| 22 | MR. BECK: No objection.                              |
| 23 | HEARING OFFICER HARWOOD: Pilot?                      |
| 24 | MR. SUAZO: No objection.                             |
| 25 | HEARING OFFICER HARWOOD: He'll be so                 |
|    |  |
|    | Page 19  |

1 recognized. 2 MR. RANKIN: Mr. Hearing Officer, I, at this time, move the admission of Mr. Knights' revised 3 direct testimony, his rebuttal testimony and revised 4 5 surrebuttal testimony and his attached exhibits and figures that are all marked as Exhibit E. 6 7 HEARING OFFICER HARWOOD: Any objection 8 Empire? 9 MR. WEHMEYER: Without objection. HEARING OFFICER HARWOOD: OCD? 10 11 MR. MOANDER: No objection. 12 HEARING OFFICER HARWOOD: Rice? 13 MR. BECK: No objection. 14 HEARING OFFICER HARWOOD: Pilot? 15 MR. SUAZO: No objection. 16 HEARING OFFICER HARWOOD: They'll be 17 admitted. (Admitted: Goodnight Midstream 18 Exhibit E.) 19 20 BY MR. RANKIN: 21 Q. Mr. Knights, have you been present for or 22 did you listen to the summary testimony, the 23 cross-examination, redirect testimony provided by all the witnesses that were presented during the first and 24 25 second week of the testimony in this proceeding? Page 20

| 1  | A. Yes.  |
|----|--|
| 2  | Q. And you were here for the testimony                 |
| 3  | yesterday, correct?                                    |
| 4  | A. Correct.  |
| 5  | Q. And did you prepare a summary of slides             |
| 6  | reflecting your up-to-date opinions based upon         |
| 7  | observing the testimony, the questions and the         |
| 8  | redirect, over the course of this proceeding?          |
| 9  | A. Yes.  |
| 10 | Q. Okay. So I'll go ahead and share my screen,         |
| 11 | Mr. Knights. And we'll walk through your slides.       |
| 12 | I'll ask you a question to prompt, and if you would    |
| 13 | just explain at high level the key takeaways of how    |
| 14 | each of these slides reflect your summary opinions for |
| 15 | the benefit of the Commission.                         |
| 16 | So this first slide, Number 1, if you                  |
| 17 | would just explain what the star is on why this is     |
| 18 | significant in terms of your overall analysis.         |
| 19 | A. It's kind of a big picture of the San Andres        |
| 20 | and Grayburg fields in the Central Basin Platform in   |
| 21 | New Mexico. And basically shows that south of the      |
| 22 | EMSU, there's very little production.                  |
| 23 | Q. And the yellow star indicates where the EMSU        |
| 24 | is located?  |
| 25 | A. Correct.  |
|    | Page 21  |

Q. How does this next slide here reflect on
 the previous slide? And explain what this shows with
 respect to the San Andres.

A. Well, the way the oil got into the
San Andres is typically industry standard, coming from
the Wolfcamp. So it's very complicated migration
pathways as the oil migrates into the San Andres and
Grayburg and the rest of Central Basin Platform.

9 The thing that's important about this is 10 that each of these occurrences is unique and very 11 difficult to use any one field as an analogy for 12 another directly.

Q. And this next slide, if you would just explain how this particular slide reflects upon what you just stated about, in your opinion, the unique nature of each of these San Andres accumulations?

17 A. Since this trial does emphasize the San Andres, I just broke out the fields that were 18 San Andres in the public data, showing those fields. 19 20 Basically showing that the east flank of the Central 21 Basin Platform has a high concentration of oil fields 22 that have an indication of that as a major migration pathway and much fewer fields on the west flank where 23 the EMSU is located, showing that that was less of a 24 25 major migration pathway.

| 1  | MR. RANKIN: Mr. Hearing Officer, I'm                  |
|----|---|
| 2  | hearing some backgrounds noise. It's distracting me   |
| 3  | and it maybe distracting Mr. Knights and others.      |
| 4  | Maybe we can figure out where that's coming from      |
| 5  | before we go further.                                 |
| 6  | (Pause in the proceedings.)                           |
| 7  | BY MR. RANKIN:  |
| 8  | Q. So, Mr. Knights, I apologize because I was         |
| 9  | being distracted by the sounds of that reverberation  |
| 10 | or echo.  |
| 11 | But maybe just quickly summarize what                 |
| 12 | you just said for my benefit, explain, if not anybody |
| 13 | else's. But explain how this slide is relevant to     |
| 14 | what you just discussed about unique accumulations in |
| 15 | the San Andres across the basin.                      |
| 16 | A. This is restricted to the San Andres, and it       |
| 17 | basically shows that the eastern part of the Central  |
| 18 | Basin Platform is a major migration pathway, with all |
| 19 | the fields developed and a tremendous amount of oil.  |
| 20 | And that the western side of the Central              |
| 21 | Basin Platform was a less major migration pathway for |
| 22 | oil.  |
| 23 | Q. And you indicated here the location of the         |
| 24 | EMSU with the red star, correct?                      |
| 25 | A. Correct.   |
|    |   |
|    | Page 23   |

Q. That's on the western margin of the Central
 Basin Platform, correct?

3

A. Correct.

Q. Okay. Moving on to the next slide here, I think this is sort of a general depiction of something we've seen many times already. But if you would, just at a very high level, explain how this relates to the previous three slides we just discussed.

9 A. This is Trentham and Melzer's model on those 10 migration pathways that show the Artesia pathway on 11 the western flank of the Central Basin Platform and 12 additional migration pathways on the east, so that 13 migration of fluid from the west to the east and then 14 from the north to the south.

And the lower picture shows the actual pathway of the Artesia extending down south, and even in this diagram, going all the way to the end of the eastern part of the Central Basin Platform in the Yates Field.

20 Q. What does this tell you about the size and 21 interconnectedness of the San Andres across this large 22 region?

A. This implies that it's a very, very large
aquifer that has tremendous pathways for fluid
migration.

Q. And tell me, just so I understand, and for the benefit of the Commission, structurally, as you go south, what is the relationship structurally as you go from the EMSU to the south along the migration pathway or that interconnected pathway?

A. For the EMSU, it's probably on a structural high, and it goes down as you go to the south. When you go further south to the Yates it gets very structurally high. And as you go to the west -- I mean, to the east, it also goes downdip.

Q. Now, zooming in a little bit here, explain what this shows with respect to the specific accumulations of oil in the San Andres within the -across the Central Basin Platform and with the significance of this chart that you've got here.

16 A. So on the far left, I have the EMSU in 17 yellow is the Grayburg production. So that's where 18 all the production is. The yellow bars below that are 19 the water supply wells that are all in the deeper part 20 of the San Andres.

But I was trying to get a regional picture of what the San Andres looks like from a standpoint. So when you go to the north, to the south Hobbs fields, the dark lines that are on these are the top and base of the Grayburg from public data and just

Page 25

1 kind of a quick analysis. And the colored ones are 2 producing intervals that have been perfed in that field. 3 4 And so what you see as you move to the 5 north and to the west, that there's different 6 stratigraphic intervals that are charged with oil in each of these relative to the public Grayburg tops, 7 8 but kind of pointing out that each of these 9 accumulations is probably unique migration pathways and would be difficult to use as a direct analogy for 10 11 the EMSU. 12 Q. You said north to the west, but did you mean 13 north to the east? 14 A. North to the east. Apologize. 15 O. And is this reflective in your opinion, 16 Mr. Knights, of the unique migration pathways within and across the San Andres for oil? 17 18 A. Yes, it is. Q. Looking at this next slide, I think you're 19 20 zooming in here to the EMSU unit itself. Would you 21 explain what this shows and how it relates to what you 22 were just discussing about the migration pathways 23 across the Central Basin Platform in the San Andres? A. Correct. This was a diagram I made up early 24 in the analysis, just trying to get my bearing on 25 Page 26

where things were.

1

The green wells on the left are the water supply wells that produce no oil. And you can see that the upper perf in the 458 is maybe at 500 feet. So just a quick look says that's pretty much an aquifer.

7 The actual producing interval in the 8 EMSU has an original oil-water contact between 9 negative 325 or negative 350. On this diagram I put 10 350 as the producing oil-water contact, which is in my 11 testimony.

All the wells that penetrated below the producing oil-water contact and tested oil are highlighted on this. The other thing that's highlighted on this in the red squares were our original eight wells that we did petrophysical analysis that Jim Davidson had for a time.

All the wells in orange on the right are water disposal wells, indicating to me that everything below negative 500 is an aquifer and used for either water supply or water disposal.

And the other thing to mention on this slide is, when I go through my analysis, there's a lot of discussion about San Andres nomenclature. I never want to get into that quagmire. So I just used -- by

1 oil-in-place analysis was based on TVD subsea depths, 2 and those -- the three intervals that I've identified. The interval between 350 feet, the producing oil-water 3 contact, and the highest water supply well is at 500. 4 5 I called that interval a "potential ROZ." 6 And the other big scoping picture is, 7 you know, of the 340, 380 million barrels of water 8 that have been produced below the oil-water contact. 9 There's only been 55 barrels of oil produced in all of the tests. So that comes out to a water ratio of 10 11 99.99998 percent. So that kind of goes to my initial 12 look at the significance of the oil below the 13 oil-water contact. You know, first plunge direct physical evidence, starting out with a very low 14 15 indication of any significance of oil. 16 Q. So just to be clear, everything below minus 350 is included on here that's tested? 17 18 A. Correct. 19 O. And all of those tests have accumulated 55 20 barrels of oil? 21 A. Correct. 22 Q. And over 340 million barrels of water, 23 correct? 24 A. Correct. 25 Q. What's this next slide? And tell me a Page 28

1 little bit about what it shows and explain your 2 analysis here and how it relates to your opinion. A. So one of the things on a due diligence that 3 you do is you look at any analyses provided and you 4 5 try to do a due diligence on does it make sense with the actual physical data that you have. 6 7 I'm going to focus on just the Grayburg 8 interval, which is between negative 100 and negative 9 350, so that first green line. The three 10 petrophysical analyses here are the NuTech original, 11 the NuTech revised and NSAI's original oil in place. 12 Just to start out with, I looked at it 13 from a conventional basis. So I used a 40 percent oil saturation cutoff for net pay, and I just took all the 14 15 data that was provided and said, okay, what is the net 16 pay? And the far column on the right is the oil net 17 pay. So the percentage of those net feet that net that hurdle of 40 percent, porosity showed that in the 18 19 NuTech original, 69 percent of that would fit a 20 conventional oil. So typically what you look for is a 21 22 relationship between that oil net pay and the production. In NuTech's revised, they did not change 23 24 their methodology for the Grayburg. The reason there's a number difference is because they had some 25

1 slight changes in their tops. And in the bottom, the 2 original NSAI model shows the same thing. 3 So if you look at the oil net pay, I look at that 69 percent oil net pay, and that would 4 5 suggest that if everything was equal, they should have a 69 percent oil cut in that area. The actual oil cut 6 7 in that area is 2 percent. 8 So one of the other significant things 9 about this is most of these wells in Jim's analysis were done between 2002 and 2007. So this was probably 10 11 20 years after the water injection had occurred. So 12 the actual state of the reservoir at that time was 13 basically flushed from a waterflood with over 20 years, so it had a lot of fluid in there, a lot of oil 14 15 extracted, and the current oil cut was 2 percent. 16 So the petrophysical model concerned me 17 that these net pays in a water flush zone would 18 indicate that there's significantly high oil 19 saturations. 20 The revised has the same issue of very 21 high oil net pay versus the standard conventional 22 cutoffs. And when you looked at NSAI's original thing, they also kind of overestimated the oil net pay 23 24 by this kind of ratio method with that. But they had it down to 18 percent oil cut, and it was 2 percent. 25

So in all these cases, I don't see anybody that has underestimated the oil that was in place; all basically overestimating, some dramatically.

Q. What is this analysis about the net pay in the Grayburg in the producing zone, the main pay zone of the EMSU, that NuTech's analyses show -- tell you about the reliability of their analysis in the deeper zones below minus 350 or below minus 500 feet?

A. Well, the concern is, if it doesn't relate to the actual physical data that you have evidence for when you're not calibrating to data, it's very difficult to believe in its accuracy.

And the other thing about the original NuTech model is that if you look down on the third layer, which I've entitled a transition zone between negative 500 and 700, that basically has a higher oil net pay ratio than any of the zones above it.

So just looking at the oil net pay in that interval, you would say that that is the best zone to be producing from an oil-water contact. And all of the tests that I have below the oil-water contact suggests that there's very little, if any, moveable hydrocarbons in that interval.

25

Q. Anything further on this slide, Mr. Knights?

1 A. I can talk for an hour on these slides. 2 O. No, let not do that. We'll move on. So that's sort of a general review. 3 4 A. Right. 5 O. Because this was looking at all NuTech's 6 analyses. And this next slide here I think is a specific well. And just touch on, if you would, the 7 8 key takeaway, because you're looking at a specific 9 well here, how this relates to your analysis regarding NuTech. 10 11 A. Key takeaways, the producing oil-water 12 contact in 350 is on here, so they have a test above 13 it and a test below it. The actual recoveries are on 14 the far right. So above the oil-water contact, they 15 had about a 1.4 percent oil cut. But if you look at 16 the green shaded, there's a considerable net pay, over 17 40 percent oil saturation. 18 Once you go below the oil-water contact, 19 you still have NuTech's original significant portion 20 of well above 40 percent oil saturation. And even their revised version, where they did change it, they 21 22 still had a good portion of section above 40 percent. 23 And if you look at NSAI's, again, Jim 24 has a few points. But if you look at the actual recovery on a swab, there was 100 percent oil cut. 25 Page 32

1 But I think another thing to point out 2 is, on ESP, which discussion residual oil, residual oil is relative to the current reservoir conditions, 3 and ESP reduces the pressure at the wellbore. So that 4 5 would change the reservoir characteristics, and if there was any residual oil there, you would expect it 6 to be mobile with an ESP, at least near wellbore. 7 8 And if you look at the recoveries, it's, 9 you know, two payrolls of oil out of 18,000, or .1 10 percent oil cut, indicating there's very little 11 conventional net pay and not a significant amount of 12 residual oil that's close to that. 13 Q. I think you said 18,000, but you meant 1800 barrels of water? 14 15 A. 1800 barrels, yes. Thank you. 16 Q. You indicated here that NuTech had a 17 San Andres top. Explain --A. Yeah, you know, I tried to put some 18 19 reference on here, because almost everybody in this 20 thing talks about San Andres. And San Andres is very large unit, and they basically talk about it as one 21 22 amalgamated consistent zone, and it is not. 23 But in this interval, the producing oil-water contact at 350, you notice the top, or the 24 aquifer, as a couple feet below that. So, there's a 25 Page 33

1 lot of discussion on, "Where did this San Andres come 2 from?" Well, based on how you pick the top, it's very 3 close to the producing oil-water contact. So you 4 wouldn't need much of anything to get some that have 5 water in.

6 The other thing that points here is 7 where the saturations reach zero, so those blue 8 highlighted lines, those would be permeability 9 barriers, in my estimation, where there's zero oil 10 saturation and low porosity and low permeability.

But it shows that even just below the producing oil-water contact and within the Grayburg above and just below this oil-water contact, there are a significant number of these permeability barriers.

Q. Now, this next slide, this is another overview. We're moving into I believe Ops Geologic from NuTech. Explain how this relates to your analysis or assessment, diligence assessment, of Ops Geologic's petrophysical work.

A. So yes, this was the third and fourth
petrophysical analysis that we received. But, again,
comparing it to the data, comparing it to the
Netherland, Sewell analysis, I just focussed on the -just to get it quickly over, the red in the bottom
that shows significant hydrocarbon saturations in the

1 high side, up to 70, 80 percent oil saturation. And 2 even in the low side, the Ops model shows up to 60 percent oil saturation. But if you go to the core 3 data, the direct physical evidence, there's no 4 5 fluorescence, no cut, and background gas is basically 6 background gas. 7 That interval combined in that whole interval, you know, 3700 barrels of water and no oil, 8 9 indicates that, from a conventional standpoint, that 10 both Ops low side and high side are, I'd say, 11 optimistic. 12 Q. And what does this tell you, looking at the 13 direct evidence? What does this tell you about the 14 reliability of Ops Geologic's analysis? 15 A. That is a scenario. It's very optimistic 16 and, in my estimation, unrealistic. 17 Q. Next slide here, explain what this shows. And this, again, is looking at the EMSU, a specific 18 well, the EMSU 679. Just hit as far as the takeaway 19 20 points that are important for the Commission to 21 understand here. 22 A. So due diligence, looking at the direct physical evidence, on the right-hand side we have the 23 EMSU core data, and it's an oil saturation and 24 porosity. The main thing is, I look at, okay, here is 25 Page 35

1 the actual hard physical data. What does the analysis
2 look like?

3 And if you go to the analysis on the left side, there's a lot of similar situations that 4 5 don't exist in the core. So if you take just that upper left-hand box, above the green arrow and left of 6 7 the dark line, you notice in the Ops model, we have a 8 lot of high oil saturations in these low porosity 9 intervals. Now, if you go back to the core data on that same section, they don't exist if the core data. 10 11 And that's kind of consistent as you notice the 12 differences in the quadrants.

The other important thing here, I think, is the aquifer, which I have defined as negative 700 and below. Those are highlighted in the dark blue. Again, let's go to the core initially and we look at core saturations in the deeper intervals. Very low oil saturations.

Now you go to the log analysis on the left side and you notice that there's significantly higher oil saturations in the analysis that doesn't correspond or contradicts the actual core data. So, again, it kind of gives you the concept that it's highly uncertain and really unreasonable that the Ops Geologic saturations don't
match the actual physical data. So concerns in the
 certainty of their analysis.

Q. Next slide here, I think this, again, touches on Ops Geologic. If you would, just the key takeaway here as Ops Geologic high and low scenarios relate to your assessment of the direct evidence available in the core.

A. So this was the low side. On the left-hand side was the low side Ops model which, at least from my understanding, used the core data, uncorrected core data as their base. And they said they correlated to the uncorrected and made their petrophysical analysis.

But when I look at the uncorrected average core oil saturation, it's 14.86 percent. And if I look at their analysis, it's 30.4, almost 100 percent higher than the average core uncorrected. So the calibration there, from what I've read and understand, I saw a big discrepancy there.

The other thing on the right-hand side is a little different display. I had both their low side and high side saturations. And this is for the 679 well that had core. And as you go down the area, the red arrows are where Ops' is significantly higher than the core data.

25

And the other thing to note on this is

1 that as you get down below, say, negative 650 or so, 2 there's a significant break-off in the core saturations, and especially at negative 700. There's 3 very, very limited oil saturation in that interval. 4 5 Interestingly enough, in the Exxon sales 6 package, they had their limiting factor at the lowest 7 as a negative 700 as their estimate of their bottom of 8 the ROZ. 9 The other thing that's curious is, at the bottom of the 679 core data, you see a core 10 11 analysis that is SCR, so it's solid -- SHR, solid 12 hydrocarbon residue. And Trentham in his papers 13 discusses that when you see solid hydrocarbons, that an indication you're at the bottom of the ROZ. 14 And 15 there's also another core sample that's up higher that 16 also has the SHR, solid hydrocarbon residue. 17 And so in these things, the other thing that's interesting if you go in the lower part, you 18 19 see in the core a general decreasing in oil saturation 20 as you go from, say, that 600 to 700. And that's also 21 an indication that you're at the bottom of the ROZ or 22 potential ROZ, based on both Melzer and Trentham's 23 models. 24 Q. Anything more on this, Mr. Knights? 25 A. I could, but I... Page 38

1 Q. Okay. Next one, let's move on. This next 2 one, again, is looking at a specific well. And you 3 portrayed Ops Geologic's petrophysical analysis here in a slightly different manner. Explain your key 4 5 takeaway here and how it relates to your assessment of 6 reliability and viability of Ops Geologic's analysis? 7 A. And this is another well that shows the 8 consistency in their petrophysical analysis, which I 9 always enjoy. But it does show higher oil saturations in the lower porosity rock, preferably lower 10 11 permeability. 12 But the other thing it shows is that the 13 high porosity, high quality rock with high perm, there's a significant amount of rock falling in there. 14 15 And I think this relates to potential recovery, that 16 if you were going to inject CO2, if I was a CO2 molecule, where would I go? I would go the high perm, 17 high porosity rock before I would migrate in the lower 18 19 perm, low porosity rock. 20 And I know typically in CO2 recoveries, you use a volume of CO2 relative to the hydrocarbon 21 22 pore volume. But in these cases, with the incredible 23 amount of pore volume in the higher porosity, higher 24 perm, I think that may be underestimating the CO2. Because you'll probably need to fill up some of that 25

| 1  | water wet hydrocarbon pore volume before you get the   |
|----|--|
| 2  | CO2 to focus or be forced into the lower porosity,     |
| 3  | lower perm areas.                                      |
| 4  | Q. Your takeaway from this next slide,                 |
| 5  | Mr. Knights, as it relates to your discussions up to   |
| 6  | date about porosity and cutoffs and Ops Geologic's     |
| 7  | parameters?  |
| 8  | A. Yeah, so Mr. Birkhead mentioned a number of         |
| 9  | times in his testimony that he used a 2.9 grain        |
| 10 | density for dolomite. And he basically came up with    |
| 11 | that because I'm just assuming that all of these rocks |
| 12 | have 20 percent anhydrite in them.                     |
| 13 | And so 2.9 is above the standard 2.87                  |
| 14 | dolomite matrix. If you used a 2.87, then all of his   |
| 15 | porosities would be reduced in the dolomite section by |
| 16 | 1.5 percent.   |
| 17 | But I point you to Exhibit A-5, the                    |
| 18 | Exxon, and you'll notice two things in this. They      |
| 19 | used a 6 percent porosity cutoff, but they also used a |
| 20 | rogue density of 2.84 as a basic for their matrix.     |
| 21 | That 2.84 is probably a 3 and a half percent porosity  |
| 22 | drop, so if Mr. Birkhead would have used a 2.84, some  |
| 23 | of his porosities would be reduced by three and a half |
| 24 | percent.   |
| 25 | The Table B-1 and B-8 are the actual                   |
|    | Page 40  |

1 core data from the 679 well. And if you look at the 2 core pieces that were just dolomite and didn't include 3 anything, the range was from 2.81 to 2.87. And so in 4 some of these areas where you had a dolomite that may 5 have been 2.82, you may have overestimated the 6 porosity by about 5 percent.

Q. And you've got an image here. What does8 this show?

9 A. Those are just some of the rocks -- I'm a geologist, I love rocks. So on the left-hand side, 10 11 you see the San Andres reservoir that had vugular 12 porosity, and it was filled with anhydrite. And so a 13 situation like that, if you used 2.9, you would create porosity in the dolomite and you would have no 14 15 porosity in the anhydrite, when in both cases, it 16 could be zero percent porosity in both. But that's 17 the way that the secondary anhydrite can fill pore throats and doesn't have to be at the surface. 18

And then the middle one is a 13 percent, 10 millidarcy San Andres rock that is fantastic. And then the other is anhydrite, which is common in these systems. But just a picture of the real rocks.

Q. Next slide here, this is moving off of the petrophysical analysis and you're getting into your barriers to waterflow. Explain, if you would,

1 Mr. Knights, starting at the top, what this shows and 2 where it came from and how it relates to your analysis 3 about edge water --4 A. Migration path? 5 O. Yeah. A. So the upper is a cross-section. 6 This is in 7 a 1939 paper. So these were freshly drilled wells; a 8 lot of people paying a lot of attention to it. They 9 broke up the reservoir into three packages, Zone A, 10 the deepest, that probably relates to Zone 5 and 6 in 11 Melzer -- I mean, in Lindsay's Zone B, which is 12 separated by a low perm interval, and then Zone C, 13 which is on the uppermost, is another flow pattern 14 that you would have migration up the lateral pathway 15 your fluid migration. 16 The other thing I've marked on here is 17 the estimated two original oil-water contacts at 325 and 350. 18 19 And the thing that's important on here 20 is noticing that Zone A goes below the oil-water 21 contact interior to the field. Zone B goes to the 22 oil-water contact slightly to the edges. And Zone C kind of expands past the oil-water contacts, but 23 24 outside of the thing. So when you're looking at a structure map of the top of the San Andres or the 25

1 Grayburg, that these structures change with depth. 2 O. Next, talk about how that cross-section relates to the next image below, how this relates to 3 your analysis. And what are you showing in the next 4 5 image in the same exhibit here? 6 A. So the simplest thing is to take the light 7 green bounded area that says "Area of Zone A Oil." 8 That is where the top of the Zone A goes below the 9 oil-water contact. And going to the next one outside, 10 the Zone B, that's where the Zone B goes below the 11 oil-water contacts. 12 But I think the most interesting thing 13 to me was, in 1939, these hatched areas are all where they had water in the field, in the middle of the 14 15 field, in 1939. All these areas, if you look at this 16 model, it says there was water encroachment within the 17 field in 1934 that migrated in '35, '36, '37, all showing that you had water movement and migration 18 that's entered the field. 19 20 MR. RANKIN: We may be having a microphone malfunction. It's been worn out. Can we take a 21 22 quick break to see if it needs a new battery? 23 THE WITNESS: Was I just not close enough? 24 MR. RANKIN: Maybe, Mr. Knights, just make sure you're close enough so that it's picking you up 25 Page 43

| 1  | without interference.                                 |
|----|---|
| 2  | BY MR. RANKIN:  |
| 3  | Q. I won't ask you to restate it, but just to         |
| 4  | be clear, your testimony here is that what this early |
| 5  | paper was showing, it was showing edge water          |
| 6  | encroachment in the middle of the field; is that      |
| 7  | correct?  |
| 8  | A. Yes. And it's documented in that 1939 paper        |
| 9  | as "Edge Water Drive."                                |
| 10 | Q. In your opinion, Mr. Knights, does this edge       |
| 11 | water drive that was documented back in the 1930s     |
| 12 | explain the how does it relate to the arguments       |
| 13 | that Empire is making about these bubble maps showing |
| 14 | unexplained water production across the field,        |
| 15 | including on the highest structure area of the field? |
| 16 | A. Well, primarily, the preferred path of             |
| 17 | migration along bedding planes, so along the          |
| 18 | intervals, so if you looked at the A, B and C up on   |
| 19 | top, that lateral migration along the permeability is |
| 20 | a preferred mechanism.                                |
| 21 | MR. RANKIN: How do you feel, Mr. Hearing              |
| 22 | Officer, about the microphone?                        |
| 23 | HEARING OFFICER HARWOOD: I'm thinking there           |
| 24 | is a battery issue. Maybe you could just swap out     |
| 25 | with him and see if that improves it, Mr. Torgenson.  |
|    | Page 44   |

BY MR. RANKIN:

1

Q. So I think, Mr. Knights, you were explaining that, in your opinion, that the perm barriers would create preferential lateral pathways for edge water encroachment up onto the structure; is that right?

A. Yes, correct. And, you know, even those vertical perm barriers as Dr. McBeath was asking, in the 211, over 30 or 40 feet, you have permeability barriers that cause pressure separation from the reservoirs, indicating that these horizontal bedding planes, even though thin, could be very valid permeability barriers.

So another thing that comes up when you start talking about the migration paths along the bedding planes, if you go to the 1998 Love paper, he talks about conformance issues.

17 That conformance diagram that he used is basically in the area on the crest of the structure 18 19 and they denoted that there were high perm streaks in 20 that interval along horizontal beds where water cycled through the waterflood, and that they could cut those 21 22 off by putting cement and causing those high perm 23 streaks that were horizontal to be blocked off. And that seems like a very simple 24 pathway to get water from the edge water either 25

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1 downdip or near these water contacts to anyplace in 2 the actual field. 3 Q. How does that analysis relate, Mr. Knights, to Dr. Buchwalter's model and analysis where he could 4 5 only find -- his only explanation for this water was from the San Andres? Explain what could have been 6 7 differently in his model that could --8 A. Well, the ---- using a varied structure to answer his 9 0. problem or address his dilemma. 10 11 A. Well, very simply, Buchwalter decided, how 12 do I get water to this well? Well, he put a vertical 13 fracture, like this, through the 82 horizontal barriers to get the water there, when, if you look at 14 15 the 1998, a very simple explanation would be a small 16 high perm streak along a bedding plane that would 17 bring edge water drive to anywhere in the field. Q. But he didn't do that in his model, did he? 18 19 A. No. And he also didn't incorporate any 20 geology, which I thought was -- since they had for 21 petrophysical analysis. None of the porosity perms or 22 oil in place were used in his model either. 23 Q. One other item here -- well, let me ask this 24 question. Based on your analysis of this edge water drive and the structure and preferential pathways for 25 Page 46

| 1  | flow, is this sufficient to explain, in your opinion,  |
|----|--|
| 2  | the water bubble maps from Mr. West's testimony        |
| 3  | showing his testimony unexplained water production     |
| 4  | around the EMSU?                                       |
| 5  | A. I would say it's the more reasonable                |
| 6  | assumption that that's how this water got into the     |
| 7  | area.  |
| 8  | Q. In fact, that was the determination back in         |
| 9  | the '30s; is that right?                               |
| 10 | A. Correct.  |
| 11 | Q. One other item here that we didn't address,         |
| 12 | so I'd like you just to touch on. You called out       |
| 13 | specifically the EMSU 239. Explain why you have that   |
| 14 | called out here and how it relates to this overall     |
| 15 | analysis.  |
| 16 | A. Well, again, like any due diligence, what           |
| 17 | you look for is anomalies in the data and you          |
| 18 | investigate those.                                     |
| 19 | So that really high water-contact bubble               |
| 20 | was basically at the 239 well. And so I looked at      |
| 21 | that well, and it was initially completed in the Queen |
| 22 | as a gas well and in the Upper San Andres as an oil    |
| 23 | well. And that was completed in 1936 and made about    |
| 24 | 104 barrels a day. And then by 1959, it was down to    |
| 25 | about 20 barrels a day. So that indicated that that    |
|    | Page 47  |

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| 1  | reservoir was actually depleting, so it isolated from |
|----|---|
| 2  | anything below it.                                    |
| 3  | In 1973, they drilled that well down                  |
| 4  | below the oil-water contact. They did not have a      |
| 5  | test. But that was 1973, and they perfed that         |
| 6  | interval.   |
| 7  | Then in 1981 is the next, really, data                |
| 8  | point I have, is that map that shows that that well   |
| 9  | had high water.                                       |
| 10 | And so it just seems, besides my                      |
| 11 | original geology of I think the water came from edge  |
| 12 | water through high perm streaks along bedding planes, |
| 13 | that even the wells that have high water could be     |
| 14 | explained easily by drilling below the oil-water      |
| 15 | contact.  |
| 16 | The other thing about that oil-water                  |
| 17 | contact is that's the only oil-water contact at 350,  |
| 18 | but in 1973, there had been a significant amount of   |
| 19 | oil produced in all these zones. So that also could   |
| 20 | impact the edge water drive coming in up above the    |
| 21 | structure in the lower zone.                          |
| 22 | Love in the 1998 paper also mentions                  |
| 23 | edge water drive.                                     |
| 24 | And so I think the explanations for the               |
| 25 | higher water contact, using the simplest explanation, |
|    | Page 48   |
|    |   |

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| 1  | is the bedding plane geology edge water drive.         |
|----|--|
| 2  | Q. In your investigations, did you identify any        |
| 3  | literature that identified that the explanation for    |
| 4  | the water production in the EMSU was from San Andres   |
| 5  | fractures coming up?                                   |
| 6  | A. No, no. I saw no evidence of any fracture           |
| 7  | communication.   |
| 8  | Q. I think when you were talking about the 239,        |
| 9  | I think you may have said that it was completed in the |
| 10 | upper San Andres. But it is a Grayburg well.           |
| 11 | A. I mean, Grayburg.                                   |
| 12 | Q. Okay.   |
| 13 | A. I apologize. It's a Grayburg well. Thank            |
| 14 | you for correcting that.                               |
| 15 | Q. Anything further on this slide, Mr. Knights?        |
| 16 | A. No.   |
| 17 | Q. Next slide here, if you would just touch on         |
| 18 | the high points, the key takeaways here, and how it    |
| 19 | relates to your assessment of the Ops Geologic         |
| 20 | parameters in their analysis.                          |
| 21 | A. Well, Ops Geologic used a the only thing            |
| 22 | they varied was the sensitivity and the oil            |
| 23 | saturation. Typically in the oil industry, you use     |
| 24 | permeability cutoffs to do a net pay sensitivity.      |
| 25 | And so I just wanted to show on this                   |
|    | Page 49  |

1 thing, if they had used a porosity or a permeability 2 to look at the sensitivity to their oil in place, that 3 would have been probably more valid. The things I put on here are what they 4 5 used as a baffle cutoff of 1.5 percent porosity. And 6 then I also put on here their permeability models that show it relates to an incredibly low permeability. 7 So the threshold for their perm barriers is unreasonable, 8 9 to me. They used a 4 percent fee effective for 10 11 their actual cutoffs. And if you look at their perm, 12 that relates to a .005 and a .01 millidarcy, which is 13 relatively aggressive, since the typical oil industry standard is for a gas reservoir of .1 millidarcy and 14 15 for an oil reservoir of 1 millidarcy. 16 I also put on here Jim Davidson's 17 7 percent fee effective using this model; that way at least have some intervals from a conventional basis 18 19 above 1 millidarcy, probably a 50/50 cutoff, which is 20 a standard way of using the cutoff. 21 And then one thing I always like to look 22 at is what does a high quality reservoir look like, how much of this reservoir is high quality. And at 23 24 10 percent, that would be most of the rock above 25 10 percent has a greater than 1 millidarcy

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permeability.

1

Q. Using that assessments, Mr. Knights, what
does this tell you about Ops Geologic's --

A. So just, again, describing the reservoir as 4 5 a critical component, especially in a tertiary recovery, so if you go from right to left, 31 percent 6 7 of this rock, using a 10 percent porosity cutoff, is really high quality. So you have a third of the rock 8 9 is really high quality, high porosity, good perm. And 10 so that's where most of your recovery factor is going 11 to come from.

12 If you go down to the 7 percent, you 13 basically have another third of the reservoir that's 14 reasonably good reservoir, probably, you know, 50, 60 15 percent of it is going to be higher than 1 millidarcy, 16 50, 60 percent is going to be lower. But that portion 17 of your oil in place will be a lower recovery factor.

Now you go to Ops Geologic and you say, okay, 4 percent porosity, what do we get? Well, we get another third of the reservoir. So a third of the reservoir is what I could would consider poor quality, low permeability. But the Ops model, as we saw previously, that's where most of their oil is in place.

25

Q. Just to be clear, the color coding here

relates to your tiering across the EMSU, correct?

1

A. Yes. And basically, the ratios are
basically the same for each one of those. But the
green would be the producing Grayburg. The potential
ROZ would be from negative 350, the producing
oil-water contact down to 500. Negative 500, the
transition zone between 500 and 700. And the aquifer
is from negative 700 and below.

9 Q. And Goodnight's disposal operations are in 10 what you've identified as the aquifer, right, below 11 minus 700?

A. Correct. All their injection is below inthe aquifer.

Q. Just real quick, the key takeaways here, discussing Ops Geologic's analysis and their, in your opinion, unreasonable parameters, how does this relate to your determination about barriers across the zone?

A. The little green bars on the left-hand side and the -- you almost can't see them on right-hand well, but there are, I think, two little baffles that are identified using that 1.5 percent.

But if you just go in the 7 percent, or even simpler, is if you look at Ops' permeability model on the right-hand columns, those areas that do not have any wiggles, that is below .2 millidarcies.

And if you use that .2 millidarcies, you have
 significant perm barriers.

The back lines I estimated at about 3 7 percent porosity cutoff. And if you look at those 4 5 in the well to the right, you have probably a 50-foot zone that's continuous low perm. And if you just 6 correlate that over to the well on the left, that 7 8 comes out to, I don't know, probably 100 feet of 9 continuous vertical low perm that would be a significant perm barrier by any estimation. And if 10 11 you go up and down the well, you have a significant 12 number of these small perm barriers. 13 But, again, looking at the 211 well, you

13 only need a few feet of perm barrier to create 14 only need a few feet of perm barrier to create 15 pressure isolation. But all of these intervals were 16 going to be tremendously impeding any potential 17 vertical flow through the intervals.

18 Q. And, again, you've got your tiering based on 19 mean sea level of right-hand side, right?

A. Correct. That's unambiguous depth ratherthan an ambiguous nomenclature name.

Q. Next slide here, again, talking about perm barriers and potential fracture pathways, what does this next exhibit show -- slide show on --

25

A. So this is the RR Bell San Andres core. And

1 basically, you can read through, but there's a number 2 of those zones that are horizontal thin beds that are very low permeability. There's one that's .3 3 millidarcy, .3, .1 millidarcy. All of those would be 4 5 significant barriers to vertical flow, and they are along bedding planes. 6 7 And you can see the different colors of 8 the rocks. As you go up and down, each one of those 9 is a separate depositional environment that's a 10 bedding plane that goes across the EMSU. So 11 basically, horizontal layers that are sufficiently low 12 to be permeability barriers to vertical flow. 13 Q. Are you seeing any vertical fractures indicated at this --14 15 A. And I see no vertical fractures in this 16 section of this rock, which, in part, as far as I can 17 tell, is the only evidence indicating fractures. But I don't see any in this well. 18 And then the extension of those 19 20 fractures through the Grayburg and through the 21 permeability zone are around Jim's high gamma ray 22

22 spike and his anhydrites. And then getting those down 23 to there, I don't see any evidence in this photo that 24 there's an extensive vertical fracture network.

25

Q. Continuing on your discussion and also this

is about vertical fractures here, and this is from the 1 2 core of the EMSU 679, I think this is from Empire's exhibit, but you made some modifications to it, 3 explain to the Commission what you did here and how 4 5 this relates to your analysis about potential 6 fracturing and communication between the zones. 7 A. So the implication that fractures are going 8 to extend 300 to 400 feet down into the San Andres

9 using the 679 data, if you look at this one 8-foot 10 section of core, what you can see is that there are 11 fractures, but they're isolated to individual layers.

So you have a fractured interval, then you go above and you see a non-stained, non-fractured interval, then you see a stained interval, and then a non-fractured stained interval. So none of these fractures extend over a large vertical section.

17 The other thing in Lindsay's paper, if you read it, it basically says that most of or 18 19 predominantly these fractures occur in karsted areas. 20 And these karsts are layers, so it's not a large karst 21 like Carlsbad Caverns. These are layers that are 22 bedded. And if those are fractured, that would also indicate that you can have significant perm along a 23 24 karst, but it's going to be along a bedding plane that would allow fluid to migrate along the bedding planes 25

up from the edge water drive or any other mechanism.
 But the primary fluid migration pattern
 is going to be along bedding planes, and that's just
 standard geology.

Q. Moving on to -- well, I think this is getting into the oil-in-place analysis or some more discussion about Ops Geologic's assessment about the potential for production here. What does this show? And explain how it relates to your analysis.

A. There's a lot of discussion about
San Andres, San Andres water. So I just took the Ops'
San Andres structure map and on the right-hand side
labeled all the wells that have drilled below the
producing oil-water contact and into the San Andres.

And so I think there's nine wells that are penetrated below the producing oil-water contact and in the San Andres, by their definitions. There are also a number of wells that are very close to the producing oil-water contact.

And, again, this producing oil-water contact was designated in 1939 or so. And so post that drilling, there's been a significant amount of extraction of oil which would have helped the edge water migrate up along bedding planes into the center of the thing.

1 The other thing this indicates is, and 2 goes for later on, is that we already have wells penetrating into the San Andres, and if there was any 3 oil there, it would probably be already depleted. 4 5 Q. And, again, that's San Andres as defined by Ops Geologic, right? 6 7 A. Yes. Q. And that's above what Empire had identified 8 9 as its perm barrier, correct? 10 A. Correct. 11 Q. Next slide here, just at a high level, what 12 does this show and how does it relate to only 13 analysis? A. Well, another thing that was brought up in 14 15 this thing was a recovery factor. And so Tall Cotton 16 is the only isolated CO2 recovery in an ROZ zone, so I 17 basically had to look at it. Basically, my analysis, using just a 18 19 standard rate cum plot showed that there was 8 million 20 barrels of oil as my estimate at ultimate recovery. 21 The current recovery now is about 5 million barrels. 22 Q. Okay. And that's the basic gist of this one, key takeaway? 23 24 A. Key takeaway, my estimate of 8 million barrels is the recovery of the Tall Cotton complete at 25 Page 57

1 ten-acre spacing. 2 O. Next slide here, how does that relate to 3 this analysis of the Tall Cotton Field? 4 A. Well, the way to get to a recovery factor is 5 you've got to have an oil in place and a recovery. So 6 I've got a recovery at 8 million barrels. Now I need 7 to figure out what oil in place I'm going to use. 8 Basically, I came up with 126 million 9 barrels per section. And that EOR at ten-acre spacing was 8 million, and you come up with a recovery factor 10 11 of 6 percent. 12 0. Okay. 13 A. The other -- I'm sure people will ask me 14 questions about this. 15 O. Well, if there's something you feel is 16 important so say, you know... 17 A. Well, it's just that the Tall Cotton, even 18 though it's a lesser quality rock than most of the other CO2 floods that I've reviewed, the EMSU is 19 20 significantly less quality rock with respect to 21 porosity, oil saturation in the cores and net to gross 22 than that Tall Cotton. 23 So my estimate is that, you know, a 24 range between 1 and 6 percent recovery factor would be reasonable, using the Tall Cotton as an analogy and 25 Page 58

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using Ops' net pay cutoffs as a standard.

1

Q. Next slide here, explain how this relates to
your economic analysis of potential recovery in the
EMSU, based on Ops Geologic's petrophysics.

A. So this is Ops Geologic low side cases. I
used their low side case because I thought the high
side case was unreasonable and not of expectations.

8 But what it does show is that there is a 9 concentration of oil in place, basically just in the 10 crest. So identified by about three or four wells.

11 The Upper San Andres, which has already 12 been penetrated and produced, in that core area of 13 about four sections, they have about 10 million barrels of oil per section. And 10 million barrels at 14 ten acres comes out to about 156,000 barrels. And I 15 16 just did, okay, on a per well basis, 1 to 6 percent 17 recovery, would be 1,500 barrels or 9,300 barrels, which are credibly low. 18

And then I went to the Lower San Andres, which is a much thicker reservoir. If you look at the thickness, it's between 900 and 1,000 feet thick. Other interesting thing here is that the RR Bell, which is an older well, is kind of a unique oil-in-place calculation. If you look at that, it's at 40 million barrels per section, but all the other

1 wells around it are, you know, in the 20 million 2 barrels. 3 And anytime you see an anomaly like that, again, you'd like to investigate it and say is 4 5 there a normalization process with the petrophysics, or is there something that unusual, or is that just a 6 single 40-acre amount of oil in place. 7 8 The other thing you notice on these maps 9 as you extrapolate outside of this area, the oil in place significantly reduces. And if you look at some 10 11 of the estimates from Empire, they used a constant oil 12 in place across the entire unit. 13 But if I was going to do a pilot, if you believed these maps, I would use these areas as my 14 15 pilot project. But based on the recovery factors from 16 the Tall Cotton, I see very little evidence of 17 economic potential recovery. 18 Q. Now, you mentioned Empire using a constant 19 saturation across an area. Are you talking about 20 their economic analysis that Mr. West presented? 21 A. Yes. And John McBeath's analysis, as well. 22 Q. Okay. And you reviewed Empire's economic analysis? 23 24 A. Briefly, yes. Q. Okay. And did you identify that they were 25 Page 60

1 using any of the data provided by any of their 2 experts' petrophysics, geologists, in their economic 3 analysis?

4

A. No, they did not.

Q. Next slide here is, I think, your last
slide. Explain what this means and how it relates
again to your analysis about whether or not there's
potentially economic recoverable hydrocarbons?

9 A. Most of my analysis on this was rebutting some other analysis. But in my opinion, Jim 10 11 Davidson's analysis seemed to fit the data better than 12 anybody else's. So using his analysis, and especially 13 since Jim created his model, but then he applied it to five other blind tests outside the EMSU, and they all 14 15 corroborated the actual data, I felt very comfortable 16 that his model was at least a reasonable 17 representation of the oil in place in the EMSU.

18 If you look down at the table in the 19 bottom, if you notice, the other tables were 10 20 millions barrels per section and 20 million barrels 21 per section. Now, in the producing zone, the actual 22 Grayburg, I have about 21 million barrels in the 23 Grayburg on a per section basis.

24 But as you go below that, the potential 25 residual oil zone, which is the 150 feet below the

1 producing oil-water contact, I have about 9 million 2 barrels per section. 3 Now, if you get down to the transition zone, between 500 and 700, I've got about 5, 6 million 4 5 barrels in place. And even if you use the most exaggerated recovery factors, that becomes 6 insignificant relative to economics. And anything 7 8 below negative 700 where Goodnight is injecting, it's 9 just minuscule. Significantly insignificant to any 10 concept of economic recovery. 11 Q. Mr. Knights, you testified at the beginning 12 that you had experience conducting evaluations, assessments for more than two dozen CO2 fields across 13 14 the Central Basin Platform, right? 15 A. Correct. 16 Q. How does this proposed project here in the 17 EMSU relate to what you've seen and you've assessed in terms of CO2 recovery or potential for an actual 18 19 project, relative to your experience across the 20 Central Basin Platform? A. It would be significantly below the quality 21 22 of reservoirs that I've evaluated previously. 23 Q. Have you seen anything in your analysis that 24 would -- does this compare in any way to anything you've seen in your analyses of CO2 recovery projects? 25 Page 62

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1 A. No. This is a unique animal. Like I 2 mentioned before, all these things are unique animals and you have to take it from the data that you have 3 and evaluate it. 4 5 But in my opinion, there's significant physical data to suggest that Jim's petrophysical 6 7 analysis is probably the most accurate of all. 8 And the other thing I can say is I don't 9 think anybody has underestimated the oil in place. So I think there's another case that could be lower than 10 11 Jim's. 12 Q. What is your opinion -- when you refer to 13 "Jim," you're referring to Dr. Davidson, correct? I apologize. Dr. Davidson and I work 14 A. Yes. 15 in the same office, so I'm very familiar with him. 16 Q. Okay. What's your opinion about whether 17 Empire's producing zone and Goodnight Midstream's disposal zone are in communication? 18 A. There's absolutely no evidence that there's 19 20 any communication. And there's significant evidence that says there's a significant number of permeability 21 barriers between the Goodnight injection zone and all 22 23 of the shallow producing zones and the potential ROZ 24 zones that are above, say, you know, Jim's gamma ray spike at about negative 500. 25

1 So my overall concept is between 2 negative 500 and up is unique, separate. There's some 3 oil saturation up there that somebody might be able to go after. And then from 700 down, it is a complete, 4 5 separate, isolated reservoir that has unique 6 characteristics. And those two won't interfere with 7 each other at all. 8 O. What's your opinion about whether 9 Goodnight's injections impair Empire's ability to develop recoverable hydrocarbons? 10 11 MR. WEHMEYER: Object. This is outside the 12 scope of any of his filed testimony. 13 HEARING OFFICER HARWOOD: Mr. Rankin. 14 MR. RANKIN: Mr. Hearing Officer, 15 Mr. Knights has testified that the scope of his 16 testimony is to evaluate the geology, whether there's 17 any recoverable hydrocarbons and whether there's any communication between those zones that would affect 18 19 recovery. That is exactly what his scope of 20 testimony is. HEARING OFFICER HARWOOD: I'll allow it. 21 22 Overruled. 23 BY MR. RANKIN: 24 Q. Mr. Knights, what's your opinion about whether Goodnight's injection is impairing Empire's 25 Page 64

1 ability to develop recoverable hydrocarbons in 2 Goodnight's disposal interval in the EMSU. A. It would have no impact, in my opinion. 3 Q. What's your opinion about whether Empire can 4 5 develop a potential ROZ in the shallower EMSU 6 intervals while Goodnight continues to dispose of 7 produced water into its disposal zone? 8 A. I think that very -- correct. Could you 9 repeat the question? Q. What's your opinion about whether Empire can 10 11 potentially develop an ROZ in the shallower EMSU 12 intervals while Goodnight continues to dispose of 13 produced water into its disposal zone? A. Yes. I think -- is that the shortest 14 15 answer? 16 Q. In other words, in your opinion --17 A. They're completely isolated and separated. And any activity above negative 500 or above negative 18 19 700 and below 700 are going to be completely isolated. 20 Q. Based on everything you reviewed and 21 everything you've heard, do you believe there's any 22 basis to suspend Goodnight's injection operations? 23 A. Not, I do not. MR. WEHMEYER: Objection. 24 This is absolutely outside of anything the witness would have 25 Page 65

| ,  |  |
|----|--|
| 1  | personal knowledge on, and it's speculation in terms   |
| 2  | of what the Commission should do.                      |
| 3  | HEARING OFFICER HARWOOD: That will be for              |
| 4  | the Commission to decide. Sustained.                   |
| 5  | MR. RANKIN: Very well.                                 |
| 6  | BY MR. RANKIN:   |
| 7  | Q. Mr. Knights, you've heard some discussion           |
| 8  | during Empire's testimony from their witness that more |
| 9  | data is required in order to make a determination on   |
| 10 | the potential for ROZ development in the EMSU.         |
| 11 | What's your opinion about whether or not               |
| 12 | more data is required to make that determination?      |
| 13 | A. I believe there's plenty of data here to            |
| 14 | make a decision. I think the well, I mean, if          |
| 15 | somebody will ask me, I'll                             |
| 16 | Q. Okay. So your bottom line takeaway is that          |
| 17 | there's plenty of data to make a decision about        |
| 18 | whether there's a potential ROZ or whether there's     |
| 19 | injection impacting any potential recoverable          |
| 20 | hydrocarbons, correct?                                 |
| 21 | A. Correct.  |
| 22 | Q. Let me ask you this, Mr. Knights. What's            |
| 23 | your bottom line takeaway opinion about what Empire is |
| 24 | proposing to do here and what Goodnight has been doing |
| 25 | and whether what's your bottom line analysis about     |
|    | Page 66  |
|    |  |

Veritext Legal Solutions Calendar-nm@veritext.com 505-243-5691 1 those two things?

A. Well, I think there's two isolated -different, separate, isolated reservoir potential, and one is an aquifer that is incredibly large and unusual. And one is shallow and isolated and has, in my opinion, maybe a marginal amount of oil in place to be attacked from an economic standpoint.

Q. You said that the San Andres is very large,9 correct?

A. Yes. I think one of the most interesting things is that it's actually under-pressured, so .38 psi per foot. And the amount of withdrawal of fluid and the amount of injecting fluid, with seemingly no indication of pressure buildups, indicates that it's just a tremendously large reservoir.

And it goes back to Melzer and Trentham's theories about how this water was placed and how the migration paths happened and where they did. And matches with the larger scope things that we see in the Central Basin Platform on where the oil is.

21 Q. And just explain, if you would, how that 22 relates to your bottom line opinion. I mean, the size 23 of the reservoir and the pressures, how does that 24 relate to your ultimate conclusions here?

25

A. The concept of fluid migration, especially

1 vertically, would need a pressure differential and a 2 reason to go up. And when you have a significantly 3 large reservoir that's under-pressured and with the withdrawal rates and injection rates showing it has 4 5 incredibly high permeability, there's no reason for 6 the water to go up at all. 7 MR. RANKIN: Thank you very much, 8 Mr. Knights. Mr. Hearing Officer, I have no further 9 questions of Mr. Knights and make him available for 10 11 cross-examination. 12 HEARING OFFICER HARWOOD: All right. It's 10:24. We'll call it 10:25 to make the math easier. 13 Let's come back at 10:40. We'll take our mid-morning 14 15 break. 16 (Recess held from 10:24 to 10:40 a.m.) 17 HEARING OFFICER HARWOOD: Mr. Wehmeyer, cross-examination? 18 19 MR. WEHMEYER: Thank you. 20 CROSS-EXAMINATION 21 BY MR. WEHMEYER: 22 Q. We've never met before, and didn't get a 23 chance to visit at the deposition. That was somebody 24 else, yeah? A. Correct. 25 Page 68

1 Q. Similar to my visit with Dr. Davidson, what 2 I want to kind of talk a little bit about some of the data relied on, some of your methods and ultimate 3 conclusions. 4 5 And before getting into that, I wanted 6 to talk about some of the process that brought you 7 here. I'm going to try to share my screen. 8 And in terms of your original report, do 9 you remember authoring a report on or about August 26, 2024? 10 11 A. Yes. 12 Q. And if we get down to your signature page, 13 you signed that report? 14 A. Correct. 15 0. That was under penalty of perjury? 16 A. I would assume so. 17 Q. And, in fact, you also stamped numerous of 18 your reports with your geology seal? 19 A. Correct. 20 Q. When you put the stamp on the report -- do 21 you remember, did you a stamp this one? 22 A. I don't know. Is it on there? 23 Q. I don't know if I lost it on the watermark with the copy job. I've seen it on others. 24 I just don't know if I lost it. 25

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| 1  | A. I do not know.                                     |
|----|---|
| 2  | Q. What's the significance when you stamp those       |
| 3  | reports?  |
| 4  | A. It's just a professional geologic stamp,           |
| 5  | license. I'm a licensed petroleum geologist.          |
| 6  | Q. Basically, that the work conforms with the         |
| 7  | standards associated with your license?               |
| 8  | A. Yes.   |
| 9  | Q. Now, Mr. Rankin covered at the start of your       |
| 10 | testimony some of these changes you made. And I just  |
| 11 | want to make sure the commissioners have a handle on  |
| 12 | how drastic these changes were that you made.         |
| 13 | The first which you said you were                     |
| 14 | working in the wrong foot increments in interpreting  |
| 15 | Dr. Davidson's work; is that right?                   |
| 16 | A. Correct.   |
| 17 | Q. And so will you explain to the commissioners       |
| 18 | what your error was when you signed your first report |
| 19 | under penalty of perjury with respect to that         |
| 20 | half-foot increment?                                  |
| 21 | A. I summed the hydrocarbon pore volumes, and I       |
| 22 | assumed that it was 1 foot, but it was that wasn't    |
| 23 | me, was it?   |
| 24 | Q. No, sir.   |
| 25 | HEARING OFFICER HARWOOD: Thank you, Sheila            |
|    | Page 70   |

1 for cutting that person off. 2 A. Could you rephrase the question. 3 O. Yes, sir. With respect to the half-foot increment that you erred on in the first place, will 4 5 you tell the Commission how you made that error. 6 A. It was a list of hydrocarbon pore volumes 7 and I summed them up, but it was for half-foot, so I needed to multiply it by.5. And it was -- the file 8 was labeled -- it confused me. 9 Q. So with respect to your opening testimony, 10 11 you rendered opinions as a geologist about 12 hydrocarbons in place here. Yes? 13 A. Correct. Q. Tell the commissioners by way of order of 14 15 magnitude how this changed those oil-in-place 16 estimates. 17 A. 100 percent. Q. So you swore under penalty of perjury, you 18 19 think you actually stamped this thing with your geology seal, with Netherland, Sewell letterhead --20 21 and you can tell the Commission Netherland, Sewell letterhead is on here. Yeah? 22 23 A. Correct. 24 Q. And you said: These are my opinions. These 25 are the reasonable opinions based on my work. Page 71

| 1  | And you were literally off in terms of                 |
|----|--|
| 2  | the hydrocarbons before this Commission by a factor of |
| 3  | 100 percent?   |
| 4  | A. Correct.  |
| 5  | Q. Okay. How did the error come to your                |
| 6  | attention?   |
| 7  | A. I'm not really sure.                                |
| 8  | Q. And that wasn't the only change. After              |
| 9  | Mr. Padilla took your deposition and Mr. Padilla,      |
| 10 | he's not a geologist, is he?                           |
| 11 | A. I don't know.                                       |
| 12 | Q. Okay. Mr. Padilla takes your deposition and         |
| 13 | you make another big change to your opinions, don't    |
| 14 | you?   |
| 15 | A. Relative being a change from 30 percent             |
| 16 | cutoff to the 20 percent saturation cutoff.            |
| 17 | Q. Tell the commissioners in terms of order of         |
| 18 | magnitude on the saturation cutoffs, how does that     |
| 19 | affect the volumes of hydrocarbon here, oil in place?  |
| 20 | A. I don't know. But it added oil in place.            |
| 21 | Q. A significant amount, doesn't it?                   |
| 22 | A. I don't really remember. Maybe 20, 25               |
| 23 | percent.   |
| 24 | Q. Okay. So you're off by a multiple of                |
| 25 | 100 percent because you didn't know the correct foot   |
|    | Page 72  |
| r  |  |
|----|--|
| 1  | increments. And then you're off by another 20 to       |
| 2  | 30 percent because of the cutoff percentage?           |
| 3  | A. Yes.  |
| 4  | Q. How did that error come to your attention?          |
| 5  | A. That wasn't an error. That was a                    |
| 6  | Q. Interpretation?                                     |
| 7  | A. I used 30 percent in my original, more of           |
| 8  | what I expect the oil in place to be. But then I       |
| 9  | realized that everybody else was using 20 percent, and |
| 10 | so I thought, well, just for relative purposes, I      |
| 11 | should join the bandwagon and use 20 percent water     |
| 12 | saturation cutoff.                                     |
| 13 | Q. The water saturation, I mean, that's a big          |
| 14 | variable in input into all of these formulated arrived |
| 15 | at oil in place?                                       |
| 16 | A. Yes. One of the primary cutoffs.                    |
| 17 | Q. And scientific method you used for making a         |
| 18 | deviation from what you swore to in the first place to |
| 19 | what you swore to and sealed in the second place was   |
| 20 | you, quote, unquote, wanted to join the crowd?         |
| 21 | A. Yes. To make it easier for comparable               |
| 22 | reasons.   |
| 23 | Q. One of the slides that Mr. Rankin visited           |
| 24 | first, with respect to the core in 679, did you ever   |
| 25 | physically look at that core?                          |
|    | Page 73  |

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| 1  | A. No. I had pictures.                                 |
|----|--|
| 2  | Q. Well, I guess if you didn't physically look         |
| 3  | at the core, you also never went in and described the  |
| 4  | core. Do I have that right?                            |
| 5  | A. Correct.  |
| 6  | Q. I thought I had Mr. Rankin's presentation           |
| 7  | already pulled up to avoid wasting your time. I        |
| 8  | didn't, so let me get to it. Actually, it threw me     |
| 9  | off. It was titled "Trial Exhibits." I did have it.    |
| 10 | This is not trial exhibits, it's the presentation, but |
| 11 | I've got it. All right.                                |
| 12 | A. Everybody makes a mistake.                          |
| 13 | Q. We're in the presentation that you just went        |
| 14 | through, and I want to focus on this core. So we know  |
| 15 | you didn't look at the core. We know you didn't        |
| 16 | describe the 679 core. In building a facies model,     |
| 17 | which is what Dr. Davidson used yes?                   |
| 18 | A. I believe he did.                                   |
| 19 | Q wouldn't it be really important to                   |
| 20 | actually look at the core and study the core and       |
| 21 | describe the core as part of building that facies      |
| 22 | model?   |
| 23 | A. Not necessarily.                                    |
| 24 | Q. You also didn't use the RR Bell core at all         |
| 25 | as part of the analysis, did you?                      |
|    | Page 74  |
|    | Page /4  |

| 1  | A. In my analysis?                                    |
|----|---|
| 2  | Q. In Dr. Davidson's analysis, which, again,          |
| 3  | you rely on his analysis in terms of building         |
| 4  | oil-in-place numbers, right?                          |
| 5  | A. Yes, his petrophysical analysis.                   |
| 6  | Q. Would using the RR Bell core have been             |
| 7  | important to that if you're going to rely on a facies |
| 8  | model?  |
| 9  | A. I really don't know.                               |
| 10 | Q. With respect to the facies model, in terms         |
| 11 | of rock facies, that would be a geologist that would  |
| 12 | assist with identifying and selecting rock facies.    |
| 13 | Yes?  |
| 14 | A. It would be helpful to be a geologist.             |
| 15 | Q. Did you assist Dr. Davidson in his rock            |
| 16 | facies selection?                                     |
| 17 | A. No.  |
| 18 | Q. Dr. Davidson, is he a geologist?                   |
| 19 | A. Not by degree, no.                                 |
| 20 | Q. Why didn't you help Dr. Davidson with the          |
| 21 | rock facies selection if you're a geologist or        |
| 22 | actually a geologist that's been designated as an     |
| 23 | expert in this case?                                  |
| 24 | A. Because Jim is an expert petrophysicist, and       |
| 25 | one of his main jobs is describing rocks from their   |
|    | Page 75   |

| 1  | petrophysical characteristics, which are not always    |
|----|--|
| 2  | visual but actually quantitative.                      |
| 3  | Q. As we talk about reliability of testimony, I        |
| 4  | want to focus in on this EMSU 679 core. Did you add    |
| 5  | the purple arrows that go up and down?                 |
| 6  | A. The blue and green arrows, I added. And the         |
| 7  | depths at the bottom, I added.                         |
| 8  | Q. So 4230, 4232?                                      |
| 9  | A. Yes.  |
| 10 | Q. And the descriptions there to the side of           |
| 11 | the blue arrows, when it says, "Non-Fractured, Non-Oil |
| 12 | Stained," did you add that?                            |
| 13 | A. Yes.  |
| 14 | Q. And so in your testimony with Mr. Rankin,           |
| 15 | what you were explaining is that you have oil-stained  |
| 16 | intervals that you can see the staining, and then you  |
| 17 | have an interval next to it that's not oil-sustained?  |
| 18 | A. Correct.  |
| 19 | Q. And just for the commissioners, as we assess        |
| 20 | qualifications and reliability of testimony, how were  |
| 21 | these cores prepared?                                  |
| 22 | A. I would assume standard procedures.                 |
| 23 | Q. Can you describe those standard procedures?         |
| 24 | A. Not specifically.                                   |
| 25 | Q. Now, if we just take let's take this one            |
|    | Page 76  |

| 1  | as an example. Can you see my cursor? I'm at 4236.     |
|----|--|
| 2  | A. Yes.  |
| 3  | Q. Do you see the blue arrow?                          |
| 4  | A. Yes.  |
| 5  | Q. And then there's a green arrow immediately          |
| 6  | below it. You added both of those?                     |
| 7  | A. Correct.  |
| 8  | Q. And you saw fit to add the verbiage                 |
| 9  | "Non-Fractured, Non-Oil Stained," to the one below it? |
| 10 | A. Correct.  |
| 11 | Q. Explain to the commissioners what's                 |
| 12 | important about that distinction between the stained   |
| 13 | above and the non-oil-stained below, according to you? |
| 14 | A. It shows stratigraphic variation over               |
| 15 | limited intervals of about a foot to half a foot, that |
| 16 | you can have stratigraphic variations in a horizontal  |
| 17 | sense.   |
| 18 | Q. Can you explain, as a matter of geology, how        |
| 19 | on earth it could be that you could have this very     |
| 20 | you would agree this is very highly oil-stained right  |
| 21 | here where I'm indicating at the bottom of the green   |
| 22 | arrow?   |
| 23 | A. Correct.  |
| 24 | Q. And then just immediately touching it, there        |
| 25 | would be no oil staining whatsoever?                   |
|    | Page 77  |

| 1  | A. Correct.  |
|----|--|
| 2  | Q. Just explain, as a geologist, now that              |
| 3  | happens, so that the commissioners understand.         |
| 4  | A. Well, there's probably a permeability               |
| 5  | separation, a depositional separation. It could be an  |
| 6  | unconformity, that fluid properties migrating through  |
| 7  | one does not migrate through the other. And it also    |
| 8  | indicates that there's lateral migration and not       |
| 9  | vertical migration.                                    |
| 10 | Q. As a scientist, are you familiar with the           |
| 11 | term that Dr. Davidson used after coming back from the |
| 12 | break and visiting with counsel, called a              |
| 13 | "preponderance of the evidence"?                       |
| 14 | MR. RANKIN: Objection.                                 |
| 15 | BY MR. WEHMEYER:                                       |
| 16 | Q. Is "preponderance of the evidence"                  |
| 17 | MR. RANKIN: Characterization. Objection.               |
| 18 | HEARING OFFICER HARWOOD: Rephrase. Leave               |
| 19 | out the "after visiting with counsel."                 |
| 20 | BY MR. WEHMEYER:                                       |
| 21 | Q. So you were in here when we were on this            |
| 22 | issue of barriers and I said: Are you going to sit     |
| 23 | here for Netherland, Sewell and tell these             |
| 24 | commissioners that there's a barrier?                  |
| 25 | And he said no.  |
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1 Do you remember that? 2 A. I remember that diatribe. I'm not really sure I understand what the conclusions were. 3 Q. And then we came back from lunch and he 4 5 started speaking of a preponderance standard. Do you 6 remember that? 7 A. I don't remember those exact words. 0. Does preponderance have any scientific 8 meaning? Sounds kind of like a legal thing. Does 9 preponderance have any meaning in your science world? 10 11 A. I mean, it means -- to me, it means a lot. 12 Q. Okay. 13 A. I have more than just a piece of data. Q. And we may have just missed. Is that a 14 15 scientific term, that you're aware of? 16 A. Scientific? I don't know if I have a 17 scientific dictionary, but not a defined scientific 18 term. 19 Q. As you've worked with Dr. Davidson over the 20 last 15, 20 years, have ever heard him use the phrase 21 or term "preponderance"? A. I don't know. 2.2 23 Q. Well, let's pick your -- I asked why, as we 24 look at this 4236 -- and, again, after all the work 25 and the many written statements in the case that Page 79

1 you've signed, there's been at least five different 2 signed statements by you, right? A. I think -- yeah. One revised, one revised 3 and a sur. Five. 4 5 O. Plus a sworn deposition? 6 A. So is that six? 7 Q. I wouldn't count the deposition. But you 8 did that, too. 9 A. Okay. Q. So after all of those, Mr. Rankin and you 10 11 selected 24 slides here, give or take, to come and 12 tell the story. And this was one of them, right? 13 A. Yes. 14 Q. And I asked how on earth do you explain 15 that, and you said -- you gave the commissioners how 16 you would explain the difference between how you can 17 have oil staining immediately above and non-oil stain immediately below, right? 18 A. Yes. I'm not sure I understand that 19 20 question. Q. Yeah. I asked how, as a matter of science, 21 22 do you explain this highly oil-stained core, and then 23 immediately below it, there's no staining at all. And then you gave the commissioners under oath here an 24 explanation, according to you as a geologist, how that 25 Page 80

| 1  | happens.   |
|----|--|
| 2  | A. How it could happen, yes.                           |
| 3  | Q. And is that to the standard of whatever             |
| 4  | certainty you would hold yourself to and Netherland,   |
| 5  | Sewell to as part of your work in the case?            |
| 6  | A. I believe that's a good explanation of how          |
| 7  | that could occur.                                      |
| 8  | Q. It's not just a wild guess. You chose 24            |
| 9  | slides. This is one you thought was most important.    |
| 10 | I asked how on earth does this happen from what you    |
| 11 | decided was an important slide. You gave the           |
| 12 | commissioners your answer, and you're standing by that |
| 13 | and that's the degree of rigor that you, as an expert, |
| 14 | bring to it. Yes?                                      |
| 15 | A. I'm still not sure I understand the                 |
| 16 | question.  |
| 17 | Q. Is this a part of a full diameter core              |
| 18 | analysis?  |
| 19 | A. This is probably half-slabbed core.                 |
| 20 | Q. So with respect to core analysis, with              |
| 21 | respect to each foot, are they going to actually pull  |
| 22 | that core out and clean it before measuring porosity   |
| 23 | and permeability?                                      |
| 24 | A. I would probably say in some cases, they do,        |
| 25 | in some cases, they don't.                             |
|    |  |

| 1  | Q. And then there's going to be a smaller piece        |
|----|--|
| 2  | from the thick side of the slabbed core that's crushed |
| 3  | to acquire oil and water saturation?                   |
| 4  | A. Correct.  |
| 5  | Q. And the cleaning of the core, that's going          |
| 6  | to be done before the core is slabbed, correct?        |
| 7  | A. Before the core is slabbed?                         |
| 8  | Q. Yes. The cleaning of the core to measure            |
| 9  | porosity and permeability is going to happen before    |
| 10 | the core is slabbed. Do you understand that that is    |
| 11 | part of the Core Labs process on full diameter core    |
| 12 | analysis?  |
| 13 | A. I would defer to my petrophysical expert on         |
| 14 | that. He understands.                                  |
| 15 | Q. And then only after all that is the slab            |
| 16 | going to be photographed and described? Or you don't   |
| 17 | know?  |
| 18 | A. That could be a procedure.                          |
| 19 | Q. So following  |
| 20 | A. Sounds reasonable.                                  |
| 21 | Q. So following full diameter core analysis,           |
| 22 | the core will have been stripped of all appearance of  |
| 23 | non-oil-stained core in each foot and a piece of core  |
| 24 | that is oil-stained and then you get the photographs.  |
| 25 | In terms of the procedure that came for                |
|    |  |
|    | Page 82  |

these photographs to be, you have no idea, do you?
 A. Typically, they're not cleaned before they

3 do the core analysis.

Q. Dr. Lindsay shot through the roof when he 4 5 saw this slide from you. Do you understand the explanation for how two pieces of core that are 6 touching each other and one is heavily oiled-stained 7 8 and other one is not, is that it has literally been 9 cleaned out as part of this procedure? That literally all of the oil that was in that slab, that looked just 10 11 like the one above it --

MR. RANKIN: Objection, Mr. Wehmeyer istestifying.

HEARING OFFICER HARWOOD: Overruled.
A. So yes, that could be an explanation for
that as well.

Q. Wouldn't that be a more likely -- I'm not a geologist. But just looking at this thing, wouldn't that seem to make more sense, as a matter of science, when you see something that heavily oil-stained immediately above the one that is not?

A. Yes. I think that would be reasonable.
Q. Why before coming in here and giving the
Commission these opinions, did you not do the work to
be able to speak authoritatively and clearly on

important issues like this?

A. I guess I could have done more rigorous
detail, but the specifics I was trying to get to here
was that the fractures do not extend across vertical.

Q. Well, as we talk about fractures, again, so to help orient the commissioners, this core is about a inches in diameter, give or take, 3 and a half inches?

A. Okay.

Q. So as we get this core, even if it went all the way down to the Grayburg, you're only getting to look at 3 inches. And so if a fracture is apparent here and doesn't work perfectly vertically straight through the entire core, it's going to meander outside of the 3 inches in diameter and you're got going to see the continuous nature; isn't that right?

17

1

9

A. Correct.

Q. And so as you talk about noncontinuous fractures, that they're observed in shorter intervals, there's no way to view one fracture that's going to go perfectly straight up in the core, is there?

22

A. Correct.

Q. Now, just while we're on the slide, and I'm jumping around a bit, but fracture studies, did you perform any fracture studies here?

| 1  | A. No.  |
|----|---|
| 2  | Q. Did you perform any frac gradient studies?         |
| 3  | A. No.  |
| 4  | Q. And so if the commissioners wanted to know         |
| 5  | with respect to these fractures and we can agree      |
| 6  | that there's fractures in this core, right?           |
| 7  | A. Correct.   |
| 8  | Q. And because you showed a different slide           |
| 9  | I'm now working off of your Slide 18. That doesn't    |
| 10 | show a lot of fractures. That was one of the reasons  |
| 11 | you chose this one?                                   |
| 12 | A. No. I chose this one because it had some           |
| 13 | stratigraphic variability and permeability            |
| 14 | variability.  |
| 15 | Q. Obviously, whether we're talking RR Bell or        |
| 16 | the 679, we can certainly find plenty of sections in  |
| 17 | that core that has extensive fractures in it, can't   |
| 18 | we?   |
| 19 | A. I do not know. I didn't look at all the            |
| 20 | core.   |
| 21 | Q. And I guess the discussion about fractures,        |
| 22 | was that really to the ends of Mr. Rankin's questions |
| 23 | over this idea of impermeable barriers or baffles of  |
| 24 | barriers to flow?                                     |
| 25 | A. Could you restate that question?                   |
|    |   |

1 Q. Yeah, just why we're talking about 2 fractures. 3 A. Why we're talking about -- is that a 4 question or --5 Q. Yes, sir. And I appreciate you asking me to 6 rephrase. 7 The reason that we're talking about 8 fractures and core is because this is part of your 9 story on the testimony that pertains to communication between the Grayburg and the San Andres? 10 A. Correct. 11 12 Q. And so did you review Bob Lindsay's fracture 13 study that he prepared? A. Yes. 14 15 Q. And he's also now prepared one for the 16 RR Bell core. Would you like to see that one? 17 A. Not really. Q. But I'm trying to understand in terms of the 18 19 baffles, what were your parameters for setting a 20 baffle flag? Or did you set the baffle flag or are 21 those Dr. Davidson's over on the --A. Those are Dr. Davidson's. 22 23 Q. Did you come up within any baffle flags? 24 A. The only baffle flags are on one of my other 25 slides here, where I represented two wells, using a Page 86

1 sensitivity of where I would create some baffles in 2 those two logs. 3 O. And what were your standards for those baffles? 4 5 A. Well, they're two visual things. One using Dr. Birkhead's permeability estimate of less than .2 6 millidarcies. And then I also used a 7 percent 7 8 porosity as an analogy for things that are less than 1 9 millidarcy perm. O. You've seen Mr. Birkhead's slides. 10 There 11 are certainly places in the core that have very low 12 porosity but very high permeability. 13 A. Low porosity and high permeability? 14 O. Yes. 15 A. Yes. 16 Q. That is the characteristic of the rock in this area. You will find places that have low 17 18 porosity, high permeability? 19 A. Yes. The lower the porosity, the least 20 likely it is to have high perm. Q. However, as it comes to bear here on what 21 22 was actually observed and measured in the core, that is not the case in a great many places. 23 There are 24 plenty of places with low porosity that have very high 25 permeability?

1 A. Plenty of -- I didn't do a statistical 2 analysis on that. Q. So in terms of talking about barriers to 3 flow or baffles to flow, you have not done a study 4 5 looking at in instances of low porosity, what the 6 permeability looks like; is that true? 7 A. No. I've looked at all the porosity perm 8 plots, so I've looked at all that data. 9 Q. So now I'm just going to illustrate -- can you see in -- this is a slide that I think you either 10 11 showed the exact slide or some variation of it, right? 12 A. Yeah. I understand it, though. 13 Q. To orient the commissioners, the purple dots are core measurements out of the 679. 14 The lighter 15 green is North Monument. Blue is the 458. And the 16 other shade of green is the Bell. Correct? 17 A. Was that to me, correct? 18 O. Yes. A. Yes. 19 20 Q. And so with respect to your baffle cutoff, 21 you were looking at 7 percent porosity? 22 A. That was one of my estimates, and the other was .02 millidarcy from Dr. Birkhead's work. 23 0. .02 or .2? 24 25 A. .02. Page 88

1 Q. And so if it was less than 7 percent 2 porosity, did you give consideration to permeability, or did you call that a baffle? 3 A. No. 4 I just said that that was perm 5 barriers, potential perm barriers. 6 Q. Something with less than 7 percent porosity 7 you called a potential perm barrier? 8 A. Correct. 9 Q. That was the only standard? A. No. Also the .02 millidarcy from 10 11 Dr. Birkhead's work. 12 Q. So would it have to be less than 7 percent 13 porosity and also less than .2 millidarcy in 14 permeability? 15 A. No. 16 Q. So if it was nearly under 7 percent 17 porosity, that was enough to trip a flag for you to call it a perm barrier? 18 19 A. Yeah, a potential perm barrier. 20 Q. Irrespective of what the permeability would 21 be below that 7 percent? 22 A. Correct. 23 Q. Where in science would you find that 24 7 percent porosity would be a perm barrier? Where can I read that as a matter of industry standard or 25 Page 89

acceptance?

1

A. Now, that is -- literature, I'm not sure. But 7 percent is basically that 50/50. Half of those are above 1 millidarcy and half of them are below 1 millidarcy. So it gets you a likelihood that that is maybe not more than likely, but a reasonable vertical perm barrier.

Q. Okay. And so if -- and I'm not being a smart aleck with this. But other than taking your say-so, if the commissioners wanted to know where does this standard of less than 7 percent porosity somehow become a perm barrier, what is that?

A. It would go back to the porosity perm plot, and you look at the plot and you look at 7 percent porosity and you look at the distribution of permeabilities within there. You do have a few points that are very, very high permeability, but you have a significant portion of those that are lower permeability.

20 So when you put those barriers up, if 21 you have a significant number of -- there's a 50/50 22 chance that that's a perm barrier, and you have enough 23 of those, it becomes a preponderance of the evidence.

Q. And I'm just trying to understand this.
Because you didn't give consideration to permeability

| 1  | on your 7 percent porosity cutoff for making a         |
|----|--|
| 2  | barrier. And I hear you're cutting it two ways. You    |
| 3  | were cutting it at Mr. Birkhead's .2 millidarcy on     |
| 4  | perm   |
| 5  | A02.   |
| 6  | Q02 or you would cut it at anything                    |
| 7  | under 7 percent porosity, right?                       |
| 8  | A. Yes. Those are two reasonable definitions           |
| 9  | of the .02 is probably highly likely. The              |
| 10 | 7 percent is probably reasonably likely.               |
| 11 | Q. But wouldn't you want to know what the if           |
| 12 | you're cutting this off as 7 porosity, wouldn't you    |
| 13 | want to know, based on these particular rock           |
| 14 | properties, what permeability looks like in that rock? |
| 15 | A. Well, the problem with using actual                 |
| 16 | permeability is you need a core data. And for          |
| 17 | 99.9 percent of the rock when you're making these      |
| 18 | analyses, you're not going to have core data. So       |
| 19 | you're going to have to use some statistical analysis  |
| 20 | to determine more than likely or less than likely what |
| 21 | the perm of that rock would be if you did not have     |
| 22 | core data.   |
| 23 | And if you look at this graph, you can                 |
| 24 | see very few points at 7 percent porosity are in the   |
| 25 | high permeability. So it's very unlikely that you'll   |
|    | Page 91  |

| 1  | have a 7 percent or lower porosity that has a high     |
|----|--|
| 2  | permeability, but you will have some.                  |
| 3  | Q. Well, help me. And this is me being a               |
| 4  | lawyer and not an engineer or a scientist. I'm seeing  |
| 5  | the 7 percent, your cutoff am I indicating             |
| 6  | correctly on this X axis with the cursor where your    |
| 7  | cutoff would be?                                       |
| 8  | A. Yes.  |
| 9  | Q. Am I at the right increment over here at the        |
| 10 | far left, this .02 millidarcy?                         |
| 11 | A. Yes.  |
| 12 | Q. As you talk about core, aren't all of the           |
| 13 | data plots that I'm circling here instances that would |
| 14 | be over .02 millidarcy of permeability but less than   |
| 15 | 7 percent porosity that were actually measured in      |
| 16 | these four different cores?                            |
| 17 | A. Correct.  |
| 18 | Q. And obviously, if you have those types of           |
| 19 | millidarcy of permeability, fluid will flow, won't it? |
| 20 | A. Not necessarily.                                    |
| 21 | Q. Why not?  |
| 22 | A. Well, the 1 millidarcy is a standard                |
| 23 | traditional cutoff for oil fluid flow. And so          |
| 24 | anything below that is probably more than likely going |
| 25 | to be a barrier to fluid flow.                         |
|    |  |

1 Q. We'll take that in two pieces. Let's just 2 start first with the one that you just offered here. So that the commissioners aren't mislead, that would 3 4 be in conventional mobile oil type environment. Yes? 5 A. Correct. 6 Q. So if we're looking below -- so you said you 7 set your baffle flag at 7 percent porosity. Based on 8 actual measured core data, if we use the 1, you can 9 tell the commissioners that there's piles of plots here that have over 1 millidarcy of permeability 10 11 measured at less than 7 percent porosity, true? 12 A. Correct. 13 Q. And according to you, over 1 millidarcy, we should all be expecting fluid to flow at that 14 15 permeability, right? 16 A. Yes, in a horizontal perspective. 17 Q. What if we add CO2 and we're no longer speaking in a conventional world? You understand this 18 19 whole proceeding that week three of this is over 20 Empire going in with CO2? 21 A. Correct. 22 Q. I only ask, this is being a little bit smart aleck, because we've spent a lot of time talking about 23 mobile oil in conventional world. And in terms of 24 mobile oil, you understand Empire is not expecting to 25

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| 1  | get mobile oil in the San Andres? We're on the same   |
|----|---|
| 2  | page with that?                                       |
| 3  | A. Correct.   |
| 4  | Q. If you apply CO2, the 1 millidarcy of              |
| 5  | permeability that you spoke to in the conventional    |
| 6  | world, that comes down significantly, doesn't it?     |
| 7  | A. Correct.   |
| 8  | Q. How far down would that come?                      |
| 9  | A. I do not know.                                     |
| 10 | Q. Would .1 at least be a reasonable estimate?        |
| 11 | A1 for a gas reservoir would be about what            |
| 12 | Dr. Davidson assumed was a 7 percent porosity cutoff. |
| 13 | Q. I'm talking about permeability now. I'm            |
| 14 | sorry, we may have missed.                            |
| 15 | If you're adding CO2 can you now expect               |
| 16 | fluid to flow at .1 millidarcy of permeability?       |
| 17 | A. Gas to flow at .1 millidarcy.                      |
| 18 | Q. At what point would you have oil flow?             |
| 19 | A. Somewhere between less than 1 millidarcy,          |
| 20 | I would assume, if it's got a gas component.          |
| 21 | Q. How about water?                                   |
| 22 | A. Water, probably around that 1 millidarcy,          |
| 23 | plus or minus.  |
| 24 | Q. Have you done that work?                           |
| 25 | A. No.  |
|    | Page 94   |

| 1  | Q. You're guessing at this?                           |
|----|---|
| 2  | A. No. I am making a professional judgment.           |
| 3  | Q. Okay. But just as we put this plot into            |
| 4  | perspective, you would set your baffle flag you did   |
| 5  | set your baffle flag over here at 7 percent porosity. |
| 6  | And so now I'm asking in a CO2 world, you talked      |
| 7  | about one, and I showed you where we've got plotted   |
| 8  | core in four different cores in the San Andres and    |
| 9  | Grayburg that have plots that are well over 1. If we  |
| 10 | add CO2, we get even more of these data points that   |
| 11 | would then fall into fluid                            |
| 12 | A. Some mobility, yes.                                |
| 13 | Q. With respect to permeability barriers, if we       |
| 14 | come back to your what I'm trying to figure out       |
| 15 | is were you here during the opening remarks by        |
| 16 | Mr. Rankin, the very first day? We came in on a       |
| 17 | Thursday and there was opening argument. Do you       |
| 18 | remember that?  |
| 19 | A. I probably don't remember it specifically,         |
| 20 | but I think I was here.                               |
| 21 | Q. You were here, yeah. And Mr. Rankin said           |
| 22 | that his experts were not given any guidance on where |
| 23 | the analysis was supposed to end up or where the      |
| 24 | conclusions were to lie. He wanted them to come and   |
| 25 | make an objective assessment. Do you remember him     |
|    |   |

1 mentioning that in opening arguments one way or the 2 other? 3 A. To that effect, yeah. I would assume that 4 that was... 5 O. I want to look back at your original report. 6 I think this is the one before the correction, and 7 this is no gotcha with the correction or not, but this was the very first one you signed. Can you read that? 8 9 What was the second charge that you were given as part 10 of your work here? Can you read Number 2 to the 11 commissioners? 12 A. Evaluate and confirm the presence of 13 geologic barriers isolating the San Andres Formation 14 from the overlying Grayburg Formation. 15 O. Why were you not engaged to just evaluate 16 the potential presence of barriers? Why were you 17 engaged to actually confirm the presence of geologic barriers? 18 19 A. That is what it states there, but my 20 analysis, if it did not find barriers, that would have 21 been my analysis. 22 Q. Is the reason that you were retained to confirm the presence of barriers that Goodnight had 23 24 already drilled and was injecting saltwater into Empire's oil unit? 25

| 1  | A. Could you rephrase that?                            |
|----|--|
| 2  | Q. At the time that you were hired to confirm          |
| 3  | barriers, was the reason they were asking you to       |
| 4  | confirm, as opposed to evaluate whether they existed   |
| 5  | at all, because they were already injecting into the   |
| 6  | oil unit?  |
| 7  | A. At the time, I did not know. And although           |
| 8  | it does say "confirm the presence of geologic          |
| 9  | barriers," I interpreted that to be confirm or         |
| 10 | unconfirm or deny.                                     |
| 11 | Q. Can you tell the commissioners about an             |
| 12 | instance in which you would have been hired before     |
| 13 | this to confirm geologic barriers?                     |
| 14 | A. No.   |
| 15 | Q. So if the commissioners want to know how            |
| 16 | often you go around, as a Netherland, Sewell expert,   |
| 17 | confirming the presence of geologic barriers, this     |
| 18 | would have been the first time you were hired to do    |
| 19 | that?  |
| 20 | A. It was the first time there was something           |
| 21 | written that said that in a bullet point. But          |
| 22 | confirming permeability barriers is basically what I   |
| 23 | do for a living, determining net pay and what is a     |
| 24 | barrier, what is a reservoir, what is non-reservoir,   |
| 25 | what is quality of rock, what is poor quality of rock, |
|    | Dage 97  |

1 what is reasonable quality of rock.

| 2  | Q. So just coming back here to confirming the         |
|----|---|
| 3  | presence of these baffles, in your reports, and I can |
| 4  | show you examples, but you use the phrase "potential  |
| 5  | barriers to flow." You know that you have hedging     |
| 6  | language throughout these reports that do not say     |
| 7  | Netherland, Sewell is saying there is, in fact, a     |
| 8  |   |
|    | barrier. It says that there might potentially be a    |
| 9  | barrier?  |
| 10 | A. Correct.   |
| 11 | Q. Is that the testimony of Netherland, Sewell        |
| 12 | in this case today?                                   |
| 13 | MR. RANKIN: Objection. Netherland, Sewell             |
| 14 | is not testifying. Mr. Knights is testifying.         |
| 15 | HEARING OFFICER HARWOOD: Well, he's an                |
| 16 | agent. I'll allow it allow. Overruled.                |
| 17 | A. Can you repeat the question.                       |
| 18 | Q. I'm just trying to see if you're sticking          |
| 19 | with the reports or if we need another revision.      |
| 20 | Is it the testimony of Netherland,                    |
| 21 | Sewell, through you, as its agent, that there is a    |
| 22 | potential barrier?                                    |
| 23 | A. Yes.   |
| 24 | Q. Is it the testimony of you, as Netherland,         |
| 25 | Sewell's agent, that there is, in fact, a barrier?    |
|    |   |
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| 1  | A. There are many barriers between the 350 and        |
|----|---|
| 2  | the 700 feet that I kind of evaluated.                |
| 3  | Q. Is it the testimony of Netherland, Sewell          |
| 4  | and Netherland, Sewell is the entity actually engaged |
| 5  | here to work, right?                                  |
| 6  | A. Correct.   |
| 7  | Q. Is it testimony of Netherland, Sewell that         |
| 8  | there is, in fact, across the entirety of the EMSU an |
| 9  | impermeable barrier that prohibits the flow of any    |
| 10 | fluid from the San Andres into the Grayburg? Yes or   |
| 11 | no?   |
| 12 | A. Could you repeat that again? I got to get          |
| 13 | all these.  |
| 14 | Q. That's okay. The goal is to get this as            |
| 15 | accurate at possible, and I appreciate you asking me  |
| 16 | to break it down and clarify. I'll strike that.       |
| 17 | As we visit concretely here on this                   |
| 18 | project, let me start with the first question, is it  |
| 19 | the testimony of Netherland, Sewell, or you as its    |
| 20 | agent, that there is a potential barrier to flow      |
| 21 | between the Lower San Andres and the Grayburg?        |
| 22 | A. Yes, from  |
| 23 | MR. RANKIN: Objection. Form.                          |
| 24 | THE WITNESS: Oh, sorry.                               |
| 25 | HEARING OFFICER HARWOOD: Overruled.                   |
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1 BY MR. WEHMEYER: 2 Q. Is it the testimony of you and Netherland, Sewell here to this New Mexico Oil Conservation 3 Commission that there is, in fact, an impermeable 4 5 barrier all the way across the EMSU that prohibits the flow of fluid from the San Andres into the Grayburg? 6 7 Yes or no? 8 MR. RANKIN: Objection. Foundation. He's 9 talking about formation nomenclature that Mr. Knights did not address in his testimony. So I think the 10 11 question needs to be specified so he understands the 12 question. 13 HEARING OFFICER HARWOOD: Overruled. 14 A. With a caveat. Can I put a caveat in yes or 15 no or say it's gray? I don't know. 16 Q. Is it gray? 17 A. Well, the specific statement you made, is there a barrier, one barrier across the entirety of 18 the EMSU, I would say I have not identified one single 19 20 barrier, but many individual barriers. 21 Q. With respect to what you're saying, "many 22 individual barriers," is it the testimony of you, for 23 Netherland, Sewell here to this New Mexico Oil 24 Conservation Commission that taking the many barriers that they prohibit -- that it is an impermeable 25 Page 100

1 barrier that does, in fact, prohibit any fluid 2 migration from the San Andres into the Grayburg? A. I would say significantly inhibits. 3 Q. Can you help me with the difference between 4 5 significantly inhibits and completely stops? 6 A. I'm not 100 percent sure, but the preponderance of the evidence that I've reviewed 7 8 indicates that there is more likely strong indications 9 of permeability barrier between fluid flow from the Goodnight injection zones and the Empire shallow 10 11 production and the shallower potential ROZ. 12 MR. WEHMEYER: I'd object to the 13 nonresponsive and ask that that be stricken. And this is to the ends of -- I'm not going to fuss with 14 15 him or fight over it with him on decorum, but I do 16 need the answer to the specific question I'm asking. 17 HEARING OFFICER HARWOOD: Well, reask it I'm not going to strike the answer. 18 then. BY MR. WEHMEYER: 19 20 Q. The question is, if you'll focus on --21 A. Yeah, I'm... 22 Q. -- what is the difference between significantly inhibits and completely stops? 23 24 A. The degree of certainty. 25 Q. You're saying that that is -- a degree of Page 101

| 1  | certainty is what differentiates those two things?     |
|----|--|
| 2  | A. Yes.  |
| 3  | Q. Have you opined anywhere on a degree of             |
| 4  | certainty as to "significantly inhibits"?              |
| 5  | A. No.   |
| 6  | Q. And if Mr. Rankin comes back after the              |
| 7  | break, you're not going to be able to put a percentage |
| 8  | on that, are you?                                      |
| 9  | A. No.   |
| 10 | Q. Now, as a geologist, I thought I heard              |
| 11 | Mr. Rankin's objection a moment ago that you don't     |
| 12 | know where the San Andres is. You didn't pick any      |
| 13 | tops of the San Andres, did you?                       |
| 14 | A. No.   |
| 15 | Q. Well, you're laughing. Help me with that.           |
| 16 | Why are you laughing on a question when we've got 21   |
| 17 | witnesses in this thing, and the Commission has got to |
| 18 | make a decision, and I ask the geologist, "Did you     |
| 19 | pick the top of the San Andres" and you laughed? Tell  |
| 20 | me why that one is a funny one?                        |
| 21 | A. You have a number of geologists picking the         |
| 22 | top of the San Andres at various places. You didn't    |
| 23 | need another one to put another estimate on there.     |
| 24 | The problem with the San Andres is it's                |
| 25 | just not a defined interval. So it's basically to the  |
|    | Page 102   |

1 winds of whoever is picking it, for whatever reason 2 they're picking, where they are picking it. And I 3 didn't want to get into that guagmire. 4 Q. Well, maybe we are going to get to that 5 person, but we've deposed everything that moves, and I haven't seen it yet. 6 7 Who is the Goodnight witness that is 8 going to get on the stand and tell the Commission that 9 they picked the top of the San Andres? A. I would assume that would be Preston 10 McGuire, I think. 11 12 Q. Did he pick them or did he rely on hearsay 13 from someone that is no longer with the company? 14 A. I do not know. Again, I tried to stay away 15 from that. 16 Q. Do you know where the Lovington Sand is? 17 A. I never really looked for it. The 18 nomenclature was new to me. O. In terms of if the commissioners want to 19 20 know where the top of the San Andres is -- strike 21 that. 22 If the commissioners want to know, according to Mr. Knights, where the Upper San Andres, 23 is that any analysis you performed? Could you all 24 tell them where the Upper San Andres is? 25 Page 103

| 1  | A. No.  |
|----|---|
| 2  | Q. If they wanted to know where the Lower             |
| 3  | San Andres is, as the geologist here, could you tell  |
| 4  | them where the Lower San Andres is?                   |
| 5  | A. No.  |
| 6  | Q. If they wanted to know where the Lovington         |
| 7  | Sand is, you couldn't tell them where the Lovington   |
| 8  | Sand is?  |
| 9  | A. No.  |
| 10 | Q. Now, in terms of the as we continue this           |
| 11 | barriers to flow, we saw at Number 2 here in your     |
| 12 | report that your task was to confirm the presence of  |
| 13 | geologic barriers isolating the San Andres Formation  |
| 14 | from the overlying Grayburg Formation. I read that    |
| 15 | correctly?  |
| 16 | A. Yes, you did.                                      |
| 17 | Q. You heard your counsel's objection earlier         |
| 18 | that you didn't know where the San Andres was, right? |
| 19 | A. Correct.   |
| 20 | Q. So how did you confirm the presence of             |
| 21 | geologic barriers isolating the San Andres Formation  |
| 22 | from the overlying Grayburg Formation if you didn't   |
| 23 | even pick the tops, you don't know where it is, you   |
| 24 | don't know where the Lovington is, you don't know     |
| 25 | where Upper San Andres is or the Lower San Andres is? |
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| 1  | A. I defined my own internal nomenclature.             |
|----|--|
| 2  | Q. Will you help the commissioners with what           |
| 3  | your methodology was to pick the was it just the       |
| 4  | 7 percent porosity cutoff, as you went about work here |
| 5  | as a geologist? Was that it?                           |
| б  | A. No.   |
| 7  | Q. What then was your methodology? Move now            |
| 8  | not from data but the we're moving over to             |
| 9  | methodology. What was your methodology to confirm a    |
| 10 | barrier?   |
| 11 | A. Trying to look at preponderance of data and         |
| 12 | defining where reservoirs are. And so the two          |
| 13 | reservoirs that I've defined that people variously     |
| 14 | call whatever name they want to, are the Goodnight     |
| 15 | injection zone, which is significantly below a         |
| 16 | negative 700 feet and it was defined by permeability   |
| 17 | fluid flow, water supply wells and injection wells,    |
| 18 | that had a unique characteristic from a reservoir      |
| 19 | quality perspective.                                   |
| 20 | And then I had the additional                          |
| 21 | information on the Grayburg producing oil-water        |
| 22 | contact that has significantly different reservoir     |
| 23 | characteristics.                                       |
| 24 | And then I had the petrophysical                       |
| 25 | analysis that analyzed below the producing oil-water   |
|    |  |
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Veritext Legal Solutions Calendar-nm@veritext.com 505-243-5691 1 contact and that negative 700, which I considered 2 aquifer below that and found numerous amounts of 3 indications of permeability barriers, horizontal 4 permeability barriers.

5 And I didn't see any evidence of any 6 indication of communication between those two separate 7 reservoirs. And nomenclature was not in my -- I 8 just -- I think that just confuses things.

9 Q. Then why did you use it in the very first10 paragraph of what you wrote?

11 A. When you're first tasked for a performance, 12 you're given all kinds of directives and people are 13 trying to say how they view the reservoir. They view it as Grayburg San Andres, the actual unit was named 14 15 Grayburg San Andres. I think it ill defined 16 originally, and I think the definition of San Andres, 17 in my opinion, should have developed over the history of the -- with the new data, indicating that there are 18 different reservoirs within the San Andres. 19

20 And much like the Grayburg has 82 21 separate parasequences that have different 22 permeabilities of perm barriers between those, the 23 San Andres is likely having a similar set of 24 stratigraphic barriers and reservoirs that have 25 different qualities throughout the whole thing.

1 And I just did not get into the -- what 2 you call San Andres, what Preston would call 3 San Andres, what Adam would call San Andres, what anybody in the room would call San Andres. I just 4 5 didn't think that was important to my oil in place or 6 the definition of reservoir isolation between one and 7 the other. 8 O. So if you we just come back to what you say 9 your charge was, so that we've got this in one place for later in closing argument, evaluate and confirm 10 11 the presence of geologic barriers isolating the 12 San Andres Formation from the overlying Grayburg 13 Formation. It would be your testimony to the 14 15 Commission that you don't have an opinion on that 16 because you don't know where each of those formations 17 are? 18 Objection. Foundation, form. MR. RANKIN: 19 A. Yes, I don't have any testimony. HEARING OFFICER HARWOOD: Overruled. 20 21 And, Doctor, when these objections come 22 up, you have to wait. Okay? 23 THE WITNESS: I apologize. 24 A. Am I supposed to answer now? I was asking 25 for the question again.

1 Q. I'm sorry, I just didn't understand. I'm 2 not fussing with you. And I appreciate the --A. I don't mind. 3 4 Q. Yeah, I appreciate you doing that. 5 If the commissioners want to know whether you have confirmed the presence of geologic 6 barriers isolating the San Andres Formation from the 7 8 overlying Grayburg Formation, you would tell them that 9 you don't have any testimony on that, do you? A. It's depending on whose personal 10 11 interpretation of the San Andres. 12 As specific depth intervals that are 13 unambiguous at negative 700 between the producing 14 oil-water contact at negative 350 and negative 700, I 15 believe there is a number of permeability barriers 16 that -- potential permeability barriers that are identified in that interval. 17 And various geologists would call that 18 San Andres Grayburg. I wanted to be very specific, 19 20 and there's no ambiguity in where I pick these. I have TVD subsea depth and an X, Y. It is not in the 21 22 interpretation of anybody's what I'm going to call it. 23 Q. You used a new phrase now. This one is 24 actually in your report. What is, quote, potential permeability barrier? 25
1 A. "Potential" is word we use because we are 2 not 100 percent sure. 3 O. And in terms of putting a probability percentage on it, we visited earlier, even if we give 4 5 you a break over lunch, you're not going to be able to give us a percentage on how sure you are or not, are 6 7 you? 8 It's more than likely, likely. And the A. No. 9 issue with geology and interpretation is, you're actually interpreting every half foot for thousands 10 11 and thousands of feet. So you really do have to have 12 a preponderance of data or a most likely case. 13 Because if you're trying to be certain 14 and 100 percent certain, then you almost can never 15 make a financial decision or a decision at all if you 16 want 100 percent certainty. 17 Q. Well, no, I asked what is a potential permeability barrier. You said it's something not 18 19 100 percent sure. I asked can you put a percentage on 20 it. And your answer is you cannot put a percentage on 21 it; is that correct? 22 A. I can, but I won't. 23 Q. I'll take that. And even if we take a 24 lunch, you're not going to come in and all of a sudden have an answer after visiting with counsel, are you? 25

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| 1  | A. Not without but if I go to sleep, I may            |
|----|---|
| 2  | have a different interpretation, as that's where I do |
| 3  | most of my thinking.                                  |
| 4  | Q. While you're asleep?                               |
| 5  | A. It's amazing. I wake up in the morning and         |
| 6  | go, "Oh, my gosh."                                    |
| 7  | Q. Okay. So as we come back to your                   |
| 8  | methodology here to get to potential permeability     |
| 9  | barriers, did you review literature?                  |
| 10 | A. Specifically for the perm barriers, I mean,        |
| 11 | I attempted to review when people say they want       |
| 12 | literature basis. I did look, but there's very little |
| 13 | literature on permeability barriers.                  |
| 14 | Q. Well, the with respect to the EMSU here,           |
| 15 | you know, Dr. Lindsay has written a Ph.D. discussing  |
| 16 | that water is migrating from the San Andres up into   |
| 17 | the Grayburg.   |
| 18 | MR. RANKIN: Objection. Mischaracterizes               |
| 19 | the testimony of Dr. Lindsay and his Ph.D. thesis.    |
| 20 | HEARING OFFICER HARWOOD: Rephrase.                    |
| 21 | BY MR. WEHMEYER:                                      |
| 22 | Q. Have you read Dr. Lindsay's work on water          |
| 23 | migration the San Andres into the Grayburg?           |
| 24 | A. First part, yes. Second part, no.                  |
| 25 | Q. Does Dr. Lindsay opine that water is finding       |
|    | Page 110  |

| 1  | its way up into the Grayburg from the San Andres?  |
|----|--|
| 2  | A. I did not get that from reading his             |
| 3  | testimony or looking at his figures.               |
| 4  | Q. What about hearing his testimony here in the    |
| 5  | proceeding?  |
| 6  | A. If he stated that, I would probably disagree    |
| 7  | with that interpretation.                          |
| 8  | Q. Did you read the Chevron paper that spoke to    |
| 9  | water migration?                                   |
| 10 | MR. RANKIN: Objection. Foundation and              |
| 11 | form.  |
| 12 | HEARING OFFICER HARWOOD: Overruled.                |
| 13 | A. I'd have to see which specific Chevron          |
| 14 | discussion that you're talking about.              |
| 15 | Q. As the expert here, you can't after we've       |
| 16 | seen the Chevron paper flashed 20 times, you can't |
| 17 | you have no idea what Chevron paper I'm talking    |
| 18 | MR. RANKIN: Mr. Hearing Officer, there's           |
| 19 | several Chevron papers.                            |
| 20 | HEARING OFFICER HARWOOD: I'm sorry, what           |
| 21 | was that? I heard what you said, there are several |
| 22 | Chevron papers.                                    |
| 23 | In fairness to the witness, can you                |
| 24 | identify the paper you're talking about,           |
| 25 | Mr. Wehmeyer?                                      |
|    | Page 111   |
|    | <b>J</b>   |

1 BY MR. WEHMEYER: 2 Q. Any Chevron paper. 3 A. Could you rephrase the question? Q. Do you recall seeing in this courtroom any 4 5 Chevron paper in which Chevron discussed migration of 6 fluids from the San Andres into the Grayburg? 7 A. Again, I have seen a lot of data. I'm not 8 sure which ones were Chevron. But if you could show 9 me, I would gladly make a statement. Q. I'm actually going to move over to -- what 10 11 about pressure data, the 211 well with the RFT 12 measurements that were taken of that well back against 13 the Technical Committee Report, initial pressure measured up in the Grayburg? Have you done any kind 14 15 of studies based on the pressure data, on pressures, 16 to identify whether there's depletion occurring? 17 A. Define "study." I've reviewed data and observed data and analyzed it mentally that shows that 18 19 there's pressure barriers. 20 Q. My question is pressure depletion in the San Andres as a result --21 22 A. Same. Q. And I'm specifically talking about the RFT 23 measurements in the 211 well. And I can show you the 24 25 slide.

1 A. I think I have the slide in my mind. But I 2 think you said San Andres first, or Grayburg? Q. The measurements were in -- the RFT tool was 3 4 measured throughout the Grayburg into the San Andres. 5 The initial pressure reading was out of the Grayburg 6 in the Technical Committee Report. 7 A. Again, I'm not sure whose San Andres you're talking about. But I'm familiar with the depths and 8 the pressure variations that indicated permeability 9 barriers between them. 10 11 Q. This is a slide that you're familiar with? 12 A. Yeah, I've seen that. 13 Q. So in the 211 well, all of the little bullseyes, those are measurements off the RFT tool in 14 15 1986, which would go down into the San Andres, 16 correct? 17 A. By someone's definition of San Andres, yes. Q. And do you see that there's a 282 psi 18 depletion that's reflected here off of what would be 19 anticipated pressure off of the Technical Committee 20 21 Report original pressure reading? 22 A. The initial pressure reading in the 23 San Andres? 24 Q. In the Grayburg. 25 A. In the -- I'm confused. That pressure, that Page 113

1 1527, is, by this, in the San Andres.

Q. That would have been predicted in terms of
where it should have been based on the pressure
gradients.

A. Predicted from? Do you know what the
pressure gradient was in the San Andres at 3700 feet?
I can't ask questions. I'm just kind of --

Q. I'm just trying to figure out with your work here as a geologist, if you're talking about barriers, did you do any of your own geological work here or engineering work to look at pressure depletion to see if there's pressure depletion between the Grayburg and the San Andres? Yes or no?

A. I don't think I had any pressure data inwhat some people call the San Andres.

Q. We were talking about literature. Have you seen any literature that says there's an impermeable barrier across the EMSU that would isolate the San Andres from the Grayburg?

A. Literature that says specifically perm
barriers across the entire EMSU, no.

Q. Okay. So if the Commission wanted to know after 100 years of oil and gas development out here whether anybody has written that there is a potential permeability barrier across the EMSU, you haven't seen

| 1  | that, have you?                                      |
|----|--|
| 2  | A. Correct.  |
| 3  | Q. Have you seen any literature that would           |
| 4  | report bedded anhydrite all the way across the EMSU? |
| 5  | A. No.   |
| б  | Q. If anhydrite is bedded, what did does             |
| 7  | "bedded" mean?                                       |
| 8  | A. It means it's a horizontal layer.                 |
| 9  | Q. How thick does it need to be?                     |
| 10 | A. Does it need to be for what?                      |
| 11 | Q. To be able to call it "bedded anhydrite."         |
| 12 | A. I don't know. A couple inches, half foot.         |
| 13 | Q. And so here, if bedded anhydrite is a couple      |
| 14 | inches again, you haven't done any kind of a         |
| 15 | fracture gradient analysis in terms of what would    |
| 16 | cause existing fractures to expand or widen or       |
| 17 | actually break through that rock, have you?          |
| 18 | A. No.   |
| 19 | Q. If fluid does migrate from the San Andres         |
| 20 | that Goodnight's injecting are you with me so far?   |
| 21 | A. Yes. An assumption.                               |
| 22 | Q if the potential baffle doesn't keep that          |
| 23 | water down there are you with me so far?             |
| 24 | A. If and if. Yes.                                   |
| 25 | Q would you agree that that would interfere          |
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|    |  |

1 with Empire's oil and gas operations in the Grayburg? 2 A. May I ask a clarifying question? O. Sure. 3 A. "Interfere," what does that mean? 4 5 O. Make more expensive. Cause the loss of oil. 6 Cause less oil to be recovered. Or is the answer I 7 don't know? 8 A. I don't know. 9 O. And the reason I ask that is because counsel 10 asked you -- do you remember, like, the last three 11 questions he had of you were about whether Goodnight's 12 operations are having an effect on Empire? Right? 13 A. Sure. 14 Q. I'm going to step sideways here for just a 15 second. In terms of evaluating an ROZ project, you 16 said you've been involved as a consultant assisting 17 clients in evaluation an ROZ project? 18 A. Yes. 19 Q. And if we come here to the EMSU and we 20 hypothetically play out that Empire approaches you to 21 ask you about an ROZ in the San Andres -- are you with 22 me so far? 23 A. Which San Andres? 24 O. All of the San Andres Formation. 25 A. All of them. Page 116

| 1  | Q. Let's do the entire San Andres that's in the        |
|----|--|
| 2  | unit that the Commission formed in 1984. Then are we   |
| 3  | on the same page?                                      |
| 4  | A. I think so, but yeah, sure. I'll try.               |
| 5  | Q. You know right this second that Goodnight is        |
| 6  | injecting into Empire's earlier established oil unit,  |
| 7  | right?   |
| 8  | A. I know the depths that they're injecting            |
| 9  | into.  |
| 10 | Q. Are you familiar with any other instance,           |
| 11 | have you ever seen that in your career, where a        |
| 12 | commercial saltwater operator is injecting into        |
| 13 | somebody's designated unit?                            |
| 14 | A. Not that I'm familiar with, no.                     |
| 15 | Q. This would be the first one?                        |
| 16 | A. That I've seen, yes.                                |
| 17 | Q. So coming back to this, if Empire approaches        |
| 18 | you and says, "I'm looking at an ROZ development.      |
| 19 | Maybe it costs \$1.2 billion, and I'm going to do the  |
| 20 | entire San Andres" are you with me so far?             |
| 21 | A. I think so, yes.                                    |
| 22 | Q and that's not a hypothetical in terms               |
| 23 | of you heard Mr. West actually sit up here and         |
| 24 | testify that Empire's intention, Phil Mulacek, they do |
| 25 | everything big, they're going to go all the way down   |
|    | Page 117   |

| 1  | to the top of the to the top of the Glorieta. Did      |
|----|--|
| 2  | you hear Mr. West's testimony?                         |
| 3  | A. I heard that.                                       |
| 4  | Q would you tell them this is a concern,               |
| 5  | that there is vast amounts of saltwater being injected |
| 6  | into the interval that you want to conduct your        |
| 7  | tertiary operation in?                                 |
| 8  | A. Would that be a concern of mine?                    |
| 9  | Q. Yes.  |
| 10 | A. To them?  |
| 11 | Q. Yes.  |
| 12 | A. No.   |
| 13 | Q. Why?  |
| 14 | A. Because if the alleged resource is in the           |
| 15 | San Andres and it is residual, it's not going to be    |
| 16 | moved by injection of fluid.                           |
| 17 | Q. Isn't it going to make a CO2 program                |
| 18 | different injecting that fluid is going to change      |
| 19 | pressures. It's going to cause more expensive use of   |
| 20 | CO2. Once oil becomes mobile after the CO2 invades     |
| 21 | those pore spaces, it can be washed out of the         |
| 22 | recovery wells. All of these are potential lost        |
| 23 | hydrocarbon in this hypothetical, aren't they?         |
| 24 | A. I would assume that might be an impact.             |
| 25 | Q. And so, again, coming back to your advice to        |
|    | Page 118   |
|    |  |

| 1  | Empire who approaches you in light of this saltwater   |
|----|--|
| 2  | injection, you can tell this Commission that any       |
| 3  | investor, be it a bank that's lending you represent    |
| 4  | banks making decisions on whether to lend, right?      |
| 5  | A. Yes.  |
| 6  | Q. Operators making decisions on whether to            |
| 7  | drill?   |
| 8  | A. Yes.  |
| 9  | Q. Working interest owners making decisions            |
| 10 | over whether to elect to participate on an AFE, to     |
| 11 | participate in a project?                              |
| 12 | A. Correct.  |
| 13 | Q. You are absolutely going to tell them that          |
| 14 | this saltwater injection is a concern, aren't you?     |
| 15 | A. I don't know, really.                               |
| 16 | Q. Now, in terms of the baffles, were you able         |
| 17 | to map a single baffle that went all the way across    |
| 18 | the EMSU? Were you able to correlate that in your      |
| 19 | logs, a baffle that you could if you started           |
| 20 | 2 inches over here and you could follow it all the way |
| 21 | over?  |
| 22 | A. I did not map.                                      |
| 23 | Q. And that's actually a question, in and of           |
| 24 | itself. I didn't find a single map you created in      |
| 25 | this entire case. Did you create one single map        |
|    | Page 119   |

1 through three statements, two of them you revise, and 2 a deposition, and you being a geologist, is there one 3 map you actually made here? 4 A. Well, the maps in my presentation were 5 basically data posted at individual wells. But I did not contour a map around the EMSU. 6 7 Q. I know you took Ops Geologic's maps and 8 contours, right? 9 A. Yes. I reviewed --Q. Other than just adding some numbers to maps 10 11 that other geologists made, you didn't make a single 12 map here, did you? 13 A. Correct. 14 Q. And this is truly not a smart aleck 15 question, but don't geologists, like Love creating --16 isn't, like, the first thing you're doing is you're 17 looking at the actual core and you're making maps? A. Well, in the due diligence process, making 18 19 maps, much like picking San Andres tops, kind of 20 confuses the issue. I have enough maps and things to 21 basically do diligence on and see if they're accurate, 22 see if they make sense, and use their information. 23 Because a lot of times when I'm 24 reviewing something, the other people have spent a lot more time looking at the environment, geologists, and 25 Page 120

| 1  | basically, I just want to confirm, validate and use    |
|----|--|
| 2  | whatever data I can from other experts.                |
| 3  | Q. So the other experts here, you said they            |
| 4  | spent a lot more time doing the evaluation?            |
| 5  | A. Correct.  |
| 6  | Q. You didn't rely on any of Dr. Davidson's            |
| 7  | maps, did you?   |
| 8  | A. I don't know if he made maps.                       |
| 9  | Q. I didn't see one. So to state it                    |
| 10 | differently, you're not aware of a single map that     |
| 11 | Netherland, Sewell made here, are you?                 |
| 12 | A. Correct.  |
| 13 | Q. And so if we just come back to the work, you        |
| 14 | like to rely on all the other work because they've     |
| 15 | done more work. That was your testimony a moment ago?  |
| 16 | A. Correct.  |
| 17 | Q. Here, that would be NuTech and Ops Geologic,        |
| 18 | wouldn't it be?  |
| 19 | A. That was the data that I reviewed from a            |
| 20 | validation standpoint, yes.                            |
| 21 | Q. Now, as we continue to talk about the               |
| 22 | mapping, you were not able to map did you even try     |
| 23 | to map a particular baffle that would have gone across |
| 24 | the EMSU, whether it's 2 inches thick or 400 feet      |
| 25 | thick?   |
|    |  |

| 1  | A. No, I did not.                                      |
|----|--|
| 2  | Q. And you can tell the Commission, though,            |
| 3  | based on looking at these logs, there is not going to  |
| 4  | be one single baffle that goes all the way across, is  |
| 5  | there?   |
| 6  | A. I cannot say there is not.                          |
| 7  | Q. After all of your work here, if there was           |
| 8  | one to be found, do you think your work would have     |
| 9  | found that baffle?                                     |
| 10 | A. Not necessarily.                                    |
| 11 | Q. So I guess just                                     |
| 12 | A. I'm trying to answer it.                            |
| 13 | Q. No, no, I appreciate your cooperation. None         |
| 14 | of this is a fuss with you. I'm just trying to get my  |
| 15 | head around how, if you're the barrier guy and you're  |
| 16 | the geologist and you have all of these logs and we're |
| 17 | talking about baffles or barriers, if there was one,   |
| 18 | why you didn't map it to bring it in here and show the |
| 19 | commissioners?   |
| 20 | A. Why I didn't map it. I guess the number of          |
| 21 | logs and the data that we have, even if we could map   |
| 22 | it between the points, there would be a lot of         |
| 23 | extrapolation where you don't have data or don't have  |
| 24 | quality data to actually have a high degree of         |
| 25 | confidence in the data.                                |
|    |  |

1 Q. So basically what you're saying is, if you 2 were going to try to map a baffle or a barrier that would go all the way across, there's too much 3 uncertainty in your data to be able to do that and 4 5 come in here and give an opinion to these 6 commissioners? 7 A. For a single barrier, yes. 8 O. Now, help me. If I'm understanding your 9 report correctly, I didn't see that you really tied this back to logs or core at all. In terms of the 10 11 idea of a baffle or barrier, it looked to me like you 12 left geology and went to engineering and said that you 13 observed mud losses. Is that fair? 14 A. That's probably fair. 15 O. So if the Commission wants to know on this 16 baffle or barrier testimony, is this geology or is 17 this, like what you said in your report, you know, really what I saw documented were mud losses and so 18 that's where my opinion lands, it would be fair to say 19 20 this is more of an engineering mud loss type of opinion for these commissioners? 21 22 Integrating the geology and the A. Yes. engineering, I came to my professional opinion. 23 MR. WEHMEYER: May I approach to just show a 24 25 demonstrative?

1 HEARING OFFICER HARWOOD: Approach the 2 witness? 3 MR. WEHMEYER: I'm trying to honor decorum. Before I leave my place at Bar, I want to make sure I 4 5 have permission to go get that board. HEARING OFFICER HARWOOD: 6 Sure. That's 7 fine. 8 Do you need to move, Mr. Rankin, to see 9 what Mr. Wehmeyer is pointing out? Feel free to do 10 so. 11 BY MR. WEHMEYER: 12 Q. So I'm just going to kind of lay out what 13 we've got. Can you see the black? Do you see the black line? 14 15 MR. RANKIN: Mr. Wehmeyer, just let me know 16 what images we're looking at so I can understand what 17 they are. BY MR. WEHMEYER: 18 19 Q. We've got the SWD wells on here and we have 20 numerous of the other deeper wells that -conventional wells that have been drilled. And what 21 22 we've got is a map by Ops Geologic, top of the Lower 23 San Andres. 24 We've got purple. They've mapped in the purple, the mud losses. Because we've heard all about 25 Page 124

| 1  | the mud losses and how we know this is happening,     |
|----|---|
| 2  | right? You've heard that in here and we've read that  |
| 3  | 1,000 times, right?                                   |
| 4  | A. Correct.   |
| 5  | Q. Purple is the mud losses in the various            |
| 6  | wells that have been reported. Red is Ops Geologic's  |
| 7  | top of the San Andres. This brown is the Lovington    |
| 8  | Sand. Black is the Lower San Andres.                  |
| 9  | So are we oriented now in terms of I                  |
| 10 | think really the easiest way is if you focus in on    |
| 11 | purple being those mud losses and the red being Ops   |
| 12 | Geologic's top of San Andres, and blue Goodnight's,   |
| 13 | what Preston McGuire got from somebody else. Blue     |
| 14 | would be the Goodnight top of San Andres.             |
| 15 | A. Okay.  |
| 16 | Q. Are you with me so far? Have you tired to,         |
| 17 | like, actually correlate this? As we talk about,      |
| 18 | well, it's explained by the loss of mud during        |
| 19 | drilling, have you tried to map where the loss of mud |
| 20 | happened in relation to anybody's top of San Andres?  |
| 21 | A. No. Just TVD subsea absolute value.                |
| 22 | Q. And you can tell the commissioners here that       |
| 23 | purple is the loss of the drilling fluid that is      |
| 24 | all there is zero correlation between where fluid     |
| 25 | was lost and anybody the Lovington Sand, the top of   |
|    |   |

1 the San Andres, either side's top of the San Andres --2 if you've got opinions about mud losses having some relevance here, can you explain to the Commission how 3 that is based on the actual data? 4 5 A. Why there is mud loss? 6 Q. Yes. How does the mud loss, with the 7 variable depths that this happened -- tell the 8 Commission anything about whether there's 9 communication between the San Andres and the Grayburg. 10 A. Again, I -- the tops, San Andres Grayburg, I 11 think between negative 350 and negative 700, I've got 12 significant indications of multiple permeability 13 barriers that may not individually go across the entire EMSU. But individual reservoirs, even in the 14 15 loss circulation, can be stratigraphically isolated. 16 Q. They might be stratigraphically isolated or 17 they might not be, right? 18 A. They -- sure. 19 Q. And with respect to stratigraphic isolation, 20 you've heard testimony about the baffles. You're not 21 disputing as a matter of geology that there can be 22 baffles within that might change pressures in isolated 23 intervals, but that wouldn't extend across the EMSU, 24 are you? 25 A. That wouldn't?

| 1  | Q. Correct.  |
|----|--|
| 2  | A. Could you state that again? I'm not sure            |
| 3  | Q. You're not disputing that in a particular           |
| 4  | well, there can be isolated areas of baffles that      |
| 5  | would not be extensive across the entire 14-acre EMSU? |
| 6  | A. Yes, that could be correct.                         |
| 7  | Q. And, again, I've heard so much about the            |
| 8  | mud. I told the guy, I said, "I've got to see it on    |
| 9  | one" "just show me, where is the mud happening so I    |
| 10 | can get my head around this."                          |
| 11 | Can you explain to the commissioners, if               |
| 12 | they go back and read your witness statements and it   |
| 13 | says, "I have opinions about potential flow barriers   |
| 14 | based on where mud was lost," by reference to this     |
| 15 | correlation or comparison across the log section, can  |
| 16 | you show them how that testimony is supported?         |
| 17 | A. How it is I'm a little confused on the              |
| 18 | question.  |
| 19 | Q. Yeah. And I on some days, I'm an okay               |
| 20 | lawyer. I'm a terrible geologist and engineer, I can   |
| 21 | tell you that. So help me if I'm just asking the bad   |
| 22 | question and I need to ask it differently.             |
| 23 | But if the idea of your baffles are                    |
| 24 | explained as a matter of engineering, which is what we |
| 25 | just covered before I stood up here.                   |
|    | Page 127   |
|    | Page 127   |

1 I said: If it's geology, let's see it 2 mapped. I don't have that. 3 You said: I said: Is it really more engineering? 4 5 You said: Yes, it's the mud losses. 6 I'm showing you the mud losses. I'm 7 showing you what someone at Goodnight at some point in 8 time felt was the top of San Andres, what Ops Geologic 9 has mapped as the top of San Andres. And I've even put the Lower San Andres on here, too, and I've even 10 11 given you the Lovington Sand. 12 Can you tell the commissioners, in your 13 own testimony, how on earth does this support the idea 14 that there is an impermeable barrier across the EMSU 15 that would isolate injection from the Grayburg? 16 A. At one specific -- I'm not sure. 17 This would be a HEARING OFFICER HARWOOD: 18 good place to break for lunch? MR. RANKIN: Mr. Wehmeyer, I can't see it 19 20 from where I'm sitting. Ms. Hardy, perhaps you guys 21 can send us a copy of what we're looking at, because 22 I just can't tell what we're looking at from this 23 distance. And I wouldn't mind being able to look at it so I can prepare for redirect. 24 25 MR. WEHMEYER: Sure. And I should have

| 1  | pointed this out. If this helps, A, it's over here   |
|----|--|
| 2  | on the very far so that there's no cherry-picking,   |
| 3  | A is on the very far western edge. A minus is over   |
| 4  | here at the southeast. We have some data points way  |
| 5  | out here east.                                       |
| 6  | So as you track these, I will send the               |
| 7  | answer key   |
| 8  | MR. RANKIN: Mr. Hearing Officer, I'm not             |
| 9  | asking for Mr. Wehmeyer to testify. I'm just asking  |
| 10 | him to share the document with me so I can see it.   |
| 11 | HEARING OFFICER HARWOOD: Why don't you guys          |
| 12 | do that over lunch.                                  |
| 13 | Chairman Rozatos, what time is your                  |
| 14 | pleasure for the Commission to be back?              |
| 15 | CHAIR ROZATOS: Let's return back at 1:15.            |
| 16 | I think it will be a perfect time. And that will     |
| 17 | give them some time to also exchange information.    |
| 18 | HEARING OFFICER HARWOOD: We'll break for             |
| 19 | lunch and be back at 115. Thank you.                 |
| 20 | (Lunch recess held from                              |
| 21 | 12:01 to 1:19 p.m.)                                  |
| 22 | HEARING OFFICER HARWOOD: All right. Let's            |
| 23 | see, where were we. Cross-examination, Mr. Wehmeyer. |
| 24 | MR. WEHMEYER: Thank you.                             |
| 25 | BY MR. WEHMEYER:                                     |
|    |  |

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1 O. When we left off at the break we were 2 visiting on these various logs with the plots. I'm going to try to bring this up. The coloring is better 3 electronically. 4 5 And what we've done here by way of 6 demonstrative is attempt to show across the EMSU the 7 alleged mud losses against Goodnight's top of 8 San Andres, Empire's top of San Andres. We've also 9 mapped here the Lovington Sand in brown. So, again, to just orient here by way of 10 11 the colors, the purple is the mud losses and drilling 12 that are reported. The purple along the bottom, can 13 you see that? 14 A. Yeah. 15 Q. You're welcome to refer to the hard copy. Ι 16 don't think I can zoom in on this. I'm going to try. 17 A. I think the one that you previously mentioned was the loss circulation zones. 18 19 Q. Yes, that was the purple, is what I'm 20 getting at. 21 A. You called that purple. 22 Q. In terms of actually doing your work here, did you ever actually go in and plot well by well 23 24 where the alleged circulation loses occurred? 25 A. I did have that in spreadsheet form and

1 reviewed the drilling reports to see where those 2 occurred. 3 O. With respect to the Andre Dawson, do you see that would have actually occurred above everybody's 4 5 pick of the San Andres? 6 A. Yes. 7 Q. Again, just in terms of the idea that any 8 barrier, if it's based on mud losses, would be 9 isolating injection in the Lower San Andres and the Grayburg, in light of the Andre Dawson well there with 10 11 the mud loss, alleged loss circulation, can you 12 explain how that would work as a barrier in that location? 13 A. Yeah. Loss circulation is where you have a 14 15 change in the reservoir, the pressure differential, 16 indicating that you have a barrier on top and a 17 barrier on bottom. And specifically in the Dawson well, that was a very minor volume of loss 18 circulation. And later on, they had some significant 19 20 loss in variation down in where most of the other 21 wells also lost their circulation. 22 So I think each one of these loss circulations, the top of those is a distinct 23 24 permeability barrier from everything above it. 25 Q. But, again, in terms -- have you made any Page 131

1 effort to go back and look at the actual logs against 2 the loss circulation to try to make a correlation or 3 distinction there?

A. Very minor. It wasn't blatantly obvious
that there was a large porosity differential. But the
pressure and the loss of a significant amount of fluid
indicates that it is actually a significant
permeability barrier.

9 Q. And, again, I'm just trying to understand.
10 Can you talk us through, with this data on -- well,
11 strike that. The first question is, have you gone
12 well by well where Goodnight alleges circulation
13 losses and tried to correlate that to the porosity and
14 permeability interpretations of Netherland, Sewell to
15 somehow tie those together?

16 A. Yes. I looked at that.

Q. Did you create any actual work product aspart of that effort?

A. No.

19

22

20 Q. So if the Commission wanted to see that rock 21 product, that doesn't exist. True?

A. Not in my testimony, no.

Q. You talked about secondary authorities
earlier. As we talked about the producing oil-water
contact, as I understand it, you had some critiques of

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1 Dr. Buchwalter's material balance simulation? A. Yes. 2 3 O. And what's --4 A. Disagreements. 5 Q. Let's talk about the producing oil-water contact. Are you aware that the producing oil-water 6 contact actually was lowered from 350 feet to about 7 8 500 -- strike that. Are you aware that the producing 9 oil-water contact lowered from 300 feet to about 540, 550 feet? 10 11 A. I don't understand. I mean -- yeah, you'll 12 have to explain a little more. 13 Q. Do you know this within the Grayburg, the producing oil-water contact actually lowered with 14 15 production, that it moved deeper subsea? 16 A. In the EMSU? 17 O. Yes. 18 A. No. 19 Q. If the producing oil-water contact lowers by 20 200-plus feet, what would that do to the water in the 21 Grayburg? 22 A. I'm not sure I understand the question. 23 If --24 Q. If the producing oil-water contact lowers 25 through production of the Grayburg -- are you with me Page 133

| 1  | so far?  |
|----|--|
| 2  | A. I don't understand that concept, where that         |
| 3  | would happen.  |
| 4  | Q. In terms of the producing oil-water contact.        |
| 5  | A. So you had an oil-water contact?                    |
| 6  | Q. Yes.  |
| 7  | A. And you produced oil?                               |
| 8  | Q. And it goes down.                                   |
| 9  | A. And it goes down?                                   |
| 10 | Q. Yes.  |
| 11 | A. Yeah, I'm not sure how that physically              |
| 12 | happens. Ask a question.                               |
| 13 | Q. And I'm probably asking the question                |
| 14 | incorrectly here. Are you aware of the oil-water       |
| 15 | contact in the EMSU ever lowering?                     |
| 16 | A. No.   |
| 17 | Q. If it did lower, what would that do to water        |
| 18 | in the Grayburg?                                       |
| 19 | A. I don't know how to answer that.                    |
| 20 | Q. So just looking at this Chevron paper from          |
| 21 | 1989, EMSU Grayburg estimated oil-water contact at 550 |
| 22 | subsea. Where is your producing oil-water contact      |
| 23 | based on your work?                                    |
| 24 | A. 350.  |
| 25 | Q. So that would be off by 200 feet from what          |
|    | Page 134   |

Г

1 Chevron is writing about in 1989, correct? 2 A. Yeah. I have seen no evidence at all of a producing oil-water contact below 350 feet TVD subsea. 3 Q. So the additional drilling of new wells 4 5 after the '80s couldn't lower that oil-water contact? 6 A. I don't see how that would physically be 7 possible. I believe in gravity. 8 O. With respect to the secondary authorities we 9 were visiting on earlier, the 1996 Chevron paper that I mentioned, was this part of anything you reviewed in 10 11 your literature search in terms of trying to identify 12 literature that would have spoken to communication 13 between the San Andres and the Grayburg? A. I don't believe I reviewed this. Is this an 14 15 exhibit? 16 Q. Exhibit I-7. You've never seen this before? 17 A. I've seen the exhibit, but reviewing the 18 paper, I'm not sure. Q. Okay. According to you, this is not 19 20 literature that would indicate that there was 21 communication between the San Andres and the Grayburg 22 at EMSU? 23 A. I would have to remember this. I would have 24 to reread that and come to a conclusion. 25 Q. You haven't done that as part of your Page 135

barrier work in this case?

1

19

A. I may have reviewed this. But I definitely
didn't come to a conclusion that there was any
communication between the San Andres and the Grayburg.

5 Q. Here's another Chevron paper. A portion of 6 the water production is probably attributable to communications of Zones 4 and 5 with the Lower 7 8 Grayburg and San Andres aguifers. Although 9 siliclastics between each zone generally prevent vertical communication in some localized areas of the 10 11 field, they do not act as permeability barriers. When 12 the barriers break down in the Lower Grayburg 13 members, the prolific San Andres aquifer can influx into the oil productive horizons, resulting in large 14 15 volumes of water production.

Did you read this as part of your literature search before coming in with barrier opinions?

A. I did read this, yes.

Q. Why does this not satisfy you that authorshad already written about communication?

A. This was represented in the AGU, not theEMSU.

Q. It actually comes out of the Technical Committee Report from 1983, yes, on the EMSU?

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| ,  |   |
|----|---|
| 1  | A. I do not I see the Technical Committee             |
| 2  | Report of the Arrowhead Grayburg Lea unit on this.    |
| 3  | Q. Can you explain as a matter of geology why         |
| 4  | communication would occur between the Grayburg in the |
| 5  | San Andres and the AGU but not in the EMSU?           |
| б  | A. It's a different geologic setting.                 |
| 7  | Q. With respect to the critiques of                   |
| 8  | Dr. Buchwalter's model, isn't it the position of      |
| 9  | Goodnight and its experts that Dr. Buchwalter should  |
| 10 | have mapped the entire east half of New Mexico and    |
| 11 | about half of Texas, too, as part of the simulation?  |
| 12 | A. I have no clue.                                    |
| 13 | Q. In terms of the critiques of Dr. Buchwalter        |
| 14 | and how big his simulation model should have expanded |
| 15 | geographically is not something you've looked at?     |
| 16 | A. I've reviewed his model and have some              |
| 17 | criticisms of it. I don't know that that specific     |
| 18 | thing represents my opinion.                          |
| 19 | Q. As we continue to talk about literature, I         |
| 20 | asked you earlier about Ph.D.s and papers written by  |
| 21 | Dr. Lindsay. Here, he's talking on the Arrowhead      |
| 22 | Grayburg. And do you see the areas where he indicates |
| 23 | bottom water?   |
| 24 | A. Yes. I see where he picks that out.                |
| 25 | Q. Was this part of your literature search?           |
|    | Page 137  |

| 1  | A. I did review this.                                  |
|----|--|
| 2  | Q. And this isn't good enough for you to               |
| 3  | indicate, as a matter of geology, that there would be  |
| 4  | communication between the Grayburg and the San Andres? |
| 5  | A. Absolutely not.                                     |
| 6  | Q. Were you in here for Dr. Lindsay's                  |
| 7  | testimony?   |
| 8  | A. Yes.  |
| 9  | Q. An additional paper written by Dr. Lindsay:         |
| 10 | Evidence of communication between San Andres and the   |
| 11 | Grayburg here, and a few well locations in Arrowhead.  |
| 12 | There was a problem with the Upper San Andres          |
| 13 | Formation bottom water production that ascended up     |
| 14 | into the Grayburg strata via vertical plumes of water  |
| 15 | along swarms of narrow, short space, fractures.        |
| 16 | And then at Page 1004: These plumes of                 |
| 17 | vertically oriented Upper San Andres Formation bottom  |
| 18 | water only affected small areas in the unit and in     |
| 19 | most cases, only affected one well, though mapped as   |
| 20 | though it was affecting a larger area.                 |
| 21 | Similar vertically oriented plumes of                  |
| 22 | Upper San Andres Formation water were also encountered |
| 23 | in individual wells further north in Eunice Monument   |
| 24 | South Unit, EMSU, and EMSU-B.                          |
| 25 | Was this part of your literature search?               |
|    |  |
|    | Page 138   |

| 1  | A. Yes.   |
|----|---|
| 2  | Q. And this wasn't good enough for you either?      |
| 3  | A. I had a different explanation that I think       |
| 4  | is more reasonably geologically based.              |
| 5  | Q. From Dr. Lindsay?                                |
| 6  | A. Correct.   |
| 7  | Q. I'm going to try to get over to your slide       |
| 8  | presentation now. Actually, I shall show this real  |
| 9  | quick before we leave this.                         |
| 10 | We've also prepared a demonstrative from            |
| 11 | an aerial perspective plotting the Goodnight top of |
| 12 | San Andres against the Empire top of San Andres     |
| 13 | against the pressure losses. Have you done any work |
| 14 | like this to try to compare where the tops against  |
| 15 | where are the alleged loss circulation events?      |
| 16 | A. No.  |
| 17 | Q. In terms of the geology here, I'm at your        |
| 18 | Slide 2 and actually, I just want the Commission to |
| 19 | know what work you did versus didn't do.            |
| 20 | Here at Slide 1, you did not create                 |
| 21 | this, did you? This was somebody else?              |
| 22 | A. I pushed the buttons to create that, yes.        |
| 23 | Q. Where did you get this?                          |
| 24 | A. This was created out of Drilling Info, or        |
| 25 | now Enverus.  |
|    |   |

| 1  | Q. That was a map from Drilling Info?                  |
|----|--|
| 2  | A. Yes.  |
| 3  | Q. The second slide with the geology, you              |
| 4  | didn't create this either?                             |
| 5  | A. No.   |
| 6  | Q. In terms of the idea of migration pathways,         |
| 7  | if this was really a migration pathway, how could oil  |
| 8  | have gotten into these little tiny pores with low      |
| 9  | permeability? If this was a failed migration pathway,  |
| 10 | how did that oil saturate long enough to get into      |
| 11 | these little tiny pores in incredibly low permeability |
| 12 | situations?  |
| 13 | A. Well, the alleged hydrocarbon that might be         |
| 14 | in those pores, I'm not sure I can explain how that    |
| 15 | got there. But the migration pathways of oil           |
| 16 | generated from the Wolfcamp and migrating through the  |
| 17 | entire system is very complicated, so                  |
| 18 | Q. Did any of the oil in the Grayburg come from        |
| 19 | the Wolfcamp, or you don't know?                       |
| 20 | A. I would assume that that also came from the         |
| 21 | Wolfcamp.  |
| 22 | Q. Would it have passed through the San Andres,        |
| 23 | or you don't know?                                     |
| 24 | A. I'm assuming it would have passed through           |
| 25 | the Grayburg in horizontal migration paths.            |
|    |  |
|    | Page 140   |

1 Q. No, my question is, how does it get from the 2 Wolfcamp to the Grayburg? Did it go through the San Andres? 3 4 A. Complicated migration paths. I do not 5 believe it had to go through the San Andres. 6 Q. No, my question here is a matter of scientific probability. Did it go through the 7 8 San Andres? 9 A. The oil that's in the Grayburg, I don't believe so. 10 11 Q. Can you explain to the Commission how, with 12 scientific probability, the oil got from the Wolfcamp 13 to the Grayburg, or you don't know? A. I do not know. 14 15 Q. I'll move over to your rebuttal. Actually, 16 this is the original testimony. 17 I have a question at Slide 5. As we talk about geology, did you do any rock outcrop work 18 19 in this case? Did you look at any rock outcrops? A. No. 20 21 Q. You know that Dr. Lindsay and Dr. Trentham 22 both have done rock outcrop studies as part of 23 studying this area? 24 A. Yes. 25 O. Now, wouldn't evaluation of the rock outcrop Page 141

| 1  | study be useful to identifying the rock facies within  |
|----|--|
| 2  | the facies model here in the EMSU that Dr. Davidson    |
| 3  | used?  |
| 4  | A. I did not do anything with facies, and none         |
| 5  | of my analysis had facies.                             |
| 6  | Q. You know that Dr. Davidson did, right?              |
| 7  | A. Correct.  |
| 8  | Q. And in terms of all of the petrophysical            |
| 9  | analysis that you used then to calculate oil in place, |
| 10 | that all came from Dr. Davidson in his facies model?   |
| 11 | A. Correct.  |
| 12 | Q. Doesn't that give you concern, as a                 |
| 13 | geologist, that your work is derivative and            |
| 14 | 100 percent relying upon what was done by              |
| 15 | Dr. Davidson, and he didn't look at any outcrop and    |
| 16 | didn't actually study the core, describe the core      |
| 17 | before putting together a model that was 100 percent   |
| 18 | predicated on facies?                                  |
| 19 | A. What was the question there?                        |
| 20 | Q. With you relying on that data, and, again,          |
| 21 | all of your outputs so the Commission understands,     |
| 22 | if we move and now start talking about oil in place,   |
| 23 | 100 percent of your work is dependent on the           |
| 24 | petrophysical work done by Dr. Davidson. True?         |
| 25 | A. I reviewed Dr. Davidson's and everyone              |
|    |  |

1 else's petrophysical analysis, so I incorporated all 2 of that data. And trying to validate data, I think --3 actual physical data contradicts most of those petrophysical analyses except Dr. Davidson's. So in 4 5 validating his model, his facies model, however he 6 interpreted it, seemed to match the actual physical So I think I validated Dr. Davidson's model as 7 data. 8 being the most accurate of any of the ones that I was 9 presented.

10

11

A. The core data.

O. Matched what actual data?

Q. But you didn't describe or study the core, and you never looked at either it -- and you didn't look at the RR Bell core at all, did you?

A. No. What you do is you correlate to the actual quantitative data, the measurements form the core data, the oil saturations and the porosities, much like the other petrophysical analyses either should have done or tried to do.

20 Q. But if you're working off of a -- if you've 21 chosen at the petrophysical level to base all of your 22 work off of a facies model, the geology is all the 23 more important in terms of actually looking and 24 describing the core and studying rock outcrops, so 25 that you know what rock do I actually have in this

particular environment?

1

| -  | Paroroarar environment.                               |
|----|---|
| 2  | A. I would say no. The actual validation of           |
| 3  | the petrophysical model is comparing it to the actual |
| 4  | physical data that you have. And if it doesn't match  |
| 5  | that, you can't use it. And if it does match it,      |
| б  | that's a more valid analysis.                         |
| 7  | Q. What physical data did you have in the 679         |
| 8  | well beneath the core?                                |
| 9  | A. We had none.                                       |
| 10 | Q. Now, coming back, I just want to make sure         |
| 11 | we've got this in the bumpers. With respect to your   |
| 12 | work, now you mentioned that you looked at NuTech and |
| 13 | you looked at Ops Geologic. But in terms of your      |
| 14 | calculation of original oil in place that you've      |
| 15 | offered testimony, written and verbal, to this        |
| 16 | Commission over, that was all derivatives off of what |
| 17 | Dr. Davidson did?                                     |
| 18 | A. Correct.   |
| 19 | Q. So I understand that you now say: Well, I          |
| 20 | looked and criticized Ops Geologic, I looked and I    |
| 21 | criticized NuTech.                                    |
| 22 | But so there's no vagueness here, if                  |
| 23 | Dr. Davidson's work, petrophysical work, is wrong,    |
| 24 | then your oil-in-place values are incorrect. True?    |
| 25 | A. Well, I would say all of interpretations of        |
|    |   |

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1 anything aren't wrong. It's a most likely realistic 2 case, and there could be sensitivities around there. But like anything, making a statement of 100 percent 3 factual, this is the actual answer, I can't say that. 4 5 But I can say from my professional 6 opinion, that Dr. Davidson's is the most reliable, most likely case of oil in place in the EMSU within 7 8 the depth intervals that I evaluated. 9 Q. I've forgotten my question now, but I don't think that was an answer to it. I'm just trying to 10 11 take this down into pieces so we understand. 12 So you're saying all of the 13 petrophysical work by everybody is wrong, right? You're saying, it's a matter of how wrong? 14 15 A. I'm saying that I looked at all the analyses 16 and I compared it to the actual physical data, and 17 there was a large discrepancy in most of the analyses. The one that was closest to, which I also said that I 18 19 think he may have overestimated oil in place also, was 20 Dr. Davidson's. So I used that as an indication of the oil in place and the potential recoveries of the 21 22 oil in these intervals. 23 Q. Well, you were off by a factor of 100 24 percent, just because you didn't know how to read the data, right? 25

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1 MR. RANKIN: Objections. Badgering the 2 witness. HEARING OFFICER HARWOOD: 3 It's argumentative. Rephrase or withdraw. 4 BY MR. WEHMEYER: 5 Q. I mean, it's a real question. When you talk 6 7 about it's a matter of, you know, who's accurate, who 8 is not accurate, and that you've somehow looked at all 9 this and you're the final say on it. I mean, 10 literally, in terms of the data you looked at, you 11 swore under oath to this Commission and put your seal 12 on an opinion that you've said is off by over 13 100 percent? 14 A. Correct. 15 MR. RANKIN: Objection. Mr. Knights 16 testified that he identified and corrected the 17 record. HEARING OFFICER HARWOOD: It has been asked 18 and answered. 19 20 BY MR. WEHMEYER: 21 Q. Let me try to see if I have these steps 22 right on what happened. 23 Do you remember you came up with the 24 original saturation of 30 percent, was what you wanted 25 to use? Page 146

| 1  | A. 30 percent cutoff, yes.                             |
|----|--|
| 2  | Q. And that was back when you were off by the          |
| 3  | factor just in timing on these errors, that was        |
| 4  | when you were off by 100 percent because you misread   |
| 5  | the intervals?   |
| 6  | A. Yes. The paper submitted was 100 percent            |
| 7  | wrong.   |
| 8  | Q. And we visited before the break on why did          |
| 9  | you change it, and you said: Well, I did what          |
| 10 | everybody else, the rest of the club was doing. I      |
| 11 | think was the phrase you had.                          |
| 12 | Is the real reason you moved the                       |
| 13 | 30 percent to 20 percent is because you had already    |
| 14 | had the volumes crammed down so low, when you realized |
| 15 | the 100 percent mistake, you had to chop it in half,   |
| 16 | and then the 30 percent was an effort to just add some |
| 17 | volumes back so that you didn't get laughed out of     |
| 18 | this hearing?  |
| 19 | MR. RANKIN: Objection. Argumentative.                  |
| 20 | HEARING OFFICER HARWOOD: It is                         |
| 21 | argumentative. I'll sustain it.                        |
| 22 | BY MR. WEHMEYER:                                       |
| 23 | Q. Was part of the reason that you went from 20        |
| 24 | percent saturation to 30 percent saturation because    |
| 25 | now you realize, oh, no, I have to chop my oil in half |
|    | Page 147   |

| 1  | because I read the depth interval wrong?               |
|----|--|
| 2  | A. No.   |
| 3  | Q. But, again, just before we leave this, so           |
| 4  | that the Commission understands, all of your outputs   |
| 5  | that you did not amalgamate from NuTech and Ops        |
| 6  | Geologic and Dr. Davidson, and take the best of the    |
| 7  | three, you threw out Ops Geologic, you threw out       |
| 8  | NuTech, all of your work is a 100 percent derivative   |
| 9  | of what Dr. Davidson did?                              |
| 10 | A. Correct.  |
| 11 | Q. And you know he chose the facies model. He          |
| 12 | had all sorts of different models he could have        |
| 13 | adopted. He chose the facies model?                    |
| 14 | A. I believe so, yes.                                  |
| 15 | Q. Rock facies is a concept of geology. This           |
| 16 | is lithology. This is something that's happening 4400  |
| 17 | feet beneath the surface of the Earth?                 |
| 18 | A. Correct.  |
| 19 | Q. So I'm just asking you, as a geologist,             |
| 20 | where all of your work and your oil-in-place volumes   |
| 21 | is dependent on Dr. Davidson, and he chose a facies    |
| 22 | model, and he didn't describe the core, he didn't look |
| 23 | at the core, he did use the RR Bell core, he didn't do |
| 24 | a rock outcrop study, that doesn't give you concern?   |
| 25 | A. Not at all. Basically, when you look at an          |
|    |  |

1 analysis, you don't decide how they did it. But you validate it on the results. And Jim Davidson matched 2 the core better on five offset the wells that he blind 3 tested and corroborated the information on each of 4 5 those other fields. 6 I really enjoyed the Seminole one, where 7 he showed that the swept zone has been CO2 flooded for 8 40 years, still had between 15 and 25 percent residual oil zone saturation, indicating that a residual oil 9 saturation matched his volume metric estimates. 10 11 And I think all those validation points 12 pointed to Dr. Davidson as the most accurate analysis 13 that I had at the time. 14 Q. You talked about sensitivities a moment ago. 15 Did you run a sensitivities analysis? 16 A. In my summary, I've done sensitivity 17 analyses in my head basically using the net pay scenarios that I use for the 4, 7 and 10 percent 18 19 porosity. And I showed percentage-wise how that would 20 have affected the oil in place in the EMSU and also 21 how it broke down the reservoir quality on how much 22 was really high quality, medium quality and low 23 quality. And so I ran those scenarios. 24 Q. So the question is, did you run or perform here a sensitivity analysis that you would put the 25 Page 149

1 Netherland, Sewell stamp on as a sensitivity analysis? 2 Yes or no? 3 A. I ran -- well, yes. Q. Where do we find that in your papers? 4 5 A. The slide that has the Ops permeability, the 6 different porosity cutoffs, those variations. 7 Q. Where you reported Ops' volumes? 8 A. Correct. Their net pay analysis. That was 9 based on a porosity cutoff, which, in fact, all four 10 of the -- or five of the petrophysical analyses had a 11 very similar porosity. And so using that, I didn't 12 feel I had to do a separate porosity net pay analysis 13 for each of the things. 14 But those percentages were probably equivalent for each of the sensitivities. So we had 15 16 30 percent of rock and very high quality greater than 17 10 percent. We had another third of the rock that's medium at 1 millidarcy and above. And then you had 18 19 another third using the Ops Geologic model at about 4 20 percent porosity. By their porosity calculations, that was basically another third of the rock. 21 Q. And I truly don't know this. Did you 22 discuss sensitivity analysis anywhere in here, or is 23 24 this something you said you did in your head? 25 A. I did not have a writing of a sensitivity

analysis.

1

Q. So if the commissioners want to see a sensitivity analysis, they're not going to find that in any of your written statement, are they?

A. They can look at the net pay analysis that I had in my summary comments that shows that I had a 4 and a half, 7 and 10 percent as different levels of guality of rock defined in the reservoir.

9 Q. With respect to that sensitivity analysis
10 that you now testified to that you performed, you said
11 Ops Geologic was part of that analysis?

12

A. Part of the analysis?

Q. Of the sensitivity -- their 4 percent
porosity would be part of your sensitivity analysis?

A. Yes. I showed what their volume differences would have been from a net pay consideration using different porosity cutoffs. Because they had a tendency to just use saturation as a cutoff. As an industry standard, the most common use of net pay scenarios is to use a permeability related to a porosity cutoff to define reservoir quality.

Q. Even in an instance here, where porosity and permeability do not directly track with one another and there's variability in porosity with permeability? A. Correct.

1 Q. Now, with respect to Ops Geologic on the 2 sensitivity analysis, ultimately, does that land at 3 their volumes? When you say you performed a sensitivity in your head --4 5 A. Their maps were their 100 percent volumes. 6 Q. Okay. 7 A. And if I used a 7 percent, that would be reduced by another 32 percent. And if I used 10 8 9 percent, that would be reduced by another 30 percent. So, basically, on the Ops Geologic 10 11 model, I have a third of their rock is very high 12 quality, high porosity; a third of their rock is 13 medium, and basically that was Jim Davidson's cutoff that he used; and then Ops Geologic has another third 14 15 of their oil in place in the low porosity that is 16 relatively lower quality, low porosity, based on a 17 porosity cutoff. And that's where most of their oil is, in the low porosity. 18 19 Q. And so I'm just trying to get back to -- as 20 you talk about the sensitivity analysis that you said 21 you ran in your head, is Ops Geologic then in that 22 analysis -- I mean, you just testified, you said: 23 That's part of my sensitivity. Right? 24 A. Correct. 25 Q. Would that be the high case? Page 152

1 A. It would be an unrealistically high case, 2 yes. 3 O. But you said you used that for your sensitivity analysis here. Correct? 4 A. I used that as a porosity to get to a net 5 6 pay distribution. I'm not sure of the question. 7 Q. And so to the extent that you're -- in a sensitivity analysis, would Ops Geologic then be your 8 9 high case? 10 A. No. 11 Q. What would be your high case in the 12 sensitivity? 13 A. At the moment, it would be some kind of distribution around Dr. Davidson's oil in place. 14 15 Q. Where would we see that in either your 16 handouts or your written testimony? 17 A. You do not have that. Q. So I'm just trying to take this in pieces. 18 19 On the sensitivity, what I have in my mind as an 20 lawyer, not a scientist, there's going to be a high 21 case and a low case, right? 22 A. Yes. 23 Q. And a middle case? 24 A. Yes. 25 O. I asked you: Did you run a sensitivity? Page 153

| 1  | And you eventually said you did.                       |
|----|--|
| 2  | And I said: What is your sensitivity?                  |
| 3  | And you said: Ops Geologic and                         |
| 4  | Dr. Davidson.  |
| 5  | I mean, is it that simple?                             |
| 6  | A. No, it's not that simple.                           |
| 7  | Q. What would, then, be the high case in your          |
| 8  | sensitivity that you ran?                              |
| 9  | A. There's just not enough data to be                  |
| 10 | comfortable with a high side case. I mean, right now,  |
| 11 | the most likely case is Dr. Davidson's and some        |
| 12 | semblance of distribution around that. Right now, if   |
| 13 | I had to do it off the top of my head, I'd say         |
| 14 | 10 percent up and 10 percent down.                     |
| 15 | Q. You said off of Dr. Davidson's, and I'm not         |
| 16 | going to continue to beat the horse about the facies   |
| 17 | model, but did you actually discuss in your original   |
| 18 | testimony, actually, your original testimony, a        |
| 19 | 4 percent porosity cutoff?                             |
| 20 | A. Could you ask that question again?                  |
| 21 | Q. Did you originally start this project at a          |
| 22 | 4 percent cutoff, 4 percent porosity?                  |
| 23 | A. I don't understand did I start the process.         |
| 24 | I was using whatever was provided to me. So Ops used,  |
| 25 | I think, 4 percent effective porosity as their cutoff. |
|    | Page 154   |

1 Jim Davidson used a 7 percent effective porosity for 2 his cutoff. To tell you the truth, I don't remember what NuTech used. 3 4 Q. So I'm in your rebuttal report, and I'm 5 going to try to zoom in, because I want you to explain 6 what this is and why this is. 7 Do you see the paragraph that begins, 8 "In NSAI's analysis of oil saturation"? 9 A. Yes. Q. So NSAI, that's you and your company, right? 10 11 A. Yes. 12 Q. NSAI, that would also be Dr. Davidson, 13 right? 14 A. Correct. 15 Q. "We used a consistent porosity cutoff of 16 4 percent to evaluate the reasonableness of the three 17 petrophysical models to conduct an empirical analysis." 18 19 Why did you use a 4 percent porosity 20 cutoff? 21 A. For consistency. So I was doing a variation 22 on oil saturation. And so if I used a consistent oil 23 saturation but an inconsistent porosity, all these 24 petrophysical analyses couldn't be compared 25 appropriately.

1 So I took all the lowest porosity that 2 somebody used as 4 percent on Ops. I said, okay, 3 let's just use that as a common porosity cutoff so 4 that I am just looking at the variability of 5 saturations. 6 Q. I'm now moving over to your original report. 7 As we come back to this concept of facies, which is 8 what Dr. Davidson's work is based off of, there was a 9 lot of discussion yesterday on shallow water environment versus deep water environment. 10 11 You say here, "Oil entered the 12 San Andres Aquifer and migrated through a complicated 13 porosity system to create several isolated reservoirs with varying compositions of salinity and hydrocarbon 14 15 saturations. These include both mobile oil and 16 productive fields across the CBP and residual oil 17 scattered along the migration pathways." 18 I'm actually at the wrong spot. Sorry 19 about that. Here we go. This is what I wanted to focus on. And for reference, this is out of your 20 21 revised original report. "The EMSU is located along 22 the northwestern edge of the CBP, as shown in Figure 23 1. The unit is composed of the producing Grayburg 24 Reservoir and the underlying San Andres Aquifer." 25 And, again, in the testimony, we've had

great difficulty today on -- you said you don't know what San Andres is, you don't know what Grayburg is. But when the commissioners go back and read these reports, they're going to see that you speak of San Andres and Grayburg all over the place, don't you?

A. Probably it's inconsistent. My definition
of San Andres, I tried to be consistent at relating it
to the Goodnight injection interval, which some of the
people call the Lower San Andres.

Q. If I take the tops off of the various logs here and just ask you to show the Commission, I have some logs that don't have tops on them, to show them where, according to you, in that particular log the San Andres is versus the Grayburg, would you be able to do that?

16 A. Not particularly well. Or I could do it as 17 inconsistently as everybody else. But what I could do is define the top of the Lower San Andres, where the 18 Goodnight injection level is, at basically some of the 19 20 tops of the major loss circulation zones. Because I think that is a definitive indication of a 21 22 significantly different reservoir quality in size and 23 component that is isolated and separate and different from shallower reservoirs. 24

25

Q. I'm just showing you off of the plot here

1 that's at Figure 4 that the loss circulation zones are 2 all over the place. You are not going to testify that 3 wherever there's a loss circulation zone, that that 4 becomes the San Andres and Grayburg, are you?

A. No. It's a perm barrier and it createsseparate reservoirs.

Q. My question was, San Andres versus Grayburg, you said you would go to where the mud losses are, you're not telling the OCC that it's your geology opinion that you would pick San Andres Formation from Grayburg Formation based on wherever the mud loss occurred, is it?

A. Again, anyone that uses a formation as a
nomenclature, it's very arbitrary. I use depths and
reservoir quality.

16 And the reservoir quality in the Lower 17 San Andres is distinctly determined by, number one, the loss circulation zone, but then, again, the water 18 supply wells that show it has a tremendous 19 20 permeability and a large, significantly large, 21 aquifer. And then the water injection that shows a 22 significant amount of water that's injected at very 23 high permeabilities with very little pressure changes, 24 which also indicates it's a very large aquifer. 25 Q. Would you agree with me that the San Andres

| 1  | and the Grayburg are all in the EMSU those are both   |
|----|---|
| 2  | in the EMSU, right?                                   |
| 3  | A. They are both, yes.                                |
| 4  | Q. And the unit interval is all of the Grayburg       |
| 5  | and all of the San Andres, correct?                   |
| 6  | A. I think so, yes.                                   |
| 7  | Q. So coming back to Page 5 of your original          |
| 8  | report, "These formations were deposited in typical   |
| 9  | marine and restricted-marine environments, with most  |
| 10 | of the EMSU deposition occurring in a predominantly   |
| 11 | shallow-water carbonate ramp environment." I read     |
| 12 | that correctly?                                       |
| 13 | A. Correct.   |
| 14 | Q. Is that still your opinion?                        |
| 15 | A. Yes. It's a little indistinctive because it        |
| 16 | doesn't supply the actual depths. But for the         |
| 17 | significant other shallow waters in the Grayburg,     |
| 18 | actually the producing interval.                      |
| 19 | Q. So if we just took one of these logs as an         |
| 20 | example, take that one, where is the Upper San Andres |
| 21 | and where is the Lower San Andres?                    |
| 22 | A. Well, from the preponderance of data, I            |
| 23 | would suggest that the top is somewhere equivalent to |
| 24 | the large loss circulations that we have across this  |
| 25 | in probably eight of the eleven wells. So probably    |
|    | Page 159  |
|    | raye 139  |

somewhere there.

1

Q. If you're picking off of the loss circulation intervals, you can tell the Commission that the depth of formation is going to change by hundreds of feet, isn't it?

6 A. I don't think so. I think most of them are around negative 700 feet at the top of where the major 7 8 loss circulation and injection zones are. Both of 9 those indicate that it's a large aquifer from a permeability standpoint and uniquely different than 10 11 any of the overlying Grayburg or the Upper San Andres 12 reservoirs above that Jim Davidson's either high gamma 13 ray or that negative 500 or negative 700 feet, which I define as kind of demilitarized zone, that I think 14 15 most of the perm barriers within that separate the two 16 reservoirs, and everything above negative 500 is 17 completely separate and just --

18 Q. So your testimony is that the loss events 19 are happening at 700 feet subsea?

A. Approximately that depth. Maybe a littledifferent.

Q. I have this plotted here at subsea. And based on the actual data, I'd like you now to explain -- and here, I'll give you the legend. The green is going to be mud loss depth. Can you help me

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1 with how this would look like 700 feet subsea? 2 So we have the EMSU 628. That one is at 139 feet. We have the Ernie Banks. That one is at 3 970 feet. 4 5 A. What are the three numbers? Q. We have the EMSU 713. That's at 933 feet. 6 7 I'm just trying to understand where --8 how are you saying these all happened at 700 feet subsea? 9 MR. RANKIN: Mr. Hearing Officer, I'm 10 11 confused by what I'm seeing on the screen. I don't know what these numbers are or where they came from, 12 13 who created this document. So I quess I would object to it being 14 15 used for cross-examination because I don't know what 16 any of these numbers are or where they came from. 17 HEARING OFFICER HARWOOD: More foundation, 18 Mr. Wehmeyer. 19 BY MR. WEHMEYER: 20 O. Have you ever tried to actually place on a 21 map or a plat well by well where the actual subsea 22 depths are in each of the wells that are under study 23 here, the loss circulation? 24 A. The loss circulation zone on a map? 25 O. Yeah. Page 161

| 1  | A. I believe I have.                                   |
|----|--|
| 2  | Q. So, again, you're the one that started with         |
| 3  | 700 subsea feet. If the data is that in the EMSU 628,  |
| 4  | the loss occurred at 1,039 feet, we can agree that     |
| 5  | that is not 700 feet, right?                           |
| 6  | A. Correct.  |
| 7  | Q. If the SWD N 11-1, the loss circulation was         |
| 8  | at 1,051 subsea, that is not 700 feet, is it?          |
| 9  | A. Correct.  |
| 10 | Q. In the EMSU 713, if it happens at 932               |
| 11 | subsea, that's not 700 feet, is it?                    |
| 12 | A. Yes. If, yes.                                       |
| 13 | Q. In the Ernie Banks SWD, if it is lost at            |
| 14 | 970, that's not 700 feet, is it?                       |
| 15 | A. Correct.  |
| 16 | Q. If in the 1028 it happens at 1,013, that's          |
| 17 | not 700 feet, is it?                                   |
| 18 | A. Correct.  |
| 19 | Q. In the Nolan Ryan, if it's 1,043, that's not        |
| 20 | 700 feet, is it?                                       |
| 21 | A. They're all below 700 feet.                         |
| 22 | Q. So, again, the idea that we would choose the        |
| 23 | place of loss of circulation, what happened to define  |
| 24 | San Andres versus Grayburg, in terms of being able to  |
| 25 | correlate that across this field, there's no way to do |
|    | Page 162   |

1 that, is there? 2 A. You wouldn't use one piece of data to define 3 a reservoir. Q. So you would agree that if you're picking 4 5 tops off of just circulation loss, that would not be a valid scientific basis or engineering basis to pick? 6 7 A. That data only, no. O. Now, coming back to your paper. So we're 8 9 back to your paper here at Page 5, "These formations were deposited in typical marine and restricted-marine 10 11 environments, with most of the EMSU deposition 12 occurring in a predominantly shallow-water carbonate 13 ramp environment." 14 First, do you stand by that testimony 15 that EMSU is predominantly shallow water? 16 A. Yes. 17 Q. Have you done any work here to show where shallow water would transition, if at all, to deep 18 19 water? 20 A. No. Q. So the best we have is that after your 21 geology work, the EMSU is predominantly shallow water? 22 23 And if the Commission wanted to know anywhere not 24 shallow water, nothing you have an opinion on or 25 anything you've done as a matter of geology. True?

| 1  | A. Predominantly, yes.                                 |
|----|--|
| 2  | Q. Now, tell the Commission about the                  |
| 3  | importance of being in a the EMSU and San Andres       |
| 4  | being in a shallow water environment. What does that   |
| 5  | mean about rock type?                                  |
| 6  | A. It's very variable and generally thinner            |
| 7  | deposits.  |
| 8  | Q. You would expect less mud in that                   |
| 9  | environment, wouldn't you?                             |
| 10 | A. Yes.  |
| 11 | Q. You would expect more oil in that                   |
| 12 | environment, wouldn't you, in a high energy in a       |
| 13 | higher energy shallow water environment as compared to |
| 14 | low energy deep water environment?                     |
| 15 | A. There would be yeah, there would be                 |
| 16 | higher porosity.                                       |
| 17 | Q. Which, in this instance, would equate to            |
| 18 | more oil in place?                                     |
| 19 | A. Yes, above the oil-water contact, it should.        |
| 20 | Q. Now, as we visit on rock facies, if you're          |
| 21 | shallow water, you would be more grain dominated and   |
| 22 | less mud dominated, wouldn't you?                      |
| 23 | A. You would be more likely to be more grain           |
| 24 | dominated versus mud dominated.                        |
| 25 | Q. Now, we've talked about how much depth we           |
|    | Page 164   |

1 have of 679 core in the EMSU. If we're below that, 2 and you're talking about rock properties off of the 3 log, you're going to need a spectral gamma, aren't 4 you? 5 A. Spectral gamma is very useful. 6 Q. Because that's the only way that you're going to be able to tell am I looking at thorium, is 7 8 this gamma reacting to potassium, is it reacting to 9 uranium. Yes? 10 A. Yes. 11 Q. In this instance, did you have any spectral 12 gamma whatsoever within the EMSU boundaries? 13 A. Not within the boundaries of the EMSU. 14 Q. And so, again, coming back to your work 15 being based off of Dr. Davidson's, does it give you 16 concern as a geologist that a facies model was 17 developed in a shallow water environment in which rock typing was picked without having any spectral gamma to 18 differentiate out of uranium, thorium or potassium? 19 20 A. Well, we did have spectral gamma rays in 21 nearby offset wells to the southeast and to the north 22 that were used in my evaluation to indicate that those 23 were actually uranium. And I think extrapolating that 24 over the EMSU is a reasonable geologic assumption. 25 Q. How far away were those wells?

| 1  | A. I'd say maybe two, three miles.                     |
|----|--|
| 2  | Q. Would the rock outcrop study be more                |
| 3  | valuable?  |
| 4  | A. A hundred miles away, no.                           |
| 5  | Q. As we talk about uncertainty in this                |
| 6  | particular instance, would you give me that in terms   |
| 7  | of picking rock types here, in the absence of core, in |
| 8  | the absence of spectral gamma, that certainly          |
| 9  | reasonable folks could disagree over one level of rock |
| 10 | quality picked? For example, moving from a wackestone  |
| 11 | to a mud dominated packstone or a mud dominated        |
| 12 | packstone to a grain dominated packstone, that there   |
| 13 | could at least be one facies of rock change reasonable |
| 14 | uncertainty there that you could move?                 |
| 15 | A. I guarantee that some people would call             |
| 16 | things differently, much like the nomenclature of the  |
| 17 | top of the San Andres.                                 |
| 18 | Q. I'm not fussing with you, but is that a yes?        |
| 19 | A. Yes.  |
| 20 | Q. And in this instance, if all you did was            |
| 21 | move over Dr. Davidson's rock facies and assume a      |
| 22 | level of one better rock type are you with me so       |
| 23 | far in the assumption?                                 |
| 24 | A. Mm-hmm.   |
| 25 | Q that you then move to oil saturations                |
|    | Page 166   |

| 1  | that look very similar to the ones prepared by Ops     |
|----|--|
| 2  | Geologic and NuTech, don't you?                        |
| 3  | A. I'm not sure that's the case. But if it             |
| 4  | would be the case, then those would contradict the     |
| 5  | actual core data in the rest of the model. So I would  |
| 6  | go to Jim Davidson and say, "This model is not         |
| 7  | working."  |
| 8  | Q. If you'll listen to my question.                    |
| 9  | A. Okay. Sorry.  |
| 10 | Q. We've already covered that you can agree            |
| 11 | that reasonable minds, reasonable science minds, could |
| 12 | disagree here about one level of rock type. There's    |
| 13 | at least that amount of uncertainty here, according to |
| 14 | you.   |
| 15 | A. Okay. I'll go with that assumption.                 |
| 16 | Q. And here, if you move Dr. Davidson's rock           |
| 17 | type over by just one level, do you know how closely   |
| 18 | that would compare to what Ops Geologic did?           |
| 19 | A. No.   |
| 20 | Q. Would you expect it to look very similar to         |
| 21 | what Ops Geologic did?                                 |
| 22 | A. No.   |
| 23 | Q. Why?  |
| 24 | A. Because the oil in place numbers were               |
| 25 | dramatically higher than I would have expected         |
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1 relative to the core data. 2 Q. Well, you mention core, and we know we don't 3 have core deep into the Lower San Andres. 4 A. Right. 5 Q. But with respect to the core, you understand 6 that Ops Geologic actually made corrections to eliminate certain of the core plots because it would 7 8 have led to an unreasonable n value? 9 A. I think I'm aware of that, yes. 10 Q. And in terms of just fussing with Ops 11 Geologic, if we looked at the n value -- I understand 12 that Dr. Davidson wouldn't agree he'd arrived at an n 13 value. But some of his plots were all the way over to 14 10 on his n value. If you looked at his analysis and 15 where it fell on the plots --16 MR. RANKIN: Objection. Mr. Wehmeyer is 17 testifying. HEARING OFFICER HARWOOD: Let's hear the end 18 19 of the question first. 20 Mr. Wehmeyer, in the interest of maybe saving time, how about rephrasing it? 21 22 MR. WEHMEYER: Absolutely. And I think we're on the same page. I apologize for the long 23 24 question. I'll strike that. BY MR. WEHMEYER: 25

| 1  | Q. So the question is, I understand that             |
|----|--|
| 2  | Dr. Davidson didn't use an Archie's equation, right? |
| 3  | A. Mm-hmm.   |
| 4  | Q. So he didn't do m and n values, did he?           |
| 5  | A. No.   |
| 6  | Q. Ops Geologic chose a modified Archie's            |
| 7  | equation, with a variable m and n. Yes?              |
| 8  | A. Correct.  |
| 9  | Q. Have you seen that done in the petrophysical      |
| 10 | world?   |
| 11 | A. Yes.  |
| 12 | Q. So in terms of them varying m and n on a          |
| 13 | modified Archie's, this is not something crazy?      |
| 14 | A. No.   |
| 15 | Q. Scott Birkhead isn't a nut? This is               |
| 16 | something that's                                     |
| 17 | A. Shortcut.   |
| 18 | Q. Okay. Now, with Dr. Davidson's work, even         |
| 19 | though he didn't use an m and n, you can't determine |
| 20 | what the m and the n would be off of his plots and   |
| 21 | work, can you?                                       |
| 22 | A. Dr. Davidson couldn't.                            |
| 23 | Q. And, in fact, some of those n values reach        |
| 24 | all the way to 10, don't they?                       |
| 25 | A. I do not know, but that would not surprise        |
|    | Page 169   |

| 1  | me.  |
|----|--|
| 2  | Q. Which would be even higher than the n value         |
| 3  | used by Ops Geologic, which got to about 9 in certain  |
| 4  | places?  |
| 5  | A. I assume that's correct.                            |
| 6  | Q. Did you do a study of the critical water            |
| 7  | saturation, basically a look at how much water can     |
| 8  | even move if the Netherland, Sewell analysis is        |
| 9  | correct?   |
| 10 | A. I did not do a study, no.                           |
| 11 | Q. So in terms of telling the Commission about         |
| 12 | what percentage of your water saturations would be     |
| 13 | critical or irreducible, that's not something you've   |
| 14 | done, not something                                    |
| 15 | A. No.   |
| 16 | Q you would be able to talk about?                     |
| 17 | A. Well, I mean, I'm exposed to residual oil           |
| 18 | saturations and residual water saturations just in the |
| 19 | industry, but not specifically here.                   |
| 20 | Q. So if they wanted to know, based on the             |
| 21 | majority of Dr. Davidson's rock typing, how much of    |
| 22 | that water and those water saturations, they go up     |
| 23 | over they immediately go to 92 percent, don't they?    |
| 24 | A. Yes.  |
| 25 | Q. And so just by choosing that rock type and          |
|    | Page 170   |

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1 that facies model, you can't get more than 8 percent 2 oil into the model simply as a matter of rock typing; 3 isn't that right? 4 A. That's probably correct. 5 Q. So you pick the rock type. So just based on rock type -- and, again, no spectral, no core, we 6 7 know we've got -- you've looked at -- at least 92 8 percent immediately has to be water? 9 MR. RANKIN: Objection. Mischaracterizing 10 the testimony. Mr. Knights testified that they did 11 have spectral and they did use spectral in their 12 analysis. 13 HEARING OFFICER HARWOOD: Overruled. 14 BY MR. WEHMEYER: 15 Q. Do you want me to reask it? 16 A. Yes, please. 17 Q. Yeah, no, it's an interruption. I totally 18 get it. 19 So you've looked enough at 20 Dr. Davidson's facies model. You know that based on 21 the rock type he selects for the majority of the Lower San Andres reservoir formation, that just by the rock 22 type, it only allows a maximum of 8 percent oil in 23 24 because it's going to put at least 92 percent saturation into it, isn't it? 25

1 MR. RANKIN: Objection. Mischaracterizes 2 the testimony of Dr. Davidson. 3 HEARING OFFICER HARWOOD: Overruled. A. Looking at that Sc chart, some of those 4 5 curves, where they hit the very high resistivity 6 index, I think those lower values to the right may be in that 7 to 8 percent. So if that was the lithology 7 8 that was defined, then that would be a maximum 9 saturation. Q. Right. And the people that define lithology 10 11 would be geologists, right? 12 A. Correct. 13 Q. And Dr. Davidson is not a geologist? A. Well, I would amend that. Geologist 14 15 petrophysicist. Because petrophysicists distinctly do 16 more lithology work than I do. O. Did he do any lithology work here? 17 18 A. Using log characteristics, yes. 19 Q. Log characteristics off of triple combo, 20 which really -- again, just in terms of keeping credibility with this Commission, doesn't it all just 21 22 come back to his gamma ray reading? If the gamma ray 23 spikes, he says this is non-reservoir? A. That was a significant data input into his 24 analysis, yes. 25

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1 Q. So as soon as the gamma ray spikes, it 2 immediately becomes non-reservoir, and practical 3 matter, just making this simple, at that point you're 4 going to have 92 percent plus water saturation, you 5 can't put in more than 8 percent oil. True? A. On some of those curves, that is correct. 6 7 Q. As we talk about some of those curves, the 8 majority of the rock in the Lower San Andres that he's 9 chosen would be wackestone or worse? MR. RANKIN: Objection. Mischaracterizes 10 11 the evidence. Dr. Davidson testified that he didn't 12 use wackestone in his model. HEARING OFFICER HARWOOD: Do you have more 13 14 foundation? Maybe something to show him or refer him 15 to specifically? 16 MR. WEHMEYER: Mr. Knights and I are on the 17 same page. He knows where these rock types end up. BY MR. WEHMEYER: 18 19 Q. You know where the -- you've looked at the 20 facies model in terms of what rock -- you want to know as a geologist, what rocks is Dr. Davidson giving 21 22 me here? Right? 23 A. Well, basically, I don't really care what 24 rocks they are. I look at the results of the 25 analysis. And I compare it to the actual hard-core Page 173

| 1  | data that I have and see if that makes sense or seems |
|----|---|
| 2  | reasonable.   |
| 3  | Q. What hard-core data did you have in the            |
| 4  | EMSU?   |
| 5  | A. For the EMSU, the 679 core data. And in the        |
| 6  | Grayburg, I had a lot of production data.             |
| 7  | Q. Now, the Grayburg, that was produced               |
| 8  | conventionally.                                       |
| 9  | A. Correct.   |
| 10 | Q. No   |
| 11 | MR. RANKIN: Mr. Hearing Officer,                      |
| 12 | Mr. Knights was cut off. He was answering a question  |
| 13 | and Mr. Wehmeyer cut him off.                         |
| 14 | HEARING OFFICER HARWOOD: Okay. I'm sorry I            |
| 15 | missed that.  |
| 16 | MR. WEHMEYER: Well, I'm happy for him                 |
| 17 | BY MR. WEHMEYER:                                      |
| 18 | Q. I didn't mean to cut you off. Go ahead.            |
| 19 | A. I don't actually remember what I was talking       |
| 20 | about.  |
| 21 | HEARING OFFICER HARWOOD: Stop. Let's not              |
| 22 | get into the same situation we got into yesterday.    |
| 23 | Remember, it's a radio transmission. Guys, give each  |
| 24 | other time. Okay?                                     |
| 25 | BY MR. WEHMEYER:                                      |
|    | Page 174  |

1 Q. I've enjoyed our visit. I think you and I 2 are on the same page more frequently than Mr. Rankin. 3 So as we come back to -- I said hey, look, you're the geologist, you do this work. First 4 5 thing you're going to want to know is: What rocks is my petrophysicist giving me? Fair? 6 7 A. I would ask Jim what rocks are there. Q. And what did he tell you? 8 9 A. As you know, Jim can be pretty loquacious. So it was long diatribes of why these rocks are what 10 11 I've determined them to be. And I was enjoying my 12 conversations and learned something every time I 13 talked to him. 14 Q. Did you ever get an answer on what rocks are 15 these? 16 A. The ones that were in his model. And he 17 actually never output a model of this foot is this 18 rock type. 19 O. Okay. So if the Commission wants to know --20 and I'm not being a wise guy with it, I promise. Ιf the Commission want to know, when I went to go do my 21 22 oil-in-place estimations, I asked Dr. Davidson, "What 23 kind of rock do I have here?" do you know? Yes or no? 24 A. Not by foot. But basically the deeper water a little more on the mud side than the grainstone 25

| 1  | side.   |
|----|---|
| 2  | Q. Where did he call deeper water?                    |
| 3  | A. Deeper water is probably throughout the            |
| 4  | system, but predominantly lower in the Spraberry was  |
| 5  | deep water and shallower above the in the Upper       |
| 6  | San Andres, you know, above that gamma ray, that was  |
| 7  | primarily lower.                                      |
| 8  | Q. I think we just moved southeast quite a bit.       |
| 9  | Not Spraberry. San Andres?                            |
| 10 | A. Oh, did I say Spraberry?                           |
| 11 | Q. Yeah. That's okay.                                 |
| 12 | A. San Andres.  |
| 13 | Q. And so the rock types, the best you well,          |
| 14 | let me take it in two pieces.                         |
| 15 | First, would you agree that whatever                  |
| 16 | rock type was the predominant rock in his facies      |
| 17 | model, you're a little bit unclear on that right now  |
| 18 | as you sit in this chair?                             |
| 19 | A. Correct. On a foot-by-foot basis, yes.             |
| 20 | Q. And not being a wise guy, but it is a little       |
| 21 | odd that the geologist would be asking the educated   |
| 22 | engineer, "What type of rocks are these?" as opposed  |
| 23 | to you doing the work on the front end to assist the  |
| 24 | petrophysicist with, "This is the lithology that you  |
| 25 | should expect in this particular environment. This is |
|    | Page 176  |

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| 1  | deep water, this is shallow water. This is what we   |
|----|--|
| 2  | need to be looking at from outcrop"?                 |
| 3  | A. Not at all.                                       |
| 4  | Q. Now, you said you checked what he did             |
| 5  | against I don't want to misquote you direct data     |
| 6  | or the   |
| 7  | A. Direct physical evidence.                         |
| 8  | Q. Direct?   |
| 9  | A. Physical evidence.                                |
| 10 | Q. Direct physical evidence. How did you check       |
| 11 | his Lower San Andres? What direct physical evidence  |
| 12 | did you have? Was that just Grayburg?                |
| 13 | A. That's a good question. Yes, the only             |
| 14 | direct physical evidence we have in the Lower        |
| 15 | San Andres is the reservoir quality by the saltwater |
| 16 | supply wells and the injection wells, indicating     |
| 17 | permeability, reservoir quality and reservoir        |
| 18 | dimensions.  |
| 19 | Q. But, again, this isn't rock type. This is         |
| 20 | just going to be a gamma log?                        |
| 21 | A. Correct.  |
| 22 | Q. Which comes back to, as I talked about,           |
| 23 | couldn't we all agree here amongst reasonable people |
| 24 | that the rock facies could be off by a level of one? |
| 25 | A. Okay.   |
|    |  |

| 1  | Q. Now, returning to just the water                    |
|----|--|
| 2  | saturations, because I want to keep the forest in view |
| 3  | here, the majority of the rock that Dr. Davidson's     |
| 4  | model selected was mud dominated packstone or worse,   |
| 5  | right?   |
| 6  | A. Potentially. I'm not sure.                          |
| 7  | Q. Well, you've seen the plots on the graph,           |
| 8  | right?   |
| 9  | A. Yeah.   |
| 10 | Q. And, you know that by making that selection,        |
| 11 | even if you moved over to mud dominated packstone, you |
| 12 | have 80 percent water saturation right off the bat,    |
| 13 | don't you?   |
| 14 | A. Yes. High water saturations.                        |
| 15 | Q. And which to the other side of 1 minus              |
| 16 | equation, means you could maximum have maybe 20        |
| 17 | percent residual oil zone, right?                      |
| 18 | A. Correct.  |
| 19 | Q. Through just the facies selection?                  |
| 20 | A. Correct.  |
| 21 | Q. And then in the modeling that you all               |
| 22 | selected, if there was not at least 20 percent oil     |
| 23 | saturation, zero credit for oil was then put into your |
| 24 | model, correct?  |
| 25 | A. The net pays, yes, would have been zero.            |
|    | Page 178   |

1 Q. So it really gets this simple if you're 2 looking at this from the Netherland, Sewell approach: Dr. Davidson makes his facies picks for the majority 3 of the Lower San Andres. 4 5 A. Mm-hmm. Q. And based on those facies picks, you have to 6 7 start with 80 percent water, or even more water, and based on that facies pick, you cannot put enough oil 8 9 in to get past the 20 percent threshold for your model 10 to give that oil any credit for oil in place? 11 A. Correct. 12 Q. I want to talk a little bit about the 20 13 percent threshold. You've seen literature, you've 14 heard testimony from Steve Melzer, Dr. Trentham about 15 ROZs. 16 A. Correct. Yes. 17 Q. And 20 percent is what they've spoken to as 18 an acceptable threshold to get started at for an ROZ project? 19 20 A. As I understand it, it's the low side. You need --21 22 O. But it is an oil saturation -- and I'm so sorry. You go ahead. 23 24 A. And so you need at least 20 percent to make it reasonably viable. And that has to do with the 25 Page 179

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1 residual oil saturations that are common in these 2 rocks. O. And, again, just to keep this simple for my 3 simple brain, this is not you have to start at 40 4 5 percent and you produce it down to 20 percent residual oil and you stop? Based on their literature and their 6 7 work on ROZs, 20 percent would be an acceptable 8 place -- that's a lot of oil down there -- 20 percent 9 would be an acceptable place to start? A. To start as a minimum? 10 11 O. Yes. 12 A. If I had less than that, I wouldn't even consider it. 13 14 O. Yes? 15 A. Yes. 16 Q. Okay. So your model literally kicks out all of the residual oil that Dr. Trentham and Steve Melzer 17 would start an ROZ project at, doesn't it? 18 A. Yes. 19 20 O. And, again, in terms of the rock facies that's selected, in terms of moving from grain 21 22 dominated packstone over to a mud dominated packstone, that comes down very much to shallow water environment 23 24 versus deep water environment, correct? 25 A. Yes, it does.
1 Q. And here, I asked you as the geologist, do 2 you have any opinions to share, could we go well by well, depth by depth, and you tell where is shallow 3 water environment, where is deep water environment, 4 5 that's nothing you've done as a geologist, nothing you have opinions on, true? 6 7 A. I mean, I could have opinions if I reviewed 8 something specifically. 9 O. You haven't done it to date? 10 A. I have not done it, no. 11 Q. Additionally, all rock with less than 12 7 percent porosity, all of that oil is kicked out of 13 the Netherland, Sewell model, isn't it? 14 A. Correct. 15 O. And so you understand that in ROZ 16 development, oftentimes you will find some of your 17 highest oil saturations in some of your lower porosity rock, right? 18 A. I don't know if I agree with that. 19 20 Q. Do you have a position one way or the other? 21 A. In the better reservoirs, the higher oil 22 saturation is in the higher quality rock. You get better recovery factor. But in some reservoirs, I 23 could imagine that you would have more of the oil in 24 the low permeability rock because it hasn't moved and 25 Page 181

won't move.

2 Q. Under typical conventional environment, 3 right?

4

18

23

1

A. Correct.

5 Q. Coming back to Mother Nature's waterflood. You heard Dr. Lindsay testify in here that as water 6 7 pushes through here, mobile oil is going to be pushed 8 What we have left is residual oil that clings to out. 9 pore throats and, you know, pore volume, with the 10 water on the inside, waiting to be released through 11 something that can reduce the viscosity, such CO2? 12 A. Yes.

Q. So this comes back to -- you understand that Scott Birkhead has testified here that what he's actually observed in core and what he's modeled is that, oftentimes, the higher saturations of oil occurs in the lower porosity environments, true?

A. So yes.

Q. But, again, just in terms of keeping the big picture here for the commissioners, if it's below precent porosity, we never get those volumes in your model. Those are all kicked out, right?

A. Correct.

24 Q. You would agree with me, because we're not 25 dealing in conventional environment here, and this

| 1  | whole fuss is over tertiary, that through the          |
|----|--|
| 2  | injection of CO2, it is then possible to reduce the    |
| 3  | viscosity to recover the oil from these type pore      |
| 4  | throats and vary these pore volumes, true?             |
| 5  | A. Yes, that is the concept.                           |
| 6  | Q. In terms of oil wet versus mixed wet,               |
| 7  | there's been a lot of discussion about that. Is this   |
| 8  | an oil wet environment or a mixed wet, or might it be  |
| 9  | something in between?                                  |
| 10 | A. I think it might be somewhere in between.           |
| 11 | Q. If you move from an oil wet environment over        |
| 12 | to a mixed wet environment are you with me on the      |
| 13 | assumption? what would that do to your modeling?       |
| 14 | A. I'm not sure. I would defer to Dr. Davidson         |
| 15 | on that.   |
| 16 | Q. But before you came in and testified on             |
| 17 | volumes, you didn't ask him, "Did you model this off   |
| 18 | of oil wet versus mixed wet?"                          |
| 19 | A. No.   |
| 20 | Q. But that certainly would change the volumes,        |
| 21 | wouldn't it?   |
| 22 | A. I would defer to Dr. Davidson.                      |
| 23 | Q. We're going to go back to your slide show.          |
| 24 | While we're talking about ROZs some of                 |
| 25 | the recipe or the Cookbook of ROZs, you're looking for |
|    | Page 183   |

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1 things, no one is expecting mobile oil in a ROZ 2 development; we can all agree on that? A. Correct. 3 4 Q. There's pages of testimony that I've read 5 from the Goodnight witnesses about: Golly, we've 6 produced a gazillion barrels of water here, and we 7 have very little oil that's come up with it. Right? 8 MR. RANKIN: Objection. Mischaracterization 9 of the system. 10 HEARING OFFICER HARWOOD: Yeah, I don't 11 remember "golly" being in any of the technical 12 reports. Rephrase. 13 MR. WEHMEYER: It's all my simple mind can 14 appreciate. 15 BY MR. WEHMEYER: 16 Q. Have you read the other witness statements 17 in the case? 18 A. Yes. 19 Q. Has there been a lot of paper spent on: 20 We've produced a whole lot of water, but we have very 21 little oil? 22 A. Yes. 23 Q. And for an ROZ development such as this one, 24 if you're advising a client, you would tell him that's exactly what you'd expect, right? 25 Page 184

1 A. No, I don't think so. I think the ESP, the 2 changing of the reservoirs would anticipate -- be a 3 significant indication that there was a significant 4 ROZ there. 5 So the concept that we don't produce any oil so there must be oil there, is -- I don't think 6 7 that's a positive statement. 8 O. I'm taking the opposite side of it. If 9 somebody says, "I produced a lot of water and I don't have oil" --10 11 A. Yeah. 12 Q. -- if they're here talking to you on the 13 ROZ, you'd say, "That's normal. You would expect that"? 14 15 A. Yes. 16 Q. And we can go log by log, but to the 17 commissioner's cherry-picking comment, we can go into 18 actual logs and we can look at the mud logger's 19 report, and in the Lower San Andres -- are you with me 20 on what we're -- deep in the San Andres. 21 A. Deep in it. 22 Q. We can find gas shows, we can find oil fluorescence, we can find odor. Those aspects of 23 24 Dr. Trentham's recipe and Cookbook are present in many of these logs, aren't they? 25

1 A. In many of the logs, in some instances, yes. 2 Q. And additionally, off the top of my head, I know it's the 660 and I think it's the 658, Mr. Rankin 3 will correct me on it, those wells were tested with an 4 5 ESP and an electric submersible pump, and those did, in the Lower San Andres, produce oil along with the 6 saltwater? There was mobile oil? 7 8 A. There was some mobile oil, yes. 9 Q. And just the way oil works in the pore space and in those pore throats, if you're getting mobile 10 11 oil, you know there has to be residual oil left 12 behind? 13 A. Correct. Yes. 14 Q. And we may be able to work pretty quickly 15 through this from here. In terms of just economics --16 you with me so far? -- I see in your papers that you 17 kind of wave your hand over and go, this is not economic to fiddle with. Fair? 18 19 A. Yes. 20 Q. But you haven't actually run any economic 21 assessments here. You have haven't looked CapEx, 22 OpEx, revenue anticipated? 23 A. Just on a screen basis. Q. Did something happen in your head that you 24 woke up with, said, "Yeah, I looked at it"? 25 Page 186

| 1  | A. I'm not sure.                                       |
|----|--|
| 2  | Q. Where would I see the work? If the                  |
| 3  | Commission wants to see an economic assessment, says   |
| 4  | you're going to be the economics guy, where in your    |
| 5  | papers do we see the economic assessment, other than   |
| 6  | your say-so?   |
| 7  | A. It would be the last two slides in my               |
| 8  | summary slide deck.                                    |
| 9  | Q. You've analyzed CapEx and OpEx?                     |
| 10 | A. I generally use the data that I'm given. So         |
| 11 | I used the Tall Cotton data, from there.               |
| 12 | Q. Let's talk about Tall Cotton. In terms of a         |
| 13 | recoverability factor, you haven't seen any EMSU, have |
| 14 | you?   |
| 15 | A. No.   |
| 16 | Q. Is that something you'd want to see?                |
| 17 | A. At this moment, no.                                 |
| 18 | Q. How about even oil compositional analysis?          |
| 19 | Ignore miscibility, just API of the oil.               |
| 20 | A. No.   |
| 21 | Q. Okay. Now, Tall Cotton, might it have been          |
| 22 | that oil was overstated in the first instance?         |
| 23 | A. Yes.  |
| 24 | Q. And with respect to Tall Cotton, you've             |
| 25 | heard the testimony about they actually fracked in     |
|    | Page 187   |

1 they were trying to -- they didn't want to wait.
2 Kinder Morgan wanted the juice out of the squeeze
3 faster. And so they fracked into the injector wells.
4 Do you remember that testimony?

A. I remember the testimony, but I have noconfirmation that that's actually what happened.

Q. That's an interesting point in itself. So in terms of what happened at Tall Cotton by way of the recoverability of the residual oil, you don't know what happened as a technical matter, do you?

A. I know the direct physical evidence is the performance and the rate cum plot is 5 million barrels of data over 15 years, and a decline curve that gives me whatever happened in this instance that's an estimated oil recovery that would accomplish from that development.

Q. Just looking at this -- and I know you're not an engineer, but looking at the graph on the bottom right, when you see a curve like that, would you expect that there was something from a technical engineering perspective that happened to that production?

23

A. Something happened to the production, yes.

24 Q. That it would be different than and not 25 explained by somehow the oil just couldn't be -- the

| 1  | EOR was no longer effective?                           |
|----|--|
| 2  | A. I really don't know exactly what that is.           |
| 3  | But I would suggest there's plenty of plausible        |
| 4  | explanations.  |
| 5  | Q. One of them being that they fracked the             |
| 6  | injector wells?  |
| 7  | A. That would be something that might affect           |
| 8  | it.  |
| 9  | Q. Why would you supply the Commission with            |
| 10 | this slide? As we talk about it, you've only offered   |
| 11 | 24 slides and it's important to get things right. Why  |
| 12 | would you give the Commission testimony about Tall     |
| 13 | Cotton being a good analogy here without actually      |
| 14 | digging in to understand, from a technical             |
| 15 | perspective, what happened out there?                  |
| 16 | A. Well, I don't think that data is available          |
| 17 | publicly. So to this public data, this is the only     |
| 18 | ROZ-isolated interval that I could even attempt to get |
| 19 | somewhat close to a recovery factor.                   |
| 20 | So I thought it was important to at                    |
| 21 | least look at that data and come up with at least a    |
| 22 | screening perspective on what that recovery would be.  |
| 23 | Q. This slide, you showed just for record              |
| 24 | reference. We're looking at your Slide 13. Are you     |
| 25 | with me there?   |
|    | Page 189   |

1 A. Correct. 2 Q. I'm not sure anybody knows -- what is Goodnight's position as to what Ops Geologic's average 3 4 grain density was? Is the point of this fussing with 5 what you think Ops Geologic's grain density is? 6 A. No. They have a ternary diagram that he suggested it was 2.9 for the dolomite end. 7 8 I think if you're talking about his 9 grain density, that would be the amalgamation of how much percentage of dolomite, how much percentage of 10 11 sandstone, how much percentage of the other mineral 12 interests. And you get an average main grain density 13 of that. The only thing I was suggesting here is 14 15 that he used 2.9 with a constant 20 percent anhydrite 16 to get that up from the typical 2.87 grain density 17 that would normally use for the dolomite component in 18 his analysis. 19 Q. I just don't want the Commission to be left 20 with any misimpressions. For example, on EMSU 679 core average matrix 2.83, is that grams over cubic 21 22 centimeters? 23 A. Correct. 24 Q. And you think Ops Geologic -- well, let me 25 stop at that. That's an average, isn't it, 2.83 grams Page 190

1 per cubic centimeter? Is that an average of what was 2 measured in core? 3 A. Where? I'm not quite sure. 4 Q. Here, I can highlight it. 5 A. Oh, yes. Okay. 6 Q. That's an average over the whole core, 7 right? 8 A. Yes. 9 Q. Is Exxon a client of yours? 10 A. No. 11 Q. Exxon, they were at about 2.84 grains per 12 cubic centimeter? 13 A. Correct. 14 Q. What do you think Ops Geologic's average is? 15 A. I do not know. 16 Q. If you went back and averaged it and it was 17 2.835, could we all agree that that is incredibly 18 reasonable and right in line with core and what Exxon 19 came to? 20 A. It's still -- I think the 2.9 is a little 21 high relative to the industry standards. So I would 22 use a 2.87 there, recalculate his, see what a thing --I think it would reduce his 2.83 to maybe -- I don't 23 24 know. 25 Q. But the core average is 2.83. Exxon came up Page 191

| 1  | with 2.84. If Ops geologic's average was not 2.9,     |
|----|---|
| 2  | whatever you speculate on, was 2.835, you would agree |
| 3  | that that's at least in line with core and in line    |
| 4  | with what Exxon came up with?                         |
| 5  | A. Yes.   |
| 6  | Q. What was the average grain density of              |
| 7  | Dr. Davidson's model?                                 |
| 8  | A. I believe his dolomite density was 2.87.           |
| 9  | But I would defer to Dr. Davidson.                    |
| 10 | Q. Higher than the average in core, higher than       |
| 11 | Exxon and higher than what Ops Geologic came up with, |
| 12 | correct?  |
| 13 | A. Yeah, if that is correct, if that's what he        |
| 14 | used.   |
| 15 | Q. And we're just popping through these things        |
| 16 | to clean up and make sure I covered.                  |
| 17 | The Zone B water on this Slide 14                     |
| 18 | A. Mm-hmm.  |
| 19 | Q so that the Commission is clear, those              |
| 20 | arrows are not in this publication, are they?         |
| 21 | A. Correct.   |
| 22 | Q. You said there's an influx of Zone B water         |
| 23 | with the arrows off to the right?                     |
| 24 | A. The paper defined edge water drive, and this       |
| 25 | is an indication that the high water contacts were    |
|    | Page 192  |

| 1  | about where the reservoir went below the contacts.     |
|----|--|
| 2  | Q. Where did the paper define edge water drive         |
| 3  | as coming from?  |
| 4  | A. Downdip.  |
| 5  | Q. Is there anything in the paper that says            |
| 6  | water is entering in from the east?                    |
| 7  | A. No. That's an observation from this map.            |
| 8  | Q. An observation from you put the arrows on           |
| 9  | the the only thing on the map are the arrows that      |
| 10 | you added that would indicate water is coming from the |
| 11 | east.  |
| 12 | A. Well, all the hatched areas are water that          |
| 13 | was present in there in 1934, '35, '36 and '37.        |
| 14 | Q. On what basis would you say that water came         |
| 15 | from the east?   |
| 16 | A. Because it's right on the eastern edge of           |
| 17 | the map.   |
| 18 | Q. And is this the Grayburg that is being              |
| 19 | spoken of here?  |
| 20 | A. This is Grayburg.                                   |
| 21 | Q. Have you not heard again, you're the                |
| 22 | geologist. Have you not heard the extensive testimony  |
| 23 | in here that the Grayburg pinches off to the east and  |
| 24 | that there's no water moving in or out from the east?  |
| 25 | A. I've heard that it does get tighter and it          |
|    | Page 193   |
|    |  |

| 1  | pinches out to the east.                               |
|----|--|
| 2  | Q. And in terms of literature saying here at           |
| 3  | EMSU water is entering from the east, have you seen    |
| 4  | any such literature in the Grayburg?                   |
| 5  | A. No.   |
| 6  | Q. And, again, so the Commission is aware, you         |
| 7  | put the arrows coming in from the east, and the reason |
| 8  | you put the arrows coming in from the east was because |
| 9  | you found these little shaded spots in this diagram?   |
| 10 | A. Correct.  |
| 11 | Q. When was that paper written?                        |
| 12 | A. 1939.   |
| 13 | Q. So we've got over 80 years I'm trying to            |
| 14 | do I've heard an engineer one time say, "I never do    |
| 15 | public math." I thought that was kind of probably a    |
| 16 | good thing.  |
| 17 | But over 80 years since the paper, the                 |
| 18 | paper doesn't say the water is coming in from the      |
| 19 | east. But you've cited the paper here and you put the  |
| 20 | arrows on and the geology. I guess I should ask        |
| 21 | that first. Geology says the water is not coming in    |
| 22 | from the east, right?                                  |
| 23 | A. No, this is an observation.                         |
| 24 | Q. And, again, so that the Commission                  |
| 25 | understands, before you put the arrows on here and     |
|    | Page 194   |

| 1  | brought it and swore to it, the observation you formed |
|----|--|
| 2  | give them the methodology you used in getting to that  |
| 3  | observation?   |
| 4  | A. Yes.  |
| 5  | Q. I'm sorry. Let me re-ask it.                        |
| 6  | Data, methods, conclusions. If they                    |
| 7  | want to know what the methodology you used to say      |
| 8  | water is entering into the Grayburg from the east,     |
| 9  | tell them your methodology?                            |
| 10 | A. Reviewing this document and seeing that the         |
| 11 | eastern flank had some anomalous early water.          |
| 12 | Q. Moving to the cartoon, or whatever you want         |
| 13 | to call it, above it, so that the Commission is not    |
| 14 | misled, the perm barriers were not in this             |
| 15 | publication, were they?                                |
| 16 | A. No. I highlighted those.                            |
| 17 | Q. And neither was the little dotted line? I'm         |
| 18 | trying to follow this dotted line. Do you see if they  |
| 19 | wanted to  |
| 20 | A. Yes.  |
| 21 | Q. That's not in the paper. That's something           |
| 22 | you added, right?                                      |
| 23 | A. Correct.  |
| 24 | Q. And perm barrier, is this where you used a          |
| 25 | 7 percent porosity to define this perm barrier?        |
|    | Page 195   |

| 1  |  |
|----|--|
| 1  | A. No. They have little marks there.                   |
| 2  | Q. Well, I want to ask you about the little            |
| 3  | marks, to make sure we're talking the same thing. Are  |
| 4  | these the little marks you're talking about?           |
| 5  | A. Yes.  |
| 6  | Q. Can you help the Commission with where they         |
| 7  | would find the little marks that close the top of what |
| 8  | you call the perm barrier?                             |
| 9  | A. Close to the top of the perm barrier?               |
| 10 | Q. For it to be a barrier, it has to close on          |
| 11 | the top, right?  |
| 12 | A. No. The perm barrier can be any layers in           |
| 13 | there. It's not the entire you don't need an           |
| 14 | entire thickness. All you need is some                 |
| 15 | Q. Let's take it in pieces. First, I said the          |
| 16 | little dot the tiny dotted line, that wasn't on the    |
| 17 | original, you added that?                              |
| 18 | A. Correct.  |
| 19 | Q. And the colored perm barriers, that wasn't          |
| 20 | on the original document. You added that?              |
| 21 | A. Correct.  |
| 22 | Q. And so then I asked: Did you use your               |
| 23 | 7 percent porosity cutoff for this perm barrier? You   |
| 24 | said no?   |
| 25 | A. No.   |
|    | Page 196   |

| 1  | Q. You said you did it based on the little             |
|----|--|
| 2  | lines that they drew, right? Yes?                      |
| 3  | A. Yes.  |
| 4  | Q. And so then I asked: Are these the little           |
| 5  | lines?   |
| 6  | And I'm indicating here there's lines                  |
| 7  | that go along are you with me? Those are the lines     |
| 8  | you're speaking of?                                    |
| 9  | A. Yes.  |
| 10 | Q. But the lines never close literally at              |
| 11 | the top of what you've called a perm barrier, there    |
| 12 | are no lines. If that was your methodology, how did    |
| 13 | you decide to call that a perm barrier and to          |
| 14 | effectively put in lines where the author of the       |
| 15 | cartoon chose not to?                                  |
| 16 | A. For simplicity and geologic interpretation          |
| 17 | to close the polygon.                                  |
| 18 | Q. But the author of this that was trying to           |
| 19 | communicate something through the writing, can we      |
| 20 | agree that they intentionally did not close the top of |
| 21 | what you've now called a perm barrier?                 |
| 22 | A. Yes.  |
| 23 | Q. Okay. So then on what scientific basis did          |
| 24 | you have to close it and then come in here and testify |
| 25 | to the Commission about it?                            |
|    | Page 197   |

1 A. I did make a big assumption that the perm 2 barrier on the east and west and the bottom have a top 3 somewhere. 4 MR. WEHMEYER: I think I'm at a place that I 5 may be able to pass the witness, but I would like 6 just two minutes to visit with my clients, if I could ask for the afternoon break now. But if that doesn't 7 8 please the Commission, I'm happy to proceed. 9 HEARING OFFICER HARWOOD: Chairman Rozatos, 10 it is 2:50 p.m. What's your thinking? 11 CHAIR ROZATOS: Yeah, we need to take a 12 break, let's take a break now. And we can come back. 13 HEARING OFFICER HARWOOD: All right. Is 10 14 minutes enough? 15 MR. WEHMEYER: That's perfect. Thank you. 16 HEARING OFFICER HARWOOD: Let's come back at 17 3:00. 18 (Recess held from 2:51 to 3:00 p.m.) 19 HEARING OFFICER HARWOOD: Mr. Wehmeyer. 20 MR. WEHMEYER: Thank you. On behalf of Empire, we pass the witness. 21 22 THE HEARING OFFICER: All right. 23 Mr. Moander, I believe you'd be next. 24 MR. MOANDER: Yes, Mr. Hearing Officer. OCD does not have questions for this witness, and we'll 25 Page 198

| 1  | pass the witness.                                     |
|----|---|
| 2  | HEARING OFFICER HARWOOD: All right. Rice              |
| 3  | operating, Mr. Beck?                                  |
| 4  | MR. BECK: Just a couple of questions.                 |
| 5  | CROSS-EXAMINATION                                     |
| 6  | BY MR. BECK:  |
| 7  | Q. Mr. Knights, if I think you said that if           |
| 8  | Empire came to you, told you that they were going to  |
| 9  | drill down to the bottom of the San Andres and spend  |
| 10 | 1.2-or-something-billion dollars on doing it, you     |
| 11 | would voice them a concern about the injection going  |
| 12 | on at the bottom of the San Andres, right?            |
| 13 | A. I would give them one of many concerns, but        |
| 14 | that would be a minor one.                            |
| 15 | Q. And what are those other concerns?                 |
| 16 | A. The actual presence, the volume of the             |
| 17 | presence. The thickness of the San Andres is a        |
| 18 | negative. You can't CO2 flood an individual zone. You |
| 19 | have to flood the entire section. Some of the perm    |
| 20 | barriers in there may also be an issue. I think the   |
| 21 | karsting that is evident from the loss drilling       |
| 22 | circulation and the amount of fluid water             |
| 23 | withdrawal from the water supply wells. And the       |
| 24 | ability to inject, indicating that it's a             |
| 25 | significantly large volume of pore volume of water    |
|    |   |

1 that is in the system that they would have to overcome 2 to get to those -- the alleged oil in the smaller 3 porosity throats trying to get that CO2 to contact that 4 oil. I think those would be my major concerns.

Q. And what if they came to you and said,
"Okay. Well, given those concerns, we're just going
to exploit the CO2 tertiary recovery, the potential ROZ
above negative 700 subsea"?

9 A. Yeah, I think negative 500 would probably be my estimate of where the current -- if I was -- if I 10 11 was going to reclaim a unit, I would say negative 500 would be the base of the productive oil unit and the 12 13 potential ROZs. And that anything developed up there 14 would be isolated and separate from the deeper reservoir that's currently being injected from 15 16 Goodnight.

17 Q. And so when you say that it's isolated, I was a little bit confused about there was seemed to be 18 a lot of discussion on whether there was there --19 20 there was one significant barrier in the EMSU, 21 permeability barrier, whether there were multiples. 22 At a base level, it sounds like you're 23 of the opinion that there's no communication above that permeability barrier and below, right? 2.4

A. Correct.

25

Q. Now, explain me how that is if there's not just one single permeability barrier that you've found?

A. Well, there's evidence that there's a number of tight streaks in there that it may be thinned and laterally extensive. It's difficult to actually map it across the whole unit. But those tight streaks are perm barriers, but there's also other vertical impediments to vertical flow.

10 So if you have a fluid trying to move up 11 through this stratigraphic column and it hits a high 12 perm streak, it's not going to go up, it's going to go 13 laterally across there. And so there are indications of a lot of low perm barriers, but there are also some 14 15 layers and including -- he pointed out there's some 16 loss circulation zones a little higher in the section. All those would be impediments to vertical fluid 17 migration up into the above reservoirs. 18

Q. And I think you went through this with Mr. Wehmeyer, but you, in part of your work, you advise banks on investing in new discovery projects of oil like this?

23

A. Yes.

Q. And you do that for working interest owners,I think you said?

1 A. Working interest owners, companies, new 2 developments, new business ventures, private equity firms due diligence, screening of projects before 3 someone goes to the next level of is this worth 4 5 kicking the tires. 6 Q. And if one of those clients came in and 7 asked you for the EMSU, is there a permeability 8 barrier in communication between the disposal zone and 9 the potential ROZ above it, what would you tell them? A. I'd say there's plenty of evidence that I've 10 11 seen that indicates that there's no communication 12 between those two and those are isolated and separate 13 reservoirs. 14 MR. BECK: All right. Thank you. 15 Pass the witness. 16 HEARING OFFICER HARWOOD: Thank you, 17 Mr. Beck. Mr. Suazo, Pilot Water Solutions? 18 19 MR. SUAZO: No questions from Pilot, 20 Mr. Examiner. THE HEARING OFFICER: All right. 21 Then we 22 come to the Commission. Anybody want to volunteer? I put Dr. Ampomah in the hot seat yesterday first. 23 Ι 24 can do that again. 25 CHAIR ROZATOS: I'll start. Page 202

1 HEARING OFFICER HARWOOD: All right. 2 CHAIR ROZATOS: I'll start. I don't have 3 any questions. 4 THE HEARING OFFICER: That makes it easy. 5 CHAIR ROZATOS: Yes. 6 THE HEARING OFFICER: All right. Well, I 7 don't see any volunteers, so I'm just going to pick 8 on Mr. Lamkin first. 9 Do you have any questions, Mr. Lamkin, for Mr. Knights? 10 11 COMMISSIONER LAMKIN: I do have a couple 12 questions. 13 EXAMINATION 14 BY COMMISSIONER LAMKIN: 15 O. Good afternoon, Mr. Knights. Thank you for 16 your testimony. 17 So with regard to the correlation of the wells that had anomalous water production volumes, did 18 you look into whether or not those wells were 19 20 perforated across the bedding planes that you hypothesized are the conduits to fluid flow? 21 22 A. Yes. 23 Q. Was that in one of your figures, or is that 24 in your testimony somewhere? 25 A. In the testimony. I think it's in my Page 203

1 rebuttal testimony on Page 5. I discussed that 239 2 well in pretty specific detail on where it was perfed and where it was drilled deeper. 3 Q. Was that the only well that you analyzed? 4 5 A. That's the only well that I went into detail 6 on. 7 Q. Was that the only well that you found was 8 perforated across that bedding plane? 9 A. That was the only one I investigated, since that was the largest anomalous thing that most people 10 11 pointed to. 12 Q. Okay. Other than potential communication, vertical communication between the San Andres and the 13 14 Grayburg, can you think of any other possible 15 explanation as to why you would see a pressure 16 reduction in the San Andres prior to oil being 17 produced from that zone? A. I think the only one would be the 18 production, early production in the San Andres of 19 20 (audio glitch) waterflooding actually started in -- or 21 being pervasive in the Central Base Platform. 22 Q. Was there any consideration made to a poroelastic effect causing a pressure drawdown in the 23 San Andres from the removal of reservoir fluids in the 24 25 Grayburg formation?

| 1  | A. No, I did not consider that.                        |
|----|--|
| 2  | COMMISSIONER LAMKIN: I think that's all my             |
| 3  | questions. Thank you.                                  |
| 4  | THE HEARING OFFICER: Thank you, Mr. Lamkin.            |
| 5  | Dr. Ampomah.   |
| 6  | EXAMINATION  |
| 7  | BY COMMISSIONER AMPOMAH:                               |
| 8  | Q. Thank you, Mr. Knights, for your testimony.         |
| 9  | I do have a couple of questions for you. If we can     |
| 10 | have your slides up, that would be much useful to me.  |
| 11 | Now, my first question to you is,                      |
| 12 | Mr. West talked about Empire using 18 percent          |
| 13 | recovery factor based on Seminole as an analogous to,  |
| 14 | let's say, the EMSU. Can you comment on that           |
| 15 | 18 percent?  |
| 16 | A. I think, basically, the reservoir quality of        |
| 17 | the EMSU is significantly less than the Seminole and I |
| 18 | don't think that's a very good analogy at all.         |
| 19 | Seminole is a relatively good quality reservoir with a |
| 20 | lot of the oil in the higher porosity intervals. And   |
| 21 | I think the Tall Cotton analysis that I did, although  |
| 22 | very cursory, is probably more in line with what I     |
| 23 | would expect in the EMSU.                              |
| 24 | Q. So, there was a discussion on the Tall              |
| 25 | Cotton. And, you know, I just want to know, let's      |
|    | Page 205   |

1 say -- you just look at the Tall Cotton. Apart 2 from -- well, let me put it this way. Are there any technical difficulties that they faced, you know, that 3 contributed to, let's say, less recovery from the Tall 4 5 Cotton, or it's just purely based on geology? A. Basically, there could be technical issues 6 that I'm unaware of. But I use the actual physical 7 8 data of the production and its trend currently. 9 O. But you also listened to Steve Melzer talking about all the technical issues, even they did 10 11 not listen to him, you know. So he talked about 12 actual technical issues that really resulted in that 13 failure. Did you incorporate that into your analysis? 14 A. No, I didn't. Most of the stories of things 15 that go wrong, there's always stories, but I try to 16 look back at the actual data and say, "Well, okay, 17 this is the data. If you can explain it, I'd love to 18 see it. Can you show me that data, " and then I'd make 19 adjustments. 20 But in this case, it was a screening, and I think it's -- you know, anything on the 21 22 technical issues that may have caused that to be a lower recovery, I did not incorporate. 23 24 O. So the Seminole did have -- does the 25 Seminole have a main pay zone and then the ROZ? Page 206

| 1  | A. Correct.  |
|----|--|
| 2  | Q. Is it not analogous to the EMSU, based on           |
| 3  | even your testimony and that of Dr. Davidson's         |
| 4  | testimony?   |
| 5  | A. Do I think that's a good analogy?                   |
| 6  | Q. Yeah?   |
| 7  | A. No. It's higher quality rock.                       |
| 8  | Q. Now, let's talk about rock quality. So I            |
| 9  | know that there are different ways that we can come up |
| 10 | with the rock quality. Especially even if we do we     |
| 11 | can also utilize the portal sizes, which has been more |
| 12 | or less established in the industry.                   |
| 13 | So why did you or your team not really                 |
| 14 | do more detail analysis, especially when you are       |
| 15 | referring to the reservoir quality?                    |
| 16 | A. Yeah. I guess there could have been more            |
| 17 | detailed work done, but I think the yeah, just do      |
| 18 | not do that.   |
| 19 | Q. So the actual reservoir quality analysis            |
| 20 | that Dr. Davidson worked on, would you agree that      |
| 21 | probably it's extreme?                                 |
| 22 | A. Extreme low? High?                                  |
| 23 | Q. Okay. So if you look at the profile that he         |
| 24 | used, the RI, and then the saturation, and he tried to |
| 25 | more or less use the that plot to more or less         |
|    | Page 207   |
|    | Page 207   |

1 illustrate that the EMSU or San Andres is more or less 2 oil wet. So I'm saying that if you look at that plot 3 superimposed with the saturations, is it not really 4 extreme, especially when, at some point -- if you pick 5 this facies model, then you are more on less saying 6 probably the oil -- the water saturation is going to 7 have to start from 80 percent or 90 percent.

Was that on extreme?

8

9 A. It is dependent on the actual lithology that 10 you interpret. And I think Dr. Davidson used the core 11 data in the upper San Andres to build that model and 12 take that down from the log characteristics. So I 13 think it's a case -- I'm not sure if it's an extreme 14 case.

Q. Can we go to Slide Number 2 on your presentation. You know, I know there was a discussion on this one. Can you tell the Commission that it is your testimony that there was a migration of the oil, one is the Wolfcamp being the source rock for the Grayburg and the San Andres? Is that your testimony? A. Correct. Yes.

Q. I'll ask you the same question. Can you explain to the Commission how this migration pathway happens? When you say complex, it's complicated, I don't really understand. So how complicated, how

1 complex it is? 2 A. My description of complex is basically looking at the different accumulations in the 3 San Andres throughout the Central Basin Platform. 4 5 They're in different areas and different types of 6 accumulations. 7 And in some areas where you may expect 8 to find oil, you don't. In some areas, it's just unusual where the oil is. And I can't really explain 9 how it got there. And there's not a simple path. So 10 11 that's what my complex issues is. I don't understand 12 how the oil got there. 13 Q. And based on your testimony, you talk about the San Andres being so extensive throughout the EMSU 14 15 and even beyond; is that correct? 16 A. Correct. And I guess the Lower San Andres. 17 Because there's an Upper San Andres and a Lower 18 San Andres. And so a lot of my difficulty with the 19 nomenclature is people say "San Andres" and it's not specific. So for the large aquifer, I'm discussing 20 the Lower San Andres that is where the Goodnight is 21 22 injecting. 23 Q. So, in the unitization documentation, was it 24 specified Lower and Upper San Andres, or it was 25 Grayburg and San Andres?

| 1  | A. Yeah, it was Grayburg and San Andres.               |
|----|--|
| 2  | Q. So, do you have any objection when Empire           |
| 3  | says that the unitization zone is right from the       |
| 4  | Grayburg to the bottom of the San Andres?              |
| 5  | A. No. I think that's an accurate description          |
| 6  | of the unit.   |
| 7  | Q. Now, another question that I had, you know,         |
| 8  | we've been going back and forth on this. You have a    |
| 9  | lot of experience. You've helped a lot of companies,   |
| 10 | you know, in these types of litigations.               |
| 11 | Have you ever seen any external company                |
| 12 | that do not have any producing, let's say, interest in |
| 13 | the unitization zone, being allowed to bring in water  |
| 14 | from different sources to inject? Have you seen that   |
| 15 | before?  |
| 16 | A. No.   |
| 17 | Q. Why do you believe that there has never been        |
| 18 | a precedent for that?                                  |
| 19 | A. I do not know. But I think in this                  |
| 20 | situation that there would be a distinct physical      |
| 21 | geologic reason why they both can coexist.             |
| 22 | Q. Let's move to Slide Number 4. So you said           |
| 23 | that you classified the San Andres as a whether        |
| 24 | upper or lower, or let's say the lower, okay, as a     |
| 25 | large aquifer.   |
|    |  |

A. Yes.

1

2 Q. Large aguifer. How do you determine the 3 boundary?

A. That is a very good question, because I 4 5 think one of the most surprising things in going through this is understanding that the San Andres is 6 7 under pressured at about .38 or so psi per foot. And, 8 again, complexity, I don't really know how to explain 9 that. But the amount of water that was withdrawn in 10 the early days and the amount of water that was 11 injected and the very limited changes in pressures 12 would all point to just a very large aquifer that, you 13 know, taking out 340 million barrels and having limited pressure drop would portend to a very large 14 15 tank being that 340 million barrels was a very small 16 component of that. 17 Q. Can we go to the slide where you showed -you actually marked the perm barriers, the one that 18

you did yourself --19

A. Yes.

20

21 Q. -- that opposing counsel was going back and 22 forth with you on? Right there, this one.

23 So which zone are we in on the top 24 figure? 25

A. That's all the Grayburg. So that is the

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1 producing intervals in the Grayburg. That was 2 discovered in 1928, I think. But this paper was 1939 after they had drilled, you know, 450 or so wells. 3 And it was basically an amalgamation of the data at 4 that time. 5 6 Q. And based on your discussion, were you more 7 or less using this as analogous potential barriers 8 that could be seen in the San Andres? A. These were all barriers that are in the 9 Grayburg, so these are not in the San Andres. 10 11 Q. So, when you talk about the barriers, the 12 perm barriers, that exist in the San Andres, is it 13 analogous to what we see in here? 14 A. A little. I believe there's intervals, and 15 in my TVD depth between, say, 500 and 700 TVD subsea, 16 that there's a lot of petrophysical events, that 17 there's multiple perm barriers, both very, very extremely low and very moderately low. But a number 18 19 of those barriers in amalgamation, I think, is an incredibly strong barrier to vertical fluid flow. 20 21 Q. And do we have an extensive mapping based on 22 the log data, how this would look like? 23 A. I have not done that mapping, no. 24 Q. So, I'm thinking about how -- let's say we 25 have perm barriers within the area where we are Page 212

1 injecting, and then we are saying that it is a large 2 aquifer. I'm trying to figure out, you know, if there 3 are barriers in there, you know, why are we saying it 4 is a large aquifer? I'm trying to just understand 5 that.

A. Well, the large aquifer comes from the pressures. I think the last analysis I saw was that in a small area, there was 39 million barrels of oil jinjected, the pressure gradient --

10

Q. Water injected? No.

A. Water injected. This is a water disposal in the Lower San Andres. And the average pressure for those five wells had a pressure gradient of .381, and after 39 million barrels were injected into that over about a year and a half, the pressure gradient was tested in all five of those wells, and the average was .383.

So that's 39 million barrels and a 18 19 very -- if you calculate that at the .002 gradient at 20 the depth of 5,000 feet, that comes to about a .25 psi per million barrels injected. And so that's one of my 21 22 big indications of -- you know, when I talk about 23 direct evidence, I think the biggest direct evidence 24 is material balance of pressures and volumes. 25 And that really tells you a lot about

1 the actual reservoir size, but as you were mentioning, 2 you know, the actual boundaries, that is very difficult. Especially if you have these limited 3 pressure variations with that kind of volume being 4 5 injected in there. 6 Q. So is there an expert from Goodnight who is 7 going to really discuss to the Commission the pressure 8 situation? Is there someone that is going to testify 9 on that? 10 A. Yes. I'm --11 Q. So, I'm not going to bother you with that. 12 I'm not going to bother you with that. 13 A. I've been exposed to it, but I am not the expert on the pressures. But it was very important in 14 15 my testimony and my understanding of the reservoirs. 16 Q. Okay. Can we go to Slide Number 5, or even 17 probably Slide Number 6 would be helpful. Slide Number 6, yeah. Let's go to 6. 18 19 So here, you're showing us the 20 locations, you know, in the oil zone and then also within the San Andres, where we do have the water 21 22 supply wells and then also the injection wells that 23 are ongoing right on the east side. Where is the 24 proposed new injections from Goodnight? Where is it 25 going to be?

A. I would like to make a correction here.
This is basically an alphabetical order. It's not a
location order. So just from right to left was just
the well numbers in order. So it's not -logistically, that's not west to east. It's just a
diagram.

7 So I was trying -- what I was trying to 8 present with this was all of the critical data and 9 critical wells that have tests or indications of fluid mobility in all of the zones. So all of the red wells 10 11 in the middle or either petrophysics or the only wells 12 that tested something below the producing oil-water 13 contact. So sorry about that. I didn't make that clear before. 14

Q. Okay. Okay. Now we talked about the perm barriers. So I also confirmed the testimony from Dr. Davidson that there are anhydrites that causes those perm barriers.

A. Yes. His interpretation was anhydrites arelow permeability, low porosity intervals.

Q. So when he was testifying, it sounded likehe doesn't have any concrete evidence?

A. Direct core data, I don't think he has inthat interval.

Q. What about mud logs?

25

Page 215

| 1  | A. Mud logs, I think there were a few to go         |
|----|---|
| 2  | through there, but I don't know if there was. I'd   |
| 3  | defer to Dr. Davidson.                              |
| 4  | Q. And then he also testified that it was not       |
| 5  | continuous. Is that fair?                           |
| 6  | A. Yeah, he could not I don't think he could        |
| 7  | correlate, you know, one interval across the entire |
| 8  | area.   |
| 9  | Q. Now, are these perm barriers something that      |
| 10 | has been established, you know, in the Permian or,  |
| 11 | let's say, in the EMSU as well established perm     |
| 12 | barriers, isolated formation that has been well     |
| 13 | established that there are perm barriers here that  |
| 14 | more or less serve as a cap rock.                   |
| 15 | A. I think the only detailed information is         |
| 16 | from the Seminole and the Hobbs units in their CO2  |
| 17 | applications. They went through and had detailed    |
| 18 | studies and said that there was no communication    |
| 19 | throughout the San Andres from the deeper zone.     |
| 20 | But I don't think there's any, you know,            |
| 21 | confirmation, literature that states this is a      |
| 22 | consistent perm barrier across the Central Basin    |
| 23 | Platform.   |
| 24 | Q. And I thought you said you don't want to use     |
| 25 | the Seminole as analogous field to the EMS?         |
|    | Page 216  |
1 A. Exactly. And those are the only two that I 2 know that have had deeper studies on that 3 communication between deeper. But, again, not a very 4 good analogy. 5 Q. So let me ask you. Has there been any 6 discussion about the perm barrier issues between Goodnight and Empire? 7 8 A. I don't believe -- I'd have to defer to -- I 9 mean, I wasn't in the communications there. 10 O. And has there been any communication from 11 Empire based on even all the testimony that you've 12 listened to about any perm barrier? A. I don't think -- I have not been familiar 13 14 with any communications between anybody at Empire. 15 O. So, you know, you're tasking the Commission 16 to really make a tough decision here where you're 17 providing as expert testimony that there exists a perm barrier that separates out Goodnight's injection zone 18 from where you believe the ROZ could be. 19 20 Now, if I ask you right now, where is 21 the Grayburg, is it extensive in the EMSU, I'm sure 22 you're going to say yes. 23 A. Yes. 24 O. Right? If I ask you about the Lower San Andres, you say it's extensive, right? 25

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1

A. Correct.

Q. If I ask you about the Upper San Andres, you can really pinpoint that and say right here is there, right? Why can't we have the same for the perm barrier? We need right evidence, you know, stronger evidence that could be mapped.

7 A. I think that's a good question. It could be 8 you could do some geologic considerations and make a 9 map that would support it, but I think all the current data that I've reviewed doesn't suggest that there's 10 any communication between the two. And I think the 11 12 pressure differences and just the reservoir 13 characteristic, the dramatic differences between the 14 Lower San Andres and the Grayburg in that Upper 15 San Andres, I think are sufficient to basically make 16 that statement. In my opinion, that's strong 17 indications of a barrier.

Q. So, that one we're talking about time, t is equal to 2024, right? But Goodnight is proposing to inject huge volumes of water. And, you know, I don't want to go into the pressure discussion with you. I prefer to wait so we can get into that. But you've seen these baffles, and based on your testimony, it's not extensive?

25

A. Well, the individual baffles are not

1 extensive, but the preponderance of significant 2 numbers of them in all the wells that we looked at, I 3 think amalgamated the preponderance of them since 4 there's significant perm barriers as a group. 5 Q. Yeah, but that is essentially based on some 6 of the logs that you looked at. But there's no 7 well-documented evidence, more or less, and there is 8 no core to support that claim. 9 A. Okay. Q. And even Dr. Davidson and yourself, you're 10 11 saying that we don't need any further data, the 12 Commission has enough data to make decisions. Do you 13 still stand by that? 14 A. I think for the injection in the lower 15 thing, that there's no pressure buildups, no 16 indication of vertical migration, that there's no 17 evidence that I think that has any influence on the shallower reservoirs above. 18 19 Q. So is there someone from Goodnight who is 20 going to tell us about Goodnight's injection and their perceived impact on existing operations? 21 22 A. Yes. 23 Q. Okay. Can we go to Slide Number 7. Thank 24 you. 25 You know, and, let's say, majority of Page 219

1 the experts, almost everybody has a lot of experience 2 in the industry, right? So you are presenting your 3 portion, NuTech presented their portion, and Scott 4 also did the same thing.

5 Now, my question to you is, as you've 6 shown us this, even from the original one, the revised 7 one, and then even your original one and all of that, 8 first question is, do you see any evidence of oil in 9 the San Andres?

A. No -- well, the only -- in some of the cores, there was some staining. But from a significant portion, continuous saturations that is kind of required for an ROZ, no.

Q. Well, if we look at the EMSU 679, I mean, it is well established that there is oil, at least based on that EMSU 679. And then also the RR Bell well, it is established that there is at least some oil in place.

A. There is some oil. And I think most of the
analysis went to the significance of that oil and its
aerial extent or its vertical extent.

Q. So assuming that NuTech, Ops Geologic, theyoverestimated the oil in place, what about the core?

24

25

A. The core? For which?

Q. Okay. Let me rephrase my question.

1 Assuming that NuTech, Ops Geologic and 2 even Dr. Davidson, you know, they've all 3 interpreted -- Scott also did the same, Dr. Birkhead. So they've done all of this and there is a contention 4 5 with regards to which one is correct, which one is correct, my question is, what is the core saying? 6 7 A. Well, the core correlates best with 8 Dr. Davidson's. 9 Q. I want to show you, this one will be Scott's 10 rebuttal. So he compared EMSU 679 compared to that of 11 Goodnight's and Empire. 12 COMMISSIONER AMPOMAH: So I want to approach 13 the witness and show him to refresh the memory. 14 BY COMMISSIONER AMPOMAH: 15 O. So in here, we are looking at the EMSU 679 16 that do have actual evidence of the core. Now you're 17 saying that it is only Dr. Davidson's analysis that 18 matched the core, let's say, to your satisfaction. 19 What you see on Track 9 and Track 10, is 20 it not a good match? A. 9 and 10? I think if you look --21 22 Q. Yeah, let's go to where the spot is. Yeah, right there. 23 24 A. Yeah, so there are areas that there are significant differences between the saturations 25 Page 221

| 1  | from and this is Ops', correct, Ops' petrophysics?     |
|----|--|
| 2  | Q. Yeah. Dr. Buchwalter.                               |
| 3  | A. It is.  |
| 4  | Q. Yeah. He's comparing all the different              |
| 5  | analyses that were done.                               |
| 6  | A. So there's certain intervals in there that          |
| 7  | are significantly overestimated from the SO,           |
| 8  | especially as you get lower. And I think I brought up  |
| 9  | that in my testimony, that, you know, if this is an    |
| 10 | ROZ, then the depths, the last, I don't know, 50 to    |
| 11 | 100 feet indicate that there's a lowering of oil       |
| 12 | saturation in the cores, which might suggest the base  |
| 13 | of an ROZ.   |
| 14 | Q. So, have you seen any testimony where Empire        |
| 15 | has estimated, based on the core, or even if Goodnight |
| 16 | have done that, based on the core, the actual core,    |
| 17 | what is the average saturation within the San Andres?  |
| 18 | A. You know, I didn't do the San Andres                |
| 19 | nomenclature, so I just did TVD subsea depths. So I    |
| 20 | have not done what is the oil saturation in the        |
| 21 | San Andres in this core.                               |
| 22 | Q. Can we bring back the slides one more time?         |
| 23 | A. Does this have a San Andres top on that? So         |
| 24 | there, in the lower part of the San Andres?            |
| 25 | Q. Yes.  |
|    | Page 222   |

1 A. Or what is -- there's two San Andres picks? 2 This is basically a good example of the difficulty of 3 having different people pick San Andres top, because it makes a significant difference on what you're going 4 5 to do for the average saturation. 6 And basically all my analysis was done 7 on a TVD subsea base, so I didn't get into that 8 nomenclature. But I did see that degradation in oil 9 saturations as you go deeper. 10 Q. Yeah, let's go to Slide Number 8 on your 11 presentation. So on Slide Number 8, I'm just focusing 12 on the analysis that Dr. Davidson worked on. Do we 13 see any oil saturation? A. There are a few intervals that are about 40 14 15 percent, but most of them are below 20 percent. 16 Q. But we gain 20 percent and 40 percent or, 17 let's say, below -- above 20 percent. Do you see significant saturations? 18 A. Only above the producing oil-water contact. 19 O. But what about the below the producing 20 21 oil-water contact? 22 A. Very limited. 23 Q. Do we see, or it is not? 24 A. Well, I guess numerically, I would say there's maybe 50 feet out of 250, or maybe 10 to 25 Page 223

1 20 percent of the rock is above 40 percent. I don't 2 know, rough estimate. 3 Q. Yeah, let's go to --A. But not a lot. 4 5 Q. Can I proceed? 6 A. Yes. Q. Okay. So based on Dr. Davidson's testimony, 7 8 he testified to the Commission that he believes that 9 there is an ROZ on the Upper San Andres. Do you believe that or not? 10 11 A. Not from this well. 12 Q. So generally, and this is just an example, so he testified to the Commission that he believes 13 14 that there is an established ROZ in the Upper 15 San Andres. Is that your testimony or you, more or 16 less, probably have a problem with that? 17 A. Again, he's using the San Andres 18 terminology. I know between negative 350 and negative 500, I have a potential ROZ, but not a definitive. 19 20 And if I was looking at this well, I would say that this wouldn't be a strong indication of an ROZ. 21 22 Q. Yeah, then let's look at Slide Number 10. These are all core data, which I like. Is this 23 24 showing any oil saturation or no oil saturation within 25 the San Andres?

1 A. Again, I'm not sure the depth of whose 2 San Andres top, but yeah, I would have to re-jigger this for whoever's San Andres top I'm trying to use. 3 But the big picture on this is that the 4 5 core data saturations and the profile versus porosity versus the same theme in the analysis doesn't appear 6 7 to be -- appears to be contradictory a little. 8 O. You know, let's say from my point of view, 9 Goodnight is giving us different estimations of, let's 10 say, oil saturation, Empire is doing the same. So if 11 we can stick to the core, because the core is the real 12 evidence that we all have here, let's say, all the 13 models that have been done trying to fit to the core 14 and based on that, try to predict how it's going to be 15 on the other ones. So I just want to look at the core 16 and just look at the core and see what it's saying? 17 A. Yes. Q. You know, we can just debate about the oil 18 estimations here and there. But what is the core 19 20 showing us? So on this particular slide, you have a 21 22 potential ROZ, you do have a transition zone and then you have the aquifer. So I'm asking you, looking at 23 24 the core, the EMSU 679 core data, do we see any evidence of oil saturation? 25

| 1  | A. Yes. There is oil saturation in the core.           |
|----|--|
| 2  | Q. Okay. Let's go to Slide Number 11. So I             |
| 3  | asked you whether you've calculated the average        |
| 4  | saturation in the core. You said you've not done       |
| 5  | that.  |
| 6  | A. I guess this gives the average saturation in        |
| 7  | the core. So if I did say that, I was in error.        |
| 8  | Q. Okay. So let's focus on the first track.            |
| 9  | Is this one the actual core or the corrected core?     |
| 10 | A. The actual, not corrected.                          |
| 11 | Q. So how was the 14.8786 calculated?                  |
| 12 | A. There's the arithmetic average of the core          |
| 13 | values.  |
| 14 | Q. Without any cutoffs or the core values?             |
| 15 | A. Yes.  |
| 16 | Q. Did the Empire do the same analysis?                |
| 17 | A. I don't remember.                                   |
| 18 | Q. So, it would be good for the Commission to          |
| 19 | know, based on the existing core data, what is the     |
| 20 | actual average saturation that we are seeing in the    |
| 21 | core. You know, I can cross-check. I'm pretty sure     |
| 22 | some of Empire's experts probably might have presented |
| 23 | that. So, that is something that would be very, very   |
| 24 | helpful to the Commission. At least you've presented   |
| 25 | something here, but I don't know how it created        |
|    |  |

| 1  | this. But these are real data that we do have.         |
|----|--|
| 2  | So, it would be good for the Commission                |
| 3  | to know what is the actual average oil saturation      |
| 4  | within, let's say, the Upper San Andres, the Lower     |
| 5  | San Andres. That would be very, very helpful to us.    |
| 6  | A. I don't believe we have any core data in the        |
| 7  | Lower San Andres.                                      |
| 8  | Q. So when you put your marker right in there          |
| 9  | and you say it's an aquifer, where is that?            |
| 10 | A. That? That's a negative 700 TVD subsea.             |
| 11 | Q. So where is that?                                   |
| 12 | A. Depending on which geologist you talk to, it        |
| 13 | could be various places.                               |
| 14 | Q. I mean, so what should I take? I mean, the          |
| 15 | Commission, what should we take?                       |
| 16 | A. In my opinion, basically 700 and below,             |
| 17 | there's no evidence of hydrocarbons and a lot of       |
| 18 | evidence of significant water. Above that, above 500,  |
| 19 | I think you have some evidence, higher evidence of oil |
| 20 | in place in the core and in the log analysis. And in   |
| 21 | between 500 and 700 feet, it's like a what I call a    |
| 22 | transition zone, but very little oil in place,         |
| 23 | probably doesn't look like an ROZ to me, but           |
| 24 | Q. But sir, so this one is just a type log. I          |
| 25 | mean, how are you going to isn't your testimony        |
|    | Page 227   |

1 I know there was a backup for that? Isn't it your 2 testimony to the Commission that right within the San Andres minus 700 across is all -- is your 3 testimony that across 700 on all wells is an aquifer? 4 5 Isn't that your testimony? 6 A. Yes. Below that subsea depth I believe is 7 all on aquifer, yes. 8 Q. But I thought there was back and forth where 9 you identified that barrier, you said below that was 10 when you were getting all the mud losses. 11 A. Yes. 12 Q. I mean, it was a little bit -- it was so 13 curious to me that -- you know, I've worked with a lot 14 of petrophysicists, a lot of geologists, and only God 15 knows how long it takes them to all come to a 16 conclusion on where the tops are? So it's a little 17 bit surprising to me that the senior geologist, you 18 said you depended on the petrophysicist to get you the 19 tops. Is that not surprising? 20 A. No. As I mentioned before, the quagmire of 21 where you pick the top, if I waited for a geologist to 22 come up with a specific top and define it, I would be waiting for my analysis. 23 24 But using the subsea depths, which is -a lot in the CO2 work, you do pore volume out of our 25 Page 228

1 pore volume depth migration. So I think the critical part is what is your volume of oil versus depth. 2 And so I basically -- it hurt some people, but I just 3 took the TVD subsea depth and -- waiting for someone 4 5 to have a definitive definition of what the San Andres top is. 6 7 Q. So is it your testimony that the average core saturation within, let's say, depending on how 8 9 you call it, but the San Andres is 14.86 percent? That is your testimony? 10 11 A. For this, for the core interval, that's the 12 total interval. 13 Q. So it's your testimony that your original oil saturation is 14.86? 14 15 A. Part of that's in the Grayburg, though, I 16 believe, by most people's definition. 17 Q. So I just want to know, you've looked at the 18 data, you've provided this to the Commission, the 14.86, is it within the San Andres? Or where is it? 19 20 A. It is the complete data set, and I quess if 21 you gave me specific tops, we could calculate the average porosity. Each person is going to have a 22 different top, but I think the important thing here 23 24 is, as you get lower in this section, the oil saturation in the core goes significantly lower. 25

1 So at that negative 700 TVD subsea in 2 this well, there's a significant shift in the oil saturations to be much lower. 3 Q. Yeah, I was trying to do a little bit of 4 5 math where I would just use oil-in-place calculation 6 formula to try and get some numbers here. 7 Now, so you estimated 14.86, and I 8 really wanted to understand, is it a good number for 9 the Commission to calculate, let's say, roughly how much oil is going to be in place based on the core? 10 11 A. I think it all depends on what your tops 12 I think the way I would do it was, I'd stick to are. 13 my intervals of 350 to 500, 500 to 700, and 700 below, and I'd have the core average oil saturations for 14 15 those intervals and then it would match up with all my 16 analysis. 17 Q. Yeah, I thought that was what you were trying to show the Commission, that, see, these are 18 all the core points that we have, but the average 19 20 saturation is 14.86. I thought that is what you 21 wanted the Commission to take out from here. 22 A. Yeah, most of the analysis was -- I believe this was from a rebuttal, so it was basically do due 23 24 diligence on the other petrophysical analysis and saying, okay, does it match core, which one do I agree 25

1 with, which one do I think is the best representation 2 of the core data? 3 And so this wasn't specifically done for an oil-in-place calculation, but I'm very supportive 4 5 of your questions and the information that would be 6 helpful to you. 7 Q. Yeah, so if you look at Mr. McBeath's 8 economic analysis that he presented to the Commission, 9 he used 10 percent also. So I was just curious, if the core is telling you 14.86, why then even use 10 10 percent, you know, estimating to say that there is 11 12 no economic value? 13 A. I think it would depend on the depth interval that you were evaluating. And I don't 14 15 remember exactly the depth interval that John was 16 evaluating. 17 Q. Now, so there was a lot of testimony, especially with the Empire experts, they talk about 18 the core data should be the minimum value. But it 19 20 sounds like Dr. Davidson does have a different opinion 21 even where he wants to apply a correction factor to 22 even that data. Can you try to explain to the 23 Commission, you know, both ends? A. Well, the core data oil saturation does need 24 a correction, and Dr. Davidson used one, I think it 25 Page 231

1 was 1.22, but it looks like the other experts in this 2 case used a much larger correction. And so that difference between 1.22 3 and -- I really don't have the numbers on the top of 4 5 my head, but it was significantly more correction. And I think one of the issues that I had with that is 6 that down in the Lower San Andres, that's going to be 7 lower in the section, and if it is a residual oil, 8 you'd use a lower B sub o, since it has already been 9 flushed. And I think that kind of, just in a 10 11 ballpark, would indicate that you need a lower, you 12 know, expansion factor to have your uplift. 13 And I think Dr. Davidson did a pretty rigorous calculation and came up with his range of 14 15 1.22 up to 1.26, I think. And I think that's a most 16 likely reasonable -- I mean, you could have some 17 variations around there, which I think he did, but he just used one number. 18 19 Q. And did that correction factor increase the saturation or --20 21 A. Yes. 22 Q. -- decrease the saturation? 23 A. No. Increase. Increased by about 22 24 percent. 25 O. Okay. So how much weight do you put on the

| 1  | analysis, Empire's experts' analysis and               |
|----|--|
| 2  | Dr. Davidson's analysis and then also the core?        |
| 3  | A. I go back to the core as being my hard,             |
| 4  | distinct physical evidence, and so I tried to compare  |
| 5  | all the analysis back to that core data. And           |
| 6  | Dr. Davidson seems to be, in my opinion, the best      |
| 7  | correlation with the actual core data.                 |
| 8  | Q. So is Goodnight going to provide the                |
| 9  | Commission what they believe the average oil           |
| 10 | saturation is within the Upper San Andres and then the |
| 11 | Lower San Andres?                                      |
| 12 | A. Yes. I could do that if someone would agree         |
| 13 | on the San Andres top.                                 |
| 14 | Q. I mean  |
| 15 | A. But I can do it from a depth interval. I            |
| 16 | feel very comfortable that's where.                    |
| 17 | Q. Now, I think Goodnight does have the tops,          |
| 18 | right?   |
| 19 | A. Yes.  |
| 20 | Q. So, when you say that, depending on the top,        |
| 21 | I mean, you as the chief geologist understands, you    |
| 22 | know, making a case for Goodnight? So, Goodnight does  |
| 23 | have a top or you don't have a top?                    |
| 24 | A. No, I do believe Goodnight has an                   |
| 25 | interpreted top.                                       |
|    |  |

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1 Q. So Goodnight can provide the commission 2 their top, and then also let's say the average oil saturation within that, both for the Upper and the 3 Lower. And I'm hoping that Empire should provide the 4 Commission with the same data. 5 6 A. Excellent. Q. And we do -- I don't know if the Commission, 7 8 we do have the actual core data or not in terms of the 9 numbers. But it would be good for us to also look at it and do our own calculations with that as well. 10 11 A. Excellent. 12 Q. Slide Number 14. Okay. We've already 13 talked about it. You said this one was in the 14 Grayburg, so I appreciate that. 15 Now, there has been a lot of discussions 16 about Dr. Buchwalter. Now, the more I listened to 17 Goodnight's experts, the more I get more comfortable with the work that he did. 18 19 So, is it your testimony that within the 20 San Andres, there are high streak permeability bugs cast within the San Andres? 21 22 A. Within the lower San Andres, yes. Q. Now, tell the Commission why you are 23 24 opposing to what Dr. Buchwalter did when he put that permeability within the San Andres as part of his 25 Page 234

| 1  | simulation?  |
|----|--|
| 2  | A. I'm not sure I not sure I disagreed with            |
| 3  | the I mean, I think the reservoir model, what I        |
| 4  | disagreed with is the geology he puts into it and the  |
| 5  | oil in place.  |
| 6  | The permeabilities, you know, the                      |
| 7  | distribution of permeabilities maybe, the magnitude.   |
| 8  | You know, I didn't really have that much of an opinion |
| 9  | on the actual permeabilities.                          |
| 10 | Q. So Dr. Davidson and then yourself presented         |
| 11 | different theories as to how he could have gotten the  |
| 12 | water into the Grayburg, you know, for the wells that  |
| 13 | were producing more water.                             |
| 14 | A. Yes.  |
| 15 | Q. So you have all the theories that could be a        |
| 16 | possible solution. Why did Goodnight not present that  |
| 17 | in a model to the Commission?                          |
| 18 | A. I do not know.                                      |
| 19 | Q. So let me follow up on that and ask if              |
| 20 | Goodnight had all the input data that Dr. Buchwalter   |
| 21 | used in his model? I'm asking if you know if           |
| 22 | Goodnight got all the input data that went into        |
| 23 | Dr. Buchwalter modeling.                               |
| 24 | A. Did we get all the data? I'd have to                |
| 25 | default to, I think, John McBeath. But I don't think   |
|    |  |
|    | Page 235   |

1 we -- I think there was a hard time getting all the 2 actual data out of the model and the data that 3 supported the input parameters. Q. So I just want to reiterate this point 4 5 again. Were there any anhydrites identified in the 6 RR Bell Number 4 well and then also the EMSU 679 that 7 had a core? Are there any established or any 8 documented anhydrites that were found in any of the 9 core? A. I think I recognized some anhydrites 10 11 initials by some of the cores, but I didn't -- I don't 12 remember seeing a significant bedded anhydrite 13 interval. 14 Q. Let's go to Slide Number 24. Thank you. 15 So, here you're showing Tier 2 and then Tier 1. And 16 the bottom, I presume, is it oil or water saturation? A. That is oil saturation. 17 18 Q. So here, when you see a producing zone, which formation are we talking about? 19 20 A. The green symbols at negative 350 are 21 Grayburg. And if you use Ops' model, some of the 22 San Andres. 23 Q. Okay. So here, do we see, so assuming 24 you're saying that the green is all Grayburg, producing zone --25

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| 1  | A. Yes.   |
|----|---|
| 2  | Q and then the blue will be the potential             |
| 3  | ROZ, which will be based on your nomenclature, that   |
| 4  | will be the Upper San Andres.                         |
| 5  | A. Correct.   |
| 6  | Q. And then you have the Lower San Andres and         |
| 7  | then, let's say, the aquifer zone, more or less       |
| 8  | becoming the transition zone and then the water       |
| 9  | aquifer?  |
| 10 | A. Correct.   |
| 11 | Q. Okay. Do we see any oil saturation within          |
| 12 | the Tier 2 and then Tier 1?                           |
| 13 | A. In which interval?                                 |
| 14 | Q. All of them, just or you can just focus            |
| 15 | on the residual zone and then also the transition     |
| 16 | zone.   |
| 17 | A. Yeah, the potential ROZ, there is some             |
| 18 | Tier 1 and I'd say a significant amount of Tier 2.    |
| 19 | Q. And then I saw that maybe this one is              |
| 20 | different, but the one that I reviewed earlier on, it |
| 21 | sounded like it had a total oil in place there. I     |
| 22 | think there were three.                               |
| 23 | A. Yeah, there were three columns.                    |
| 24 | Q. Yeah, what did you change your testimony,          |
| 25 | or  |
|    | Page 237  |
|    | rage 257  |

A. No, I just shortened it so it would fit on
 that half of the graph.

Q. Yeah, because the one that I reviewed, it sounds like you were showing over 200 million for the potential residual zone. Is that a correct number?

6 A. Yes. So what I did to get to that number 7 was extrapolated the averages for the wells across the 8 entire EMSU. And basically, I don't think that's a 9 realistic way of doing it, but I wanted to be --10 originally, I was just trying to match what other 11 people did by, okay, how do I compare my oil in place 12 to theirs? Well, they extrapolated it over the entire 13 interval, so I did also.

But I think the critical issue on recovery is the concentration of oil. You know, if you have, you know, one barrel of oil in 100 feet or one barrel of oil in 1,000 feet, the higher concentration is much more valuable, you get a higher recovery factor.

20 So I think the critical issue that I'm 21 trying to focus on here is the oil concentration in 22 MBO per section.

Q. Yeah, but -- so based on your analysis, I
saw over 250 million barrels. So are you saying that
Empire should not go for it?

| 1  | A. Well, if it was equally distributed over the        |
|----|--|
| 2  | entire area by just extrapolating the data points,     |
| 3  | that's the number you get to.                          |
| 4  | But I think a better way of analyzing it               |
| 5  | is to look at the concentration in a section area.     |
| 6  | And if you were to do a pilot, you'd pick a section,   |
| 7  | and this is the average oil in place in that section.  |
| 8  | So I think it's a much easier reference                |
| 9  | if you're going to go to that next step of trying to   |
| 10 | determine how economic it would be to recover.         |
| 11 | Because you can do a pilot in a square mile area and   |
| 12 | come up with a spacing, you know, how many wells are   |
| 13 | in it, you know how much oil you're recovering, rather |
| 14 | than having a large volume of 250 million barrels over |
| 15 | 11,000 acres and, you know, ten-acre spacing, you      |
| 16 | know, you'd need a thousand wells. This way you can    |
| 17 | get a more functional economic unit to kind of         |
| 18 | evaluate your  |
| 19 | Q. You know, you talked about the San Andres           |
| 20 | being under pressure. And I promise I'm not going to   |
| 21 | go much detail with you on that, but, you know, coming |
| 22 | to that conclusion, did you incorporate the supply     |
| 23 | water wells, the withdrawals from those wells into     |
| 24 | your analysis?   |
| 25 | A. Well, there were two points. I think there          |
|    |  |

1 was a 1959 study that was introduced a little earlier 2 that had about a .38 something. And then just some recent data that I think was supplied to the 3 Commission that showed this local area where Goodnight 4 5 has injected a number and came up to 3.83 as a 6 current. 7 And so 1959 to current, having almost 8 identical pressures, I quess that kind of incorporates 9 the ups and downs of supply, injection and withdrawals in the region. 10 11 Q. In one of your slides, I saw that you had a 12 perm barrier that you put in. I saw that in one of 13 your slides --14 A. Yes. It was --15 0. -- a yellow region mapped as a perm barrier. 16 Do you remember something like that? 17 A. I think there were a number. There was one in the 746 well and then my cross-section with two 18 19 wells that I was trying to do a sensitivity analysis 20 I forget which one it would be. on. Q. Yeah, that'll be on Page 24 of your -- of 32 21 22 total pages? 23 A. Yes. MR. RANKIN: Is it in Mr. Knights' 24 25 testimony, Dr. Ampomah? Page 240

1 A. In the summary slides. 2 Q. Labeled as now Goodnight Number 8 testimony, Exhibit E. 3 Ε. 4 A. Yeah. 5 O. There was two wells with a cross-section 6 where we do have a perm barrier, a permeability barrier. 7 8 A. Page 32? 9 O. 24 out of 32. Yeah, right there. A. Oh, okay. This is an older one. 10 11 Q. Oh, there's another one. Is another one --12 can you talk to it, or --13 A. Yeah. I can talk to any of it. 14 Q. So, I want to know, is your perm barrier the 15 same as that picked by Dr. Davidson? 16 A. I'm not 100 percent sure. This was an early 17 well, and these are actually the two wells that had 18 spectral gamma rays. And you were asking earlier how far those were away, and I guess there's three 19 20 miles -- maybe a little more than three miles away. 21 But yes, that perm barrier is -- I think 22 the better slide to do is in my summary slides. I think it's probably halfway through, maybe Page 12. 23 24 O. Yeah, probably. Let me just ask a general question. The depend barrier that you picked, they're 25 Page 241

1 the same as the ones that the Division picked, or it's 2 different?

3 A. Different. There are sensitivities in perm barriers, and so what I was trying to show in that 4 5 cross-section is Ops' perm barriers or barriers that were based on a 1.5 percent porosity, which I thought 6 was very low. And then I just tried to use a more 7 reasonable, most likely, you know, 50 percent perm 8 9 barrier, or not at 7 percent porosity. And then I 10 also used the .02 perm that Dr. Birkhead had 11 determined, and used that. 12 And if you use all -- any of those 13 situations, you can get a significant number of perm 14 barriers throughout the entire section. 15 O. So is it your testimony that your perm 16 barrier was strictly based on porosity permeability 17 cutoff, and Dr. Davidson perm barriers were based on 18 anhydrites? 19 A. Correct. 20 O. So which one should the Commission take? 21 A. My guess is both are probably --22 Q. Anything --A. Together, there's just a lot of perm 23 24 barriers. 25 O. So is there a cross-section that shows Page 242

| 1  | entirely so if you look at this cross-section in       |
|----|--|
| 2  | Figure 4 that we are seeing right now, can you also    |
| 3  | have the same cross-section showing the Commission how |
| 4  | you picked your barrier throughout the EMSU the same   |
| 5  | for Dr. Davidson?                                      |
| 6  | A. Yes, we could do that. I don't think I              |
| 7  | have.  |
| 8  | Q. Now, let me ask you. So these series of             |
| 9  | questions were based on the cross. I just want to      |
| 10 | clarify some few things.                               |
| 11 | Did Goodnight already have their own                   |
| 12 | perm barrier before you prior to your work?            |
| 13 | A. I do not know.                                      |
| 14 | Q. Did you review the application to the               |
| 15 | Division?  |
| 16 | A. I guess, briefly.                                   |
| 17 | Q. So there was no baseline for you to compare         |
| 18 | your work to?  |
| 19 | A. No, no. I'm basically totally independent.          |
| 20 | Q. Then when they say that confirm barriers,           |
| 21 | what were they referring to in your scope of work?     |
| 22 | A. I'm not really sure what they were                  |
| 23 | confirming to. But in my I took that as review the     |
| 24 | perm barrier and tell me what you believe.             |
| 25 | Q. Review the perm barrier and tell me what you        |
|    | Page 243   |

| 1  | believe. What perm barrier? If it's not there          |
|----|--|
| 2  | A. Correct.  |
| 3  | Q what perm barrier?                                   |
| 4  | A. Well, semantics. But, basically, I was              |
| 5  | going to look for the communication between those two, |
| 6  | and I think they believe there was a perm barrier in   |
| 7  | there, so I think they said, "Confirm this perm        |
| 8  | barrier."  |
| 9  | And basically in my line of business,                  |
| 10 | people tell you a lot of things, but you basically go  |
| 11 | back to the data, put your professional opinion on it  |
| 12 | to tell them. A lot of times, it's not what they want  |
| 13 | to hear. But in my line of work, it's just you have    |
| 14 | to have, you know, your best effort at getting to the  |
| 15 | right answer.  |
| 16 | Q. So you made a comment as part of the cross,         |
| 17 | you said San Andres is not a defined interval. Do you  |
| 18 | remember something like that?                          |
| 19 | A. Mm-hmm.   |
| 20 | Q. But Empire believes that they've                    |
| 21 | characterized, they've described the San Andres. So    |
| 22 | you know, I'm just trying to understand in terms of    |
| 23 | you saying that the San Andres is not well defined, so |
| 24 | why should we agree with your interpretation?          |
| 25 | A. Basically, mine is a reservoir                      |
|    |  |

1 characterization, so I look at the oil -- the 2 potential reservoir. So I look at pore volume, 3 permeability and isolation of intervals and zones that 4 can be just exploited economically.

5 And if you have multiple reservoirs 6 in -- you know, one of the big things we have is for 7 many big companies that are in the same reservoir, 8 they all have different nomenclature for different tops and different intervals. And I don't really care 9 what they call it. I'm going to pick -- this is an 10 11 interval that I think is a boundary here, a boundary 12 here, and this is a separate interval. And then they 13 can call it anything they want, but all I need to do is decide what the reservoir characteristics are in 14 15 those individual zones.

And so I apologize that it's very difficult, this nomenclature thing. It's more of a legal issue than a reservoir characterization.

Q. So you also made mention of potentialbarrier.

21

A. Yes.

22 Q. You recall that? Does that mean that we 23 don't have enough data to confirm that?

A. I generally don't like to make affirmativestatements of 100 percent certainty on really

1 anything, because in the oil business, you realize 2 that things can happen and you look at the preponderance of data, all the data you evaluated, and 3 it suggests there's a perm barrier there. 4 5 And I would say, you know, on an 6 individual basis it's a potential perm barrier. But when I have a preponderance of a significant number of 7 8 potential perm barriers, then it becomes more likely 9 that there's a significant barrier to fluid migration. Q. So, sir, you made a good point here. You 10 11 said that you don't normally -- you want to attach 12 uncertainty to your estimations; your don't want to 13 really tie yourself to a particular, let's say, decision or something like that? 14 15 A. Yeah. 16 Q. Now, I've reviewed all the -- you showed us 17 clearly all the wells that you performed petrophysical analysis on. Let's say Dr. Davidson did that. 18 I've 19 also reviewed all the work that Ops Geologic did, that 20 NuTech did. It's all based on uncertainty, right? So 21 why should the Commission not give Empire the 22 opportunity to go and explore based on the 23 uncertainties that we are seeing here? 24 A. Well, I think some of it's precedence. And from my look at the reservoirs, I think the certainty, 25

1 the alleged resources that are proposed for the lower 2 San Andres, I think Jim Davidson's analysis, in my 3 opinion, is more accurate and indicates that there is 4 little to no significant oil in the lower San Andres.

5 And then it also comes down to, just in 6 general, the New Mexico oil and gas industry in, 7 itself. This water disposal -- you know, there's 8 about 1,700 horizontal wells completed a year in the 9 in the Delaware Basin, and that comes out to about 70,000 barrels a month of new production at a 10 11 water-oil ratio of 3 to 1. That's going to be around 12 210,000 barrels a month that New Mexico is going to 13 have to find a place to put that water. And in a long term, that's just a month. So if you can extrapolate 14 15 that out, very big numbers.

But the other thing is just the precedence of using the San Andres as a water supply and a water injection zone is just an industry common practice. And I think this reservoir is unique in this under pressure, which I'm still fascinated by how that came to be or -- but it does seem to be there.

But I think the best thing for the New Mexico State is to have these people both coexist. If I was asked by Empire what I would consider them doing, I'd say, you know, "Your most oil in place, no

1 matter whose petrophysical analysis you're looking at, 2 is in the Grayburg. And you already have some infrastructure there, you have the oil in place and 3 that's probably your most economic chance. And if you 4 5 go down to the 350 to 500 foot interval, there is some 6 indications. I believe, that Jim Davidson's petrophysical analysis says there's very high risk. 7 8 But if you believe your petrophysical analysis, then 9 that 150 feet may be the next best thing to do." But I think jumping down into the Lower 10 11 San Andres, well, I think there's significant evidence 12 that the alleged resources down there may not exist at 13 I think there's plenty of activity that they all. could do above there. 14 15 I guess that's my general feel of just 16 reviewing the reservoir quality, the oil in place, the 17 certainty of the other evaluations that we've looked 18 I think the preponderance of actual physical at. 19 evidence I think supports my conclusion and Jim Davidson's petrophysical analysis. 20 21 Q. So are you saying that based on the data, 22 based on the evidence that is available, that is your opinion, right? 23 24 A. Correct. Q. But so, the Commission, you've not shown us 25

1 any evidence that there's an isolation between the 2 Lower San Andres and then the Upper San Andres. You 3 cannot -- you don't have the physical evidence to show the Commission that this is the barrier that we 4 5 believe that there is no communication between the Upper San Andres and then the Lower San Andres. 6 Τs 7 there any literature supporting that, any reference 8 supporting that? 9 A. I don't know of any literature that states that. 10 11 Q. And then your opponent is saying there's no 12 barrier. 13 A. Yeah. I don't quite understand that conclusion. 14 15 O. You know, but you've not shown us a 16 cross-section, no literature showing that there's a clear barrier between the Lower San Andres and then 17 18 the Upper San Andres. So what evidence, what 19 preponderance of evidence, have you shown to the 20 Commission that we've mapped up this as a barrier, so 21 this is our suggestion that let Empire focus on the 22 Upper and there will be no communication from the 23 Lower? 24 A. Is this -- interesting the way this legal process works in the rebuttal versus the just do my 25 Page 249

1 work and present a case.

2 So I spent a lot of time rebutting some 3 what I think are very unrealistic data use or saying there is communication between there. I really don't 4 5 see any evidence. And just the geologic system here, 6 I don't think there's any realistic way there's any communication between the two. 7 8 But you're correct that as a distinctive 9 literature map, definitive map, I do not have that. I've not created one. And I can see how that would be 10 11 helpful to the Commission. 12 Q. You know, I've listened to all the 13 testimony, and I'm looking forward to dialogue with 14 Larry Lake, Professor Larry Lake, you know. 15 Let's say -- and I don't want to get 16 into the pressure issue with you, but --17 A. Interesting discussion, though. 18 O. Yeah. You know, let's say when you look at, 19 let's say, the production history, what is withdrawn, 20 what is, let's say, put in, your are right, there is clear evidence that there is no communication. Right? 21 22 But what about that huge volume of water that has been proposed? Have you forecast into the 23 future -- you've even -- based on your own testimony, 24 you're telling the Commission that they are karsts, 25

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1 you know, there are perm barriers, you know, there are 2 some karsts in there.

3 So is that also not a risk if the 4 Commission allows a huge volume of water to be 5 injected, even though now we do not have the evidence 6 that there is a communication?

A. Well, again, I'd come back to the -- the strongest evidence is material balance, which is volumes and pressures. And I think monitoring pressures would be a valid way of making sure that there isn't a pressure increase. And when you see one, then you can react.

Currently, the way I see this now is that there's a reaction before the evidence shows that there's communications. But I think monitoring the pressure and allowing the current state, and if you allowed four more permitted wells to inject a lot more oil [sic], you'd get to an answer much quicker, the pressure monitoring. And it'd be very interesting.

Because just .383 over a large -- I just -- it amazes me how little pressure variation for the volumes of water that were both extracted and input. I just -- it's just amazing. But it's just a unique situation, and I do believe that they can attack their most valuable asset and send in, and

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| 1  | Goodnight can help the oil industry produce all the    |
|----|--|
| 2  | oil they want.   |
| 3  | Q. Well, but Mr. Wheeler was saying if                 |
| 4  | Goodnight moved two miles away from the operations,    |
| 5  | they are not going to contest. So it's not like they   |
| 6  | are shutting you off. They provided options. Why not   |
| 7  | take it?   |
| 8  | A. I do not know. That's out of my purview.            |
| 9  | Is that correct?                                       |
| 10 | Q. You know, when you talk about there's no            |
| 11 | evidence that there's communication, I mean, the       |
| 12 | question that I will ask you is, if you see that       |
| 13 | bubble map that was shown to the Commission and you    |
| 14 | see excessive water production, the question I have    |
| 15 | for you is, how did the operator solve that problem to |
| 16 | have effective material balance communication?         |
| 17 | A. I do not know.                                      |
| 18 | Q. So then it's still but so the person who            |
| 19 | owns all the data is saying there is a communication.  |
| 20 | And you're saying that you don't know, but, I mean, so |
| 21 | then and you did not provide any theory or any         |
| 22 | model showing a different way as to how water can      |
| 23 | get higher production can get through these wells.     |
| 24 | There's not been any evidence, no models from          |
| 25 | Goodnight to establish that other than we don't know   |
|    | Page 252   |
|    |  |
1 what went on.

A. Well, I agree we did not have a reservoir model. But I think the 1939 paper that showed water at the crest of the structure in 1934, '35, '36 and '37 indicated that it was there.

And the perm barriers, basically the migration paths that Dr. Lindsay shows, they're all around bedding planes. So that is the preferred mechanism for migration of all oil; it's laterally, it's not vertical. The perm barriers that are used to identify perm barriers are horizontal permeability.

12 And so, generally, vertical permeability 13 is a magnitude smaller, so using that as a perm 14 barrier, I think would be maybe conservative. But I 15 think, just to geologic mechanisms of layered beds, 16 migration along bedding paths, and also in 17 Dr. Lindsay's fracture analysis, he described that the predominant amount of fractures were in the karsted 18 intervals. 19

And the karsted intervals are relatively thin. In the 679 well, they were between 1 and 3 feet, and there was one that was about 10 foot thick. But that's the limit of those karsts. And if most of the fractures are in those karsts, that would be a lateral fracture pattern that would increase the

1 permeability horizontally, which, in my opinion, is 2 the way all the water got into those wells. 3 And I think if you actually look at the volumes, you take it out over the years and the cums, 4 5 the excessive water volumes, I think I estimated about 6 300 barrels a day. So it may have been a large 7 volume, but it was over a long period. So the actual 8 excessive values, I think from a total perspective are 9 not quite as dramatic as I expected from looking at that big map with a mesh. 10 11 Q. You know, you made a comment during the 12 cross and I thought that was interesting. You said 13 something to the effect of Empire and its consultant did a significant amount of work, and your 14 15 responsibility was to review it and critique that, 16 instead of doing independent work to support the case. 17 I mean, can you comment on that 18 statement? 19 A. That's primarily my job, is to evaluate, QC 20 and when needed, do the evaluation myself, but that's 21 a secondary step. 22 Jim Davidson, or Dr. Davidson, is a petrophysicist. You know, he's been there about 20 23 24 years. But I find him incredibly, incredibly intelligent, and most of his work turns out to be 25

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1 correct. Although criticized as -- you know, we, as a company, occasionally are being criticized for being 2 3 conservative, but we really are trying to present the most realistic case from the data that we see. 4 5 O. Yeah, and even if you look at Dr. Davidson's 6 work, you know, I'm not criticizing his work, you 7 know, same as, let's say, the consultants from Empire, 8 all different strategies, but I do see some 9 similarities in their work. 10 A. I agree. 11 Q. And that is the core, right? So that is where I want to focus on. I mean, these higher 12 13 volumes, I had my questions, you know, I went back and forth with the experts, you know, with some of these 14 15 higher saturations and all of that. 16 But I think the real evidence is the 17 And I feel like all these analyses, they are core. 18 more or less in agreement with the core, some way, 19 somehow. Do you believe that? 20 A. To some degree. Q. Okay, okay. Now, is it your opinion that 21 22 oil-water contact is static? 23 A. No. 24 O. But I thought Empire's counsel was going back and forth with you on that, and it sounded like 25 Page 255

1 you feel like it has to be a constant number that 2 hasn't changed. 3 A. No. But I did disagree that producing oil and the contact going down would be inappropriate. 4 5 O. But you believe that oil-water contact is 6 not static? 7 A. It goes up. Gravity. 0. Oil-water contact --8 9 A. The water goes up. I may have misunderstood the question as it was directed, but the statement I 10 11 heard was the oil-water contact effort production went 12 And because he was talking about negative 350 down. 13 and negative 550 --14 MR. WEHMEYER: I can probably clarify the 15 confusion I created. Based on the publication that 16 we showed that slide, they wrote that it was an error 17 on the original one and that it was actually at 540, 550 subsea, which is what Dr. -- so the early one was 18 19 an error, the lower one was accurate, and that's been 20 written on. 21 COMMISSIONER AMPOMAH: Okay. Thank you. Ι 22 appreciate that clarification. 23 BY COMMISSIONER AMPOMAH: 24 Q. Now, has anyone from Goodnight done total analysis on how the proposed saltwater injection in 25 Page 256

1 combination with the existing saltwater injection are 2 going to have, you know, considering the barriers that has been discussed? 3 4 A. The alleged perm barriers? 5 O. I'm not going to say that. Is there someone 6 going to discuss that in more detail, you know, to the 7 Commission that you know? 8 A. I'm not sure. You know, I would assume so. 9 COMMISSIONER AMPOMAH: Okay. I think I'll 10 end here. Thank you so much for your time. 11 THE WITNESS: Thank you. 12 MR. SHANDLER: Mr. Hearing Officer, can I 13 have two questions to follow up? I'm over here on the left. 14 15 HEARING OFFICER HARWOOD: I'm not used to 16 looking over there. Sure, absolutely? Go for it, 17 Mr. Shandler. 18 EXAMINATION BY MR. SHANDLER: 19 20 Q. All right. So both parties are in the same unit. If the Commission decides it's a tie and wants 21 22 to divide it up, what is the number where the new 23 division should be in the sandbox? A. Was that a question to them? 24 25 Q. That is a question.

1 A. I would do negative 500 and negative 700. 2 That interval would be like the demilitarized zone, and we monitor it very distinctly to see if there's 3 any evidence that there's any vertical movement up and 4 5 down from there. 6 Q. And so there are existing permits that 7 Goodnight has, would they be -- the existing permits, 8 are they in the DMZ zone already? 9 A. I'm not even sure where they're located. Q. And the proposed ones, are they in the DMZ 10 11 zone? A. I don't -- you mean, perfed within the 12 13 negative 700 to negative 500 TVD subsea depths? 14 O. Yes. 15 A. I don't think they are, but... 16 Q. I guess, will there be a witness who will 17 explain historically why the existing Goodnight wells were chosen at that number, where they were drilled? 18 A. I guess the location, I'm not sure. 19 The 20 depth at which they were completed was the 21 understanding of the reservoir and the karsting below 22 that negative 700, approximately, depths. 23 Q. So there was already previous work figured 24 out why these existing wells were drilled to a specific depth? 25

1 A. I believe so. 2 Q. And that will be presented? 3 A. Yes. MR. SHANDLER: Thank you. 4 5 THE WITNESS: Is that appropriate? 6 HEARING OFFICER HARWOOD: Thank you, Mr. Shandler. 7 8 So this brings us to redirect 9 examination. Is there any possibility, remote possibility, that we might finish this witness today? 10 11 MR. RANKIN: No. 12 HEARING OFFICER HARWOOD: No? 13 MR. RANKIN: No. 14 HEARING OFFICER HARWOOD: Hope springs 15 eternal. All right. 16 Let me ask you, Mr. Rozatos, I mean, we 17 still have almost 25 minutes, shall we use it? Or 18 what are your thoughts, Mr. Chairman? 19 CHAIR ROZATOS: Mr. Rankin, would you be 20 able to have a good stopping point in 25 minutes, or 21 would you just prefer to start first thing in the 22 morning? 23 MR. RANKIN: I don't have my mind how I'm going to segregate out the questions. I'm just going 24 25 to walk through my notes. So I don't have a distinct Page 259

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stopping point in my mind.

1

2 I could start and do a few minutes and 3 we could break, or if everyone's -- you know, we 4 could start in the morning. I'm fine either way. 5 CHAIR ROZATOS: For the sake of continuity, 6 then, maybe we should just start first thing in the 7 morning. That will allow you to gather your 8 thoughts, it will allow the witness to have a break 9 as well. And I mean, it's only 25 minutes, so it's not like we're wasting that much time for today. 10 11 HEARING OFFICER HARWOOD: All right. That's 12 great. And along the lines of hope springing 13 eternal, if you gather your thoughts and get organized overnight, maybe a cross-examination will 14 15 be shorter. 16 THE WITNESS: It's a good chance. 17 HEARING OFFICER HARWOOD: All right. Great. All right. Then if there's nothing further, we'll be 18 19 off the record for the day and we'll see everybody 20 again tomorrow at 9:00. Thank you. 21 Thank you, everyone. CHAIR ROZATOS: 22 (Proceedings adjourned at 4:33 p.m.) 23 24 25 Page 260

1 AFFIRMATION OF COMPLETION OF TRANSCRIPT 2 3 I, Kelli Gallegos, DO HEREBY AFFIRM that on 4 April 22, 2025, a hearing of the New Mexico Oil Conservation Commission was taken before me via video 5 conference. 6 7 I FURTHER AFFIRM that I did report in 8 stenographic shorthand the proceedings as set forth herein, and the foregoing is a true and correct 9 transcript of the proceedings to the best of my 10 11 ability. 12 I FURTHER AFFIRM that I am neither employed 13 by nor related to any of the parties in this matter 14 and that I have no interest in the final disposition 15 of this matter. May 9, 2025 16 Kelli Gallegos 17 VERITEXT LEGAL SOLUTIONS 18 500 Fourth Street, NW- Suite 105 Albuquerque, New Mexico 87102 19 20 21 22 23 24 25 Page 261

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