

STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

April 14, 2016
1:16 p.m.
Wendell Chino Building
Porter Hall
1220 S. St. Francis Drive
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

CASE NO. 15465

APPLICATION OF ENDURANCE RESOURCES LLC TO FOR A SPECIAL
DEPTH BRACKET ALLOWABLE FOR THE WC-025 G-05 S253523H;
DELAWARE POOL, LEA COUNTY, NEW MEXICO

BEFORE: WILLIAM JONES, Lead Examiner
SCOTT DAWSON, Examiner
DAVID K. BROOKS, Legal Examiner

REPORTED BY: DEBRA ANN FRIETZE
PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
Albuquerque, New Mexico 87102

<div>Page 2</div> <div> <p>1 APPEARANCES</p> <p>2</p> <p>3 For the Applicant:</p> <p>4 HOLLAND & HART</p> <p>5 110 North Guadalupe, Suite 1</p> <p>6 505.988.4421</p> <p>7 jlkessler@hollandhart.com</p> <p>8 BY: JORDAN LEE KESSLER</p> <p>9</p> <p>10 WITNESSES PAGE</p> <p>11 Jason South 3</p> <p>12 Randall Harris 13</p> <p>13 Manny Sirgo 25</p> <p>14</p> <p>15 EXHIBITS ADMITTED</p> <p>16 1 through 2 8</p> <p>17 3 through 10 32</p> <p>18</p> <p>19 REPORTER'S CERTIFICATE 43</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> </div>	<div>Page 4</div> <div> <p>1 Division?</p> <p>2 A. Yes, ma'am, I have.</p> <p>3 Q. Were your credentials as a petroleum landman</p> <p>4 accepted and made a matter of record?</p> <p>5 A. Yes, they were.</p> <p>6 Q. Are you familiar with the application that's</p> <p>7 been filed on behalf of Endurance in this case?</p> <p>8 A. Yes, I am.</p> <p>9 Q. And are you familiar with the status of the</p> <p>10 lands and the subject portion of the WC-025 G-05</p> <p>11 S253523H Delaware Pool?</p> <p>12 A. Yes, I am.</p> <p>13 Q. Will you understand if I refer to that as the</p> <p>14 Wildcat Delaware Pool?</p> <p>15 A. Yes, I will.</p> <p>16 MS. KESSLER: I will tender Mr. South as an</p> <p>17 expert witness in petroleum land matters.</p> <p>18 EXAMINER JONES: He is qualified as an</p> <p>19 expert in petroleum land matters.</p> <p>20 Q. (By Ms. Kessler) Mr. South, can you briefly</p> <p>21 summarize what Endurance seeks under this application?</p> <p>22 A. Yes. Endurance is seeking to increase the</p> <p>23 depth bracket allowable for all oil wells drilled within</p> <p>24 the Delaware Wildcat Pool.</p> <p>25 Q. What are the current applicable rules for this</p> </div>
<div>Page 3</div> <div> <p>1 EXAMINER JONES: Case Number 1545,</p> <p>2 application of Endurance Resources, LLC, for a special</p> <p>3 depth bracket allowable for the -- I want to say Wildcat</p> <p>4 Delaware Pool, Lea County, New Mexico.</p> <p>5 Call for appearances.</p> <p>6 MS. KESSLER: Jordan Kessler, from the</p> <p>7 Santa Fe Office of Holland and Hart, on behalf of the</p> <p>8 applicant.</p> <p>9 EXAMINER JONES: Any other appearances?</p> <p>10 MS. KESSLER: I have two witnesses today or</p> <p>11 three witnesses today. I apologize.</p> <p>12 [At which time Jason South, Randall Harris</p> <p>13 and Manny Sirgo were sworn under oath.]</p> <p>14 JASON SOUTH</p> <p>15 having been previously sworn under oath,</p> <p>16 was questioned and testified as follows:</p> <p>17 DIRECT EXAMINATION</p> <p>18 BY MS. KESSLER:</p> <p>19 Q. Please state your name for the record and tell</p> <p>20 the Examiners by whom you're employed and in what</p> <p>21 capacity.</p> <p>22 A. My name is Jason South. I work for Endurance</p> <p>23 Resources, LLC, and I serve as land manager for the</p> <p>24 company.</p> <p>25 Q. Have you previously testified before the</p> </div>	<div>Page 5</div> <div> <p>1 Wildcat Pool?</p> <p>2 A. About a 40-acre spacing and 330-foot setbacks.</p> <p>3 Q. And what is the current depth bracket</p> <p>4 allowable?</p> <p>5 A. 230 barrels of oil per day.</p> <p>6 Q. When was this pool created?</p> <p>7 A. This pool was created in 2009 by Chesapeake.</p> <p>8 They successfully drilled the Dinwiddie 23 Federal 1</p> <p>9 Well in Section 23, 25 South, 35 East. And that well is</p> <p>10 now owned by Chevron, as it will be referenced in</p> <p>11 Chevron and other exhibits.</p> <p>12 Q. Are the perforations for that well between</p> <p>13 8,443 and 8,492 feet?</p> <p>14 A. Yes, they are.</p> <p>15 Q. As a result, did the Division set the depth</p> <p>16 bracket allowable for the range of 8,000 feet to 8,999</p> <p>17 feet?</p> <p>18 A. Yes, that's correct.</p> <p>19 Q. So that would be 230 barrels of oil per 40-acre</p> <p>20 spacing, correct?</p> <p>21 A. Yes, that's correct.</p> <p>22 Q. What is the TD for Endurance's current well?</p> <p>23 A. It's 8,897.</p> <p>24 Q. What has the Division granted as a -- or has</p> <p>25 the Division granted a test allowable for this Endurance</p> </div>

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<p style="text-align: right;">Page 6</p> <p>1 well?</p> <p>2 A. Yes, they did.</p> <p>3 Q. And what is that allowable?</p> <p>4 A. It was a 60-day test allowable of just whatever</p> <p>5 the well produced during that timeframe.</p> <p>6 Q. Could you please identify Exhibit 1?</p> <p>7 A. Yes. So Exhibit 1 shows the pool boundaries</p> <p>8 for the Delaware Wildcat Pool, which consists of the</p> <p>9 west half of Section 16, the southeast quarter Section</p> <p>10 16, the south half of Section 15, the north half -- or</p> <p>11 the northeast quarter Section 22, and the north half of</p> <p>12 Section 23, which is all in 25 South, 35 East.</p> <p>13 And that is represented by the hashmarks on</p> <p>14 the Exhibit 1 plat. And the red line marks the 1 mile</p> <p>15 boundary around the pool.</p> <p>16 Q. Are the green dots with the thinner red lines,</p> <p>17 I guess, is that the current Endurance producing well?</p> <p>18 A. Yes. The White Falcon is our current producing</p> <p>19 well, and that's located in the west half, west half of</p> <p>20 Section 16.</p> <p>21 Q. And Chevron's Dinwiddie Well is also marked on</p> <p>22 this exhibit?</p> <p>23 A. Yes. And that's located in the northeast</p> <p>24 quarter of Section 23.</p> <p>25 Q. What is the current production of Endurance's</p>	<p style="text-align: right;">Page 8</p> <p>1 MS. KESSLER: I would move admission of</p> <p>2 Exhibits 1 and 2.</p> <p>3 EXAMINER JONES: Exhibits 1 and 2 are</p> <p>4 admitted.</p> <p>5 [Exhibits 1 and 2 admitted.]</p> <p>6 EXAMINER JONES: Scott, do you want to</p> <p>7 start?</p> <p>8 EXAMINER DAWSON: So the Chesapeake</p> <p>9 originally drilled the wells that are currently owned by</p> <p>10 Chevron?</p> <p>11 THE WITNESS: Yes, sir, they did, in 2009.</p> <p>12 EXAMINER DAWSON: 2009? Do you know how</p> <p>13 much that well has produced? That might be a</p> <p>14 question --</p> <p>15 THE WITNESS: I don't. Yes, it's coming</p> <p>16 up. They have all that data.</p> <p>17 EXAMINER DAWSON: Okay. That's all the</p> <p>18 questions I have. Thank you.</p> <p>19 EXAMINER JONES: This mile boundary around</p> <p>20 it, was there any other -- what are we, Bone Spring</p> <p>21 here, Delaware -- were there any other Delaware pools in</p> <p>22 that mile radius or mile boundary around it?</p> <p>23 THE WITNESS: I'm honestly not sure on</p> <p>24 that. I know there's a Javelina/Delaware pool, but I'm</p> <p>25 not sure where that lines up with this acreage.</p>
<p style="text-align: right;">Page 7</p> <p>1 well?</p> <p>2 A. Right now, it's currently about -- average,</p> <p>3 about 900 barrels a day.</p> <p>4 Q. And is that due to compliance with the depth</p> <p>5 bracket allowable?</p> <p>6 A. Yes, ma'am.</p> <p>7 Q. So it's been throttled back?</p> <p>8 A. Yes, absolutely.</p> <p>9 Q. And does Endurance plan to call a geologist and</p> <p>10 engineer to discuss the production from this well?</p> <p>11 A. Yes, we do.</p> <p>12 Q. What notice did Endurance provide of this</p> <p>13 application?</p> <p>14 A. We sent notice to all the operators that are</p> <p>15 located within this pool, as well as all of the</p> <p>16 operators located within the mile radius of the pool.</p> <p>17 Q. Are you aware of any objections to this</p> <p>18 application?</p> <p>19 A. No, ma'am.</p> <p>20 Q. Is Endurance Exhibit 2 an affidavit, with</p> <p>21 letters prepared by my office, providing notice of this</p> <p>22 hearing to the parties that you described?</p> <p>23 A. Yes, that is correct.</p> <p>24 Q. And did you prepare Exhibit 1?</p> <p>25 A. Yes, we did.</p>	<p style="text-align: right;">Page 9</p> <p>1 EXAMINER JONES: Okay. I'll have to ask</p> <p>2 David here, but we're going to end up with special pool</p> <p>3 rules for a pool that's still a wildcat. If we gave it</p> <p>4 a name, it would be, you know, creating it as a</p> <p>5 nomenclatured pool. It would have the same pool code</p> <p>6 and the same everything.</p> <p>7 MS. KESSLER: That's correct, Mr. Examiner.</p> <p>8 I believe that the nomenclature hearing would need to be</p> <p>9 initiated by Paul Koutz.</p> <p>10 EXAMINER JONES: Okay. So our district</p> <p>11 geologist -- well, we've had people come up and bring</p> <p>12 their own nomenclature, at least for contractions and</p> <p>13 expansions. I'm not sure about creation of a pool.</p> <p>14 EXAMINER BROOKS: I don't remember if we've</p> <p>15 had such presenting or not. There's nothing in the</p> <p>16 rules prohibiting that. Anybody can file an</p> <p>17 application. That's the general provision of the first</p> <p>18 rule on the applications, whatever the number. I can't</p> <p>19 remember the numbers. They change them every little</p> <p>20 while anyway. But --</p> <p>21 MS. KESSLER: We were under the</p> <p>22 impression --</p> <p>23 EXAMINER BROOKS: -- the question is: Can</p> <p>24 we adopt special pool rules for a pool that does not</p> <p>25 exist, in terms of nomenclature, having been created by</p>

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<p style="text-align: right;">Page 10</p> <p>1 nomenclature orders?</p> <p>2 And I think the answer has got to be yes</p> <p>3 because of the way we operate. We can put whatever</p> <p>4 conditions need to be put in the order about what will</p> <p>5 happen if this pool is not officially created at some</p> <p>6 point in time.</p> <p>7 I think that we have got so many pools that</p> <p>8 have been created by district geologists and have not</p> <p>9 yet been approved by nomenclature orders that I think we</p> <p>10 would be disabled to do our business if we didn't</p> <p>11 proceed on applications like this.</p> <p>12 EXAMINER JONES: Okay. What I hear you two</p> <p>13 saying is that we could go ahead with this. But in</p> <p>14 order to actually create the pool, it would need to</p> <p>15 actually be a formal application at a hearing.</p> <p>16 MS. KESSLER: Well, I think that the pool</p> <p>17 has been created. If you look at the -- if we can turn</p> <p>18 to the C-102 at some point. It's not contained in the</p> <p>19 exhibits, but the C-102 for the subject Endurance well</p> <p>20 has a wildcat designation with that long WC dash name</p> <p>21 and also a pool code associated with it. So --</p> <p>22 EXAMINER BROOKS: However, there is not an</p> <p>23 order on the books that creates this pool --</p> <p>24 MS. KESSLER: That's correct.</p> <p>25 EXAMINER BROOKS: -- and the Oil and Gas</p>	<p style="text-align: right;">Page 12</p> <p>1 EXAMINER JONES: And the pool code is the</p> <p>2 same, whether we end up changing the name to something</p> <p>3 intelligible or not.</p> <p>4 MS. KESSLER: Correct. And as long as</p> <p>5 those rules are provisionally in place, I think that</p> <p>6 satisfies what we're looking for.</p> <p>7 EXAMINER BROOKS: I would assume when the</p> <p>8 pool is created, that it would given a different name.</p> <p>9 You know, it would be good if we had some way to keep</p> <p>10 track of proceedings like this so that in the</p> <p>11 nomenclature order, we could note the existence of those</p> <p>12 pools -- of these special pool rules so that people</p> <p>13 would be able to know what's going on without searching</p> <p>14 through every order we've ever issued.</p> <p>15 EXAMINER JONES: It sounds like you would</p> <p>16 rather it have been advertised as a nomenclature</p> <p>17 hearing?</p> <p>18 EXAMINER BROOKS: Well, I think it would</p> <p>19 have been -- I think it would have made things more</p> <p>20 orderly if applicants would ask -- if they want special</p> <p>21 pool rules, would ask for a nomenclature designation at</p> <p>22 the time.</p> <p>23 But I don't think anybody that practices</p> <p>24 here would be likely to know that, because you and I</p> <p>25 know more about these things than most of the people in</p>
<p style="text-align: right;">Page 11</p> <p>1 Act gives the Division the power to create pools. It</p> <p>2 doesn't say the district geologist can create pools.</p> <p>3 That's a creation of delegation of duty. So I still</p> <p>4 contend that unless and until this pool is created, its</p> <p>5 status is different from that of pools that have been</p> <p>6 created by Division or Commission orders.</p> <p>7 But I believe that in order to properly</p> <p>8 administer the system we have in place, that we should</p> <p>9 recommend to the Director that he, in this case,</p> <p>10 assuming we don't have some other reason not to grant</p> <p>11 the application, establish special pool rules for this</p> <p>12 pool that provisionally exists to become effective or</p> <p>13 when and if this pool is confirmed to exist.</p> <p>14 Well, no. Not to become effective. To</p> <p>15 become the pool rules for this pool when and if it is</p> <p>16 determined to exist.</p> <p>17 For the meantime, it would be provisional</p> <p>18 rules for a pool that has been designated, but has not</p> <p>19 yet been adopted. You know, I'm thinking out of the box</p> <p>20 a little bit on this, but I think we to have be</p> <p>21 practical.</p> <p>22 EXAMINER JONES: Yeah.</p> <p>23 EXAMINER BROOKS: When nobody objects, you</p> <p>24 know, we can (speaking Spanish) when there's a contested</p> <p>25 proceeding.</p>	<p style="text-align: right;">Page 13</p> <p>1 the world, and we kind of need to take charge here.</p> <p>2 EXAMINER JONES: Okay. I don't think I</p> <p>3 have any more questions. Thank you very much.</p> <p>4 THE WITNESS: Thank you.</p> <p>5 MS. KESSLER: I'll call our next witness,</p> <p>6 please.</p> <p>7 RANDALL HARRIS</p> <p>8 having been previously duly sworn under oath,</p> <p>9 was questioned and testified as follows:</p> <p>10 DIRECT EXAMINATION</p> <p>11 BY MS. KESSLER:</p> <p>12 Q. Would you please state your name for the record</p> <p>13 and tell the Examiners by whom you are employed and in</p> <p>14 what capacity?</p> <p>15 A. My name is Randall Harris. I'm a geologist for</p> <p>16 Endurance Resources, LLC, and also the Vice President of</p> <p>17 Exploration.</p> <p>18 Q. Have you previously testified before the</p> <p>19 Division?</p> <p>20 A. Yes, I have.</p> <p>21 Q. Were your credentials as a petroleum geologist</p> <p>22 accepted and made a matter of record?</p> <p>23 A. Yes, they were.</p> <p>24 Q. Are you familiar with the application filed on</p> <p>25 behalf of Endurance in this case?</p>

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<p style="text-align: right;">Page 14</p> <p>1 A. Yes, I am.</p> <p>2 Q. And are you familiar with the geology in this</p> <p>3 Wildcat Delaware Pool?</p> <p>4 A. Yes, I am.</p> <p>5 MS. KESSLER: I tender Mr. Randall as an</p> <p>6 expert in petroleum geology.</p> <p>7 EXAMINER JONES: Mr. Harris is so</p> <p>8 qualified.</p> <p>9 MS. KESSLER: I'm sorry, Mr. Harris.</p> <p>10 Q. (By Ms. Kessler) Why does Endurance seek to</p> <p>11 increase the authorized producing rates for this pool?</p> <p>12 A. We're seeking a greater allowable because the</p> <p>13 formation itself is capable of it. We're in a very</p> <p>14 unique situation, with a closed stratigraphic sand trap</p> <p>15 not affecting any of the Delaware and the surrounding</p> <p>16 areas. So just on that basis alone, we think it</p> <p>17 deserves its own pool rules.</p> <p>18 Plus the oil saturation is totally</p> <p>19 different than any other Delaware in the immediate</p> <p>20 vicinity for the same reason.</p> <p>21 Q. Is the sand also thicker in this area than</p> <p>22 you've seen in other areas surrounding?</p> <p>23 A. Yes. One specific sand, the sand that I've</p> <p>24 been tracking, the sand that we have actually completed</p> <p>25 in.</p>	<p style="text-align: right;">Page 16</p> <p>1 we deal with, and we have a little broad trending nose</p> <p>2 going south/southwest.</p> <p>3 Q. And why is the oil saturation higher in this</p> <p>4 particular area?</p> <p>5 A. The oil saturation is higher. And really, I</p> <p>6 need to go to the next map, if that would be all right?</p> <p>7 Q. Sure. Let's turn to Exhibit 4.</p> <p>8 A. Exhibit 4 is an isopach or an iso pay map of</p> <p>9 the specific sand that I have been chasing in the area.</p> <p>10 Throughout this area, you'll see that the</p> <p>11 sand itself is anywhere from 12 feet thick, 18 feet</p> <p>12 thick to the south, 14 to the west, 13 feet to the</p> <p>13 north. However, across this generalized area, the</p> <p>14 greener and the more yellow it gets, it gets thicker.</p> <p>15 We have seen it as high as 69-foot thick. And it's one</p> <p>16 specific sand so far, and that's the target sand.</p> <p>17 The sand in placement has to do with</p> <p>18 residual structures of the top of the Bone Springs.</p> <p>19 There was a little residual structure sitting here at</p> <p>20 one time. That's before basin rotation and tilt</p> <p>21 residual mapping. The sands would have been coming in</p> <p>22 and piled up against this low-lying structure and formed</p> <p>23 an actual dune.</p> <p>24 So we now, at the time of creation of our</p> <p>25 submarine sand dune, we've got it thin on both sides,</p>
<p style="text-align: right;">Page 15</p> <p>1 The sands as a whole unit over the lower</p> <p>2 Delaware doesn't change much due to valley filling and</p> <p>3 differential compaction things that in the State's</p> <p>4 approval are uniform, but individual sands do vary a</p> <p>5 lot.</p> <p>6 Q. Okay. Can you please identify and review</p> <p>7 Exhibit 3?</p> <p>8 A. Exhibit 3 is -- well, it's a combination of</p> <p>9 things. Number one, it is a structure map on the Lower</p> <p>10 Brushy Canyon on a 20-foot contour interval.</p> <p>11 On this map you'll also see adjacent lines</p> <p>12 from the previous map, the red outline of the 1-mile</p> <p>13 area around the pool, then you'll see the pool outline.</p> <p>14 And the two wells that are in the pool, being the White</p> <p>15 Falcon and this Chevron Dinwiddie Well, that's the only</p> <p>16 two wells within the current pool. All the hashmarked</p> <p>17 acreage is acreage that is operated by Endurance</p> <p>18 Resources.</p> <p>19 Q. What do you observe with respect to the</p> <p>20 structure in this area?</p> <p>21 A. The structure, we're coming off of the ridge</p> <p>22 separating the Midland Basin into the Delaware Basin,</p> <p>23 coming off a very, very high slope. And we are sloping</p> <p>24 to the southwest, which -- southeast -- no, southwest.</p> <p>25 I'm sorry. It's backwards from most of the basin that</p>	<p style="text-align: right;">Page 17</p> <p>1 thick in the middle, thick on the north, or to the north</p> <p>2 and south. So we're thinning all the way around us. So</p> <p>3 we actually have an isolated sand dune approximately</p> <p>4 2/12 miles long, a mile and a half wide, and downdip is</p> <p>5 in every direction at the time of deposition.</p> <p>6 And that's very important, because later</p> <p>7 you'll see that one of our wells is only about a 20</p> <p>8 percent oil cut, while our center well is about 50. But</p> <p>9 that's because the oil was then placed prior to basinal</p> <p>10 rotation and tilt, stratigraphically in-place oil.</p> <p>11 Q. Can you turn to Exhibit 5 and review this</p> <p>12 exhibit?</p> <p>13 A. Exhibit 5 and Exhibit 6 are both</p> <p>14 cross-sections. The map that you see the cross-section</p> <p>15 AA prime and BB prime on Exhibit 6 is exactly the same</p> <p>16 map that we just discussed. It's a thickness map of</p> <p>17 that particular sand.</p> <p>18 What Exhibit 5 is is a south-to-north</p> <p>19 cross-section crossing where we go from a pretty skinny</p> <p>20 sand, 20-some-odd feet thick, up to the thicker part of</p> <p>21 the Coachman, the center part of the thick being 69 feet</p> <p>22 thick, all the way up to the Fez Fee 18, when it's back</p> <p>23 to another 12-foot-thick sand.</p> <p>24 It's just demonstrating how rapidly the</p> <p>25 sand thins, thickens and thins back out in the</p>

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<p style="text-align: right;">Page 18</p> <p>1 north/south direction.</p> <p>2 The next cross-section, which is 6, is an</p> <p>3 east/west cross-section depicting the exact same</p> <p>4 interval hanging on top of our pay sand. But this one</p> <p>5 does take -- it goes from west to east, with the east</p> <p>6 following up on the Chevron Dinwiddie Well, which is</p> <p>7 within the pool.</p> <p>8 Q. Are there red sections on these -- the red</p> <p>9 marks on these cross-sections, are those where these</p> <p>10 wells have been perforated?</p> <p>11 A. Yes. On the cross-sections themselves, if</p> <p>12 there was a red mark in the Delaware, that is where they</p> <p>13 were perforated and completed.</p> <p>14 And most of the wells to the south of this,</p> <p>15 the Ragin Cajuns, the Rattlesnakes, the Madera, all</p> <p>16 those are perforated in a higher interval of the Lower</p> <p>17 Brushy Canyon. Very seldom do they ever even audit the</p> <p>18 whole -- this thin sand member where it's thick in our</p> <p>19 area.</p> <p>20 Q. After reviewing the geology in this area, do</p> <p>21 you believe that there is a higher oil saturation due to</p> <p>22 the stratigraphic tract?</p> <p>23 A. Oh, definitely. We see it in our production.</p> <p>24 Q. So this has resulted in higher production</p> <p>25 with --</p>	<p style="text-align: right;">Page 20</p> <p>1 is an Avalon Bone Springs well.</p> <p>2 EXAMINER DAWSON: Okay. Is that a -- oh,</p> <p>3 that's a horizontal --</p> <p>4 THE WITNESS: Correct.</p> <p>5 EXAMINER DAWSON: And then the Rattlesnake</p> <p>6 Federal 6, is that in the northwest corner of Section</p> <p>7 16?</p> <p>8 THE WITNESS: Yes, sir, it is.</p> <p>9 EXAMINER DAWSON: Or is that 15 -- or 17?</p> <p>10 I'm sorry.</p> <p>11 THE WITNESS: 15.</p> <p>12 EXAMINER DAWSON: It would be in 16 or 17,</p> <p>13 right? It's kind of hard to see on this map.</p> <p>14 THE WITNESS: Yes, it is.</p> <p>15 EXAMINER DAWSON: That's not on your</p> <p>16 acreage, is it?</p> <p>17 THE WITNESS: No, it's not on it. Our</p> <p>18 acreage is only the hashmarks.</p> <p>19 EXAMINER DAWSON: Okay. So that must be</p> <p>20 over on 17 in Section 17?</p> <p>21 THE WITNESS: We have all these written</p> <p>22 down.</p> <p>23 MR. SOUTH: I think it's 13.</p> <p>24 THE WITNESS: Yeah, 13, section 13.</p> <p>25 EXAMINER DAWSON: Section 13? 13 is east</p>
<p style="text-align: right;">Page 19</p> <p>1 A. Yes. Higher production, lower water</p> <p>2 saturations, higher oil saturations.</p> <p>3 Q. And do you believe that this extends more or</p> <p>4 less across the current boundaries of the Wildcat</p> <p>5 Delaware Pool?</p> <p>6 A. Yes, it does, and it extends further south,</p> <p>7 also. It's going to follow the main sand trend, as I</p> <p>8 have it currently mapped -- I believe it should follow</p> <p>9 as I currently have them mapped in thickness.</p> <p>10 Q. In your opinion, will the granting of this</p> <p>11 application be in the best interest of conservation for</p> <p>12 the prevention of waste and the protection of</p> <p>13 correlative rights?</p> <p>14 A. Yes, I do.</p> <p>15 Q. Were Exhibits 3 through 6 prepared by you?</p> <p>16 A. Yes.</p> <p>17 EXAMINER DAWSON: Mr. Harris, on your</p> <p>18 Exhibit 5, AA prime cross-section, the first well on</p> <p>19 that cross-section is up in -- is that in the northwest</p> <p>20 corner of Section 9? Is that where that Madera 24,</p> <p>21 Federal 2H --</p> <p>22 THE WITNESS: Yes, that's correct.</p> <p>23 EXAMINER DAWSON: In that well, they never</p> <p>24 perforated that --</p> <p>25 THE WITNESS: No, no. That's in the -- it</p>	<p style="text-align: right;">Page 21</p> <p>1 of there, isn't it?</p> <p>2 THE WITNESS: The Rattlesnake Federal</p> <p>3 Number 6?</p> <p>4 EXAMINER DAWSON: Yes.</p> <p>5 THE WITNESS: Section 13.</p> <p>6 EXAMINER DAWSON: Section 13? Oh, okay.</p> <p>7 Is that well producing from the same zone?</p> <p>8 THE WITNESS: No, sir. It's producing from</p> <p>9 and upper and lower zones. The Rattlesnake itself, if</p> <p>10 you'll look at the cross-section, there are three sets</p> <p>11 of perforations noted. And yes, one of perforations are</p> <p>12 within this sand interval. But there's 100 feet above</p> <p>13 it, and there's another set 100 feet below it.</p> <p>14 This was a lateral that transversed 200</p> <p>15 feet, so we just had to classify everything as</p> <p>16 productive.</p> <p>17 EXAMINER DAWSON: Okay. Is that well still</p> <p>18 producing, or do you know?</p> <p>19 THE WITNESS: Yes, it's still producing.</p> <p>20 EXAMINER DAWSON: But that's not on your</p> <p>21 acreage?</p> <p>22 THE WITNESS: No. It's three miles away.</p> <p>23 EXAMINER DAWSON: Okay. I believe that's</p> <p>24 all the questions I have. Thank you.</p> <p>25 EXAMINER JONES: I guess you said dune</p>

6 (Pages 18 to 21)

<p style="text-align: right;">Page 22</p> <p>1 deposits, submarine dune deposits; is that correct?</p> <p>2 THE WITNESS: Yes.</p> <p>3 EXAMINER JONES: These would be on a shelf</p> <p>4 before the dropoff into the deep part of the ocean?</p> <p>5 THE WITNESS: This is actually right next</p> <p>6 to the lift going onto the Midland shelf, yes. We are</p> <p>7 on within a mile of shelf material versus basal</p> <p>8 material.</p> <p>9 EXAMINER JONES: Okay. So if you move</p> <p>10 further out, you get the deep, calm waters that would be</p> <p>11 low-energy environments. So this is kind of a gradation</p> <p>12 also, so you end up with some porosity --</p> <p>13 THE WITNESS: Yes.</p> <p>14 EXAMINER JONES: -- in the sands?</p> <p>15 Okay. It looks like you want to drill all</p> <p>16 these wells just like that Coachman fee.</p> <p>17 THE WITNESS: Yes, sir.</p> <p>18 EXAMINER JONES: Drill the good ones. Can</p> <p>19 you see that on seismic or something?</p> <p>20 THE WITNESS: We don't have seismic across</p> <p>21 the area. I think you should be able to because it is a</p> <p>22 clean sand, and it is separated by some high-organic</p> <p>23 shales above it and below it, so it's possible to be</p> <p>24 able to map the sand seismically.</p> <p>25 EXAMINER JONES: Okay. Was it sourced by</p>	<p style="text-align: right;">Page 24</p> <p>1 less crossover. And it's been tried, and your water</p> <p>2 saturations are down about 15 percent, 18 percent, while</p> <p>3 as you get more and more of the crossover, your water</p> <p>4 cut drops and your oil test goes up. However, your gas</p> <p>5 volume, your gas/oil ratio, stays about the same. It</p> <p>6 doesn't change much.</p> <p>7 EXAMINER JONES: Okay. I don't have any</p> <p>8 more questions.</p> <p>9 EXAMINER BROOKS: Do you have a plane to</p> <p>10 catch?</p> <p>11 THE WITNESS: No. I'm here all week.</p> <p>12 EXAMINER BROOKS: Are these wells producing</p> <p>13 in excess of their allowables now?</p> <p>14 THE WITNESS: No. We were curtailed to the</p> <p>15 allowables.</p> <p>16 EXAMINER BROOKS: I'm still concerned about</p> <p>17 memorializing all this in a proper manner, and I'm</p> <p>18 wondering how seriously you would be discommoded by an</p> <p>19 additional four weeks' delay.</p> <p>20 MS. KESSLER: My understanding is quite</p> <p>21 seriously, because they have cut back significantly on</p> <p>22 their allowable in order to comply with what we were</p> <p>23 initially requested by the Division to do, which was to</p> <p>24 create -- to seek an exception to the allowable.</p> <p>25 When we briefly discussed nomenclature</p>
<p style="text-align: right;">Page 23</p> <p>1 the shales above and below, do you think?</p> <p>2 THE WITNESS: Yes. Those are pretty highly</p> <p>3 organic shales. We've taken cores in several places.</p> <p>4 There's a 50-foot shale above it. And as you can see,</p> <p>5 there's anywhere from 30 to 90 feet of shale below it.</p> <p>6 And then you go right into the Avalon of the Bone</p> <p>7 Springs, so that's a good source bed. So all the</p> <p>8 sourcing is probably with 100, 200 feet of the sand</p> <p>9 placement.</p> <p>10 EXAMINER JONES: Okay. So the gas</p> <p>11 production, did you -- I know we'll talk to the</p> <p>12 geologist about that.</p> <p>13 Did you look at it, and do you see gas on</p> <p>14 the logs here?</p> <p>15 THE WITNESS: Yes. In fact, when mapping</p> <p>16 the sand, I only used crossover neutron density for</p> <p>17 determining if it is a productive part of the sand or</p> <p>18 not.</p> <p>19 EXAMINER JONES: Oh, wow. So you run it on</p> <p>20 lime matrix?</p> <p>21 THE WITNESS: I run on lime matrix, yes,</p> <p>22 sir.</p> <p>23 EXAMINER JONES: And there's a big reason.</p> <p>24 Because as soon as you get out, you still remain -- have</p> <p>25 some of the same porosity, but you're running less and</p>	<p style="text-align: right;">Page 25</p> <p>1 issues, we were basically just told to seek a higher</p> <p>2 allowable.</p> <p>3 EXAMINER BROOKS: Yeah. And like I say,</p> <p>4 I'm concerned about how we're going to handle this. But</p> <p>5 go ahead and do your last witness, and then we'll talk</p> <p>6 about it.</p> <p>7 MS. KESSLER: Okay.</p> <p>8 MANNY SIRGO</p> <p>9 having been previously sworn under oath,</p> <p>10 was questioned and testified as follows:</p> <p>11 DIRECT EXAMINATION</p> <p>12 BY MS. KESSLER:</p> <p>13 Q. Please state your name for the record and --</p> <p>14 A. My name is Manny Sirgo. I'm Vice President of</p> <p>15 Operations for Endurance.</p> <p>16 Q. And have you previously testified before the</p> <p>17 Division?</p> <p>18 A. Yes, I have.</p> <p>19 Q. Were your credentials as a petroleum engineer</p> <p>20 accepted and made as matter of record?</p> <p>21 A. Yes.</p> <p>22 Q. Are you familiar with the application filed on</p> <p>23 behalf of Endurance?</p> <p>24 A. I am.</p> <p>25 Q. And are you familiar with the reservoir and the</p>

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<p style="text-align: right;">Page 26</p> <p>1 subject portion of the Wildcat Delaware Pool?</p> <p>2 A. Yes, I am.</p> <p>3 MS. KESSLER: I would tender Mr. Sirgo as</p> <p>4 an expert in petroleum engineering.</p> <p>5 EXAMINER JONES: He is so qualified.</p> <p>6 Q. (By Ms. Kessler) Could you please identify</p> <p>7 and review Exhibit 7?</p> <p>8 A. Exhibit 7 is a daily plot of the Endurance</p> <p>9 White Falcon Well. The well basically came on</p> <p>10 production January 2nd of this year, first oil</p> <p>11 production.</p> <p>12 Paul granted us a test allowable for the</p> <p>13 first 60 days, which we basically determined that was a</p> <p>14 period we could recover all of our load and able to</p> <p>15 watch the well's oil cut during that period.</p> <p>16 So during that period, if you'll look on</p> <p>17 the graph from basically January 1st to March 1st, the</p> <p>18 top green line is the actual daily production. No, I'm</p> <p>19 sorry. It's the second green line. As you'll see, it</p> <p>20 leveled off at about 1,500 barrels a day.</p> <p>21 The top green line I want to point to is</p> <p>22 the oil cut. You'll see right there at the end, before</p> <p>23 we cut the well back for the allowable, the well had</p> <p>24 actually -- was still increasing. We had gotten as high</p> <p>25 as a 52 percent oil cut. And then you'll see right at</p>	<p style="text-align: right;">Page 28</p> <p>1 productivity. I think that, as Randall pointed out,</p> <p>2 it's principally due to -- we just have a mass of sand</p> <p>3 in this location.</p> <p>4 We saw no evidence that we were pulling the</p> <p>5 well hard. The well has maintained the same GOR since</p> <p>6 we cut it back. And as far as the four weeks, you know,</p> <p>7 it's 500 barrels a day is what we're basically asking</p> <p>8 for, over and above what we're producing today. So it's</p> <p>9 not insignificant.</p> <p>10 EXAMINER BROOKS: I'm sorry?</p> <p>11 THE WITNESS: You know, the current</p> <p>12 allowable is 230, whereas it's going to go to -- I think</p> <p>13 it's 340, which amounts to about 500 more barrels a day</p> <p>14 than we're getting to produce right now.</p> <p>15 EXAMINER BROOKS: Yeah, that is a</p> <p>16 significant amount of money. But the real concern, I</p> <p>17 think, is will it harm the wells? And I don't know if</p> <p>18 you're qualified to speak to that. I know choking back</p> <p>19 wells sometimes does, but that's about the extent of my</p> <p>20 technical knowledge on this subject.</p> <p>21 THE WITNESS: The only thing I've seen is</p> <p>22 that we see a slightly lower oil cut as we continue to</p> <p>23 slow the well down. So I wouldn't want to stay in that</p> <p>24 mode, you know, forever, obviously.</p> <p>25 EXAMINER BROOKS: Any longer than</p>
<p style="text-align: right;">Page 27</p> <p>1 March 1st where this well is on ESP.</p> <p>2 So the black line at the top, that's your</p> <p>3 hertz, 65 hertz, 60 hertz. And then you'll see where we</p> <p>4 dropped the hertz to 43 on the well to dial it back.</p> <p>5 The big solid black line you see running</p> <p>6 across the graph, that's the current allowable, 920</p> <p>7 barrels a day. So you can see our production has</p> <p>8 come -- from the month of March, I think we averaged 913</p> <p>9 barrels for the month of March.</p> <p>10 The other thing I think that's</p> <p>11 significant -- and we talked with Paul about this, and</p> <p>12 Anchor as well at the State Office -- is the GOR curve,</p> <p>13 which actually kind of overlays that black allowable</p> <p>14 line. Even at the higher rates of production, the GOR</p> <p>15 never changed. It stayed about 900. You know, we never</p> <p>16 saw any kind of increase in gas, like we were pooling</p> <p>17 the well too hard.</p> <p>18 EXAMINER BROOKS: Which exhibit are you</p> <p>19 looking at?</p> <p>20 EXAMINER DAWSON: Exhibit 7.</p> <p>21 EXAMINER BROOKS: Seven? Okay, thank you.</p> <p>22 I'm sorry. Go ahead.</p> <p>23 THE WITNESS: So anyway, I think the big</p> <p>24 takeaways for the White Falcon, you know, the level of</p> <p>25 productivity, for one, is substantial, sustained</p>	<p style="text-align: right;">Page 29</p> <p>1 necessary, right?</p> <p>2 THE WITNESS: Right.</p> <p>3 Q. (By Ms. Kessler) And currently you mentioned</p> <p>4 you're choking back from approximately 1,500 barrels a</p> <p>5 day to approximately 920?</p> <p>6 A. 920 is the allowable, so we averaged 913 in</p> <p>7 March.</p> <p>8 Q. What is Exhibit 8?</p> <p>9 A. So with regard to the Dinwiddie, this exhibit</p> <p>10 has the Dinwiddie production on it versus the White</p> <p>11 Falcon. It's the daily oil rate scale on the left. The</p> <p>12 Dinwiddie well is noted in blue.</p> <p>13 You'll see the daily rate for the Dinwiddie</p> <p>14 really never got above 10 barrels a day during the first</p> <p>15 200 days of production. The EUR for the well is only</p> <p>16 projected to be about 11,000 barrels.</p> <p>17 Do you remember Randall's description about</p> <p>18 when it was originally sourced? Things were actually</p> <p>19 downdipped from where our sand pile is, so the water</p> <p>20 cuts higher. It's only about a 16 percent oil cut over</p> <p>21 here on the flank.</p> <p>22 Q. And you're approximately 50 percent oil cut; is</p> <p>23 that right --</p> <p>24 A. We were at 52 percent before we cut it back.</p> <p>25 So that's just to give you -- you know, we've got two</p>

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<p style="text-align: right;">Page 30</p> <p>1 wells here in the same pool that have the same</p> <p>2 allowable. But it's major leagues and minor leagues.</p> <p>3 Q. What is Exhibit 9?</p> <p>4 A. So Exhibit 9 is really just to give you a point</p> <p>5 of reference? The Madera wells and the Rattlesnake</p> <p>6 wells that you were talking about earlier that are</p> <p>7 southwest of us, these are wells that are basically in</p> <p>8 the same depth bracket as has been assigned to the White</p> <p>9 Falcon.</p> <p>10 And this is a table of the production and</p> <p>11 all the EUR projections for those wells. And if you'll</p> <p>12 just go to the very bottom of the table, it says,</p> <p>13 "Brushy Basal Average." So the average EUR for all</p> <p>14 those wells was about 270,000 barrels.</p> <p>15 Our internal reserve estimate for the White</p> <p>16 Falcon is a million two barrels. Their average oil cut</p> <p>17 is 22 percent. We're at 50 percent plus.</p> <p>18 So my point is that it's a different</p> <p>19 animal, you know, even though we're all on the kind of</p> <p>20 same depth allowable and the same field rules, and</p> <p>21 they're all Brushy Canyon. You know, we're just in a</p> <p>22 unique situation.</p> <p>23 Q. And turning to Exhibit 10, what is this</p> <p>24 exhibit?</p> <p>25 A. This exhibit -- you know, we have third-party</p>	<p style="text-align: right;">Page 32</p> <p>1 application be in the best interest of conservation for</p> <p>2 the prevention of waste and the protection of</p> <p>3 correlative rights?</p> <p>4 A. Yes.</p> <p>5 Q. And were Exhibits 7 through 10 prepared by you</p> <p>6 or at your direction?</p> <p>7 A. At my direction.</p> <p>8 MS. KESSLER: I would move admission of</p> <p>9 Exhibits 7 through 10.</p> <p>10 EXAMINER JONES: Exhibits -- actually, I</p> <p>11 don't know if we've done 3 through 6.</p> <p>12 MS. KESSLER: Then I would also move --</p> <p>13 EXAMINER JONES: Three through 10 are</p> <p>14 admitted.</p> <p>15 [Exhibits 3 through 10 admitted.]</p> <p>16 MS. KESSLER: Thank you.</p> <p>17 EXAMINER DAWSON: Mr. Sirgo, on your</p> <p>18 request for 350 barrels of oil per day, that's like</p> <p>19 10,500 barrels per month?</p> <p>20 THE WITNESS: As per 40 acres.</p> <p>21 EXAMINER DAWSON: Okay. That's going to be</p> <p>22 sufficient, though, is what my question was.</p> <p>23 THE WITNESS: Right. It's a 1,400</p> <p>24 barrel-a-day rate. We saw a sustained 1,500</p> <p>25 barrel-a-day rate. It keeps us below where we were</p>
<p style="text-align: right;">Page 31</p> <p>1 engineers, just like everybody else. Nettle and Zulu</p> <p>2 are are our third-party engineers. Our internal reserve</p> <p>3 assignment is a million two. Our third-party engineer's</p> <p>4 assignment is this projection, and it's still over a</p> <p>5 million barrels.</p> <p>6 So when you talk about allowable relative</p> <p>7 to reserves, you know, 920 is not a lot. 1,400 is what</p> <p>8 we're asking for. For a million barrel well, you know,</p> <p>9 it's kind of a modest withdrawal rate.</p> <p>10 Q. What type of reservoir is this?</p> <p>11 A. It's a solution gas drive, about 42 gravity</p> <p>12 crude, 1,400 BTU gas; water is 100,000 plus fluorides,</p> <p>13 like you'd expect. You know, it's just a good</p> <p>14 old-fashioned oil field.</p> <p>15 Q. In your opinion, would increasing the depth</p> <p>16 bracket allowable from 230 to 350 barrels have a</p> <p>17 negative impact on this reservoir?</p> <p>18 A. No.</p> <p>19 Q. Do you see any potential for damage?</p> <p>20 A. No.</p> <p>21 Q. Why is that?</p> <p>22 A. At that higher rate? Because we haven't seen</p> <p>23 any drawdown in the wellbore as it relates to GOR. We</p> <p>24 haven't been able to change it.</p> <p>25 Q. In your opinion, will approval of this</p>	<p style="text-align: right;">Page 33</p> <p>1 pulling the well out before and where the GOR was</p> <p>2 state-wide.</p> <p>3 EXAMINER DAWSON: So were there any wells,</p> <p>4 horizontal wells, south of you down there, in section --</p> <p>5 let's see, it's kind of hard to read these maps --</p> <p>6 section south?</p> <p>7 THE WITNESS: So the section due south of</p> <p>8 us is the Third Bone Spring Well. If you'll look on the</p> <p>9 nomenclature, the green wells are brushies and the red</p> <p>10 wells are Third Bone Springs.</p> <p>11 EXAMINER DAWSON: Okay.</p> <p>12 THE WITNESS: So that's actually a Third</p> <p>13 Bone Spring Well directly south of the White Falcon.</p> <p>14 EXAMINER DAWSON: Okay. That's quite a</p> <p>15 sand body there, huh?</p> <p>16 THE WITNESS: Yep.</p> <p>17 EXAMINER DAWSON: And you do on acres over</p> <p>18 to the southeast, too, right?</p> <p>19 THE WITNESS: Everything in hash areas</p> <p>20 belong to Endurance.</p> <p>21 EXAMINER DAWSON: Do you have any wells to</p> <p>22 the southeast, in that patched area down there?</p> <p>23 THE WITNESS: We have a Third Bone Spring</p> <p>24 Well. It's labeled Jazzbass. We have a Third Bone</p> <p>25 Spring named the Coronado. We have a new Brushy labeled</p>

9 (Pages 30 to 33)

<p style="text-align: right;">Page 34</p> <p>1 Moonlight Buttruss. We have a Third Bone Spring labeled</p> <p>2 Tele Delux, and multiple permits in process.</p> <p>3 EXAMINER DAWSON: That's all the questions</p> <p>4 I have. Thank you.</p> <p>5 EXAMINER JONES: You must have went to</p> <p>6 school at Texas A&M.</p> <p>7 THE WITNESS: No. I went to Tech, Texas</p> <p>8 Tech.</p> <p>9 EXAMINER JONES: Texas Tech?</p> <p>10 THE WITNESS: Yeah.</p> <p>11 EXAMINER JONES: Doug Cotner went to Texas</p> <p>12 A&M?</p> <p>13 THE WITNESS: Cotner went to A&M, yeah.</p> <p>14 EXAMINER JONES: All right. It looks like</p> <p>15 this business of having a 60-day-test allowable, Paul</p> <p>16 Koutz did a good thing here.</p> <p>17 THE WITNESS: Yeah, because it lets you</p> <p>18 identify the things you would be most concerned about if</p> <p>19 you're pulling a well at that kind of rate, which is --</p> <p>20 you know, we don't see a lot of the wells that can</p> <p>21 sustain that kind of rate without either going high</p> <p>22 ratio on your -- so it, you know, kind of ferreted out.</p> <p>23 And then, you know, we got past our load recovery, and</p> <p>24 we've still had an increase in oil cuts. And there's</p> <p>25 not a lot of times you get a third-party engineer to</p>	<p style="text-align: right;">Page 36</p> <p>1 THE WITNESS: And it's still sitting there.</p> <p>2 EXAMINER JONES: I noticed the decline on</p> <p>3 some of those other Brushies. I was at the Land Office</p> <p>4 with Anchor, and I did a bunch of declines on Brushies</p> <p>5 versus Bone Spring. And some of the Brushies looked</p> <p>6 like they had -- their behavior on the decline curve</p> <p>7 showed, to me, that they had actual porosity, instead of</p> <p>8 just fracture --</p> <p>9 THE WITNESS: Right. Their B factors</p> <p>10 were -- you know, your curves were abated.</p> <p>11 Yeah. Good Brushy wells are -- typically,</p> <p>12 you have to deal with a lot of water. But this high in</p> <p>13 oil cut, though, it's not much different than the Bone</p> <p>14 Spring Wells.</p> <p>15 EXAMINER JONES: And Anchor was probably</p> <p>16 salivating over these wells?</p> <p>17 THE WITNESS: Yeah, he likes this well.</p> <p>18 EXAMINER JONES: The limiting GOR of 2000,</p> <p>19 you didn't ask for a change in that?</p> <p>20 THE WITNESS: Well, we've never seen above</p> <p>21 900, so...</p> <p>22 EXAMINER JONES: Okay. You actually would</p> <p>23 have had a little bit more than from your depth bracket</p> <p>24 allowable. From the discovery well, you would have gone</p> <p>25 from 230 to 275; is that right?</p>
<p style="text-align: right;">Page 35</p> <p>1 assign a million barrels to a 1-mile lateral, but it's a</p> <p>2 significant pile.</p> <p>3 EXAMINER JONES: Yeah. That well is right</p> <p>4 on the edge of the pool you're asking to change the</p> <p>5 depth allowable, and it's a good well. So that pool</p> <p>6 will be expanded probably to the west; is that correct?</p> <p>7 THE WITNESS: South and east and...</p> <p>8 EXAMINER JONES: All around?</p> <p>9 THE WITNESS: Yeah. It's going to get</p> <p>10 larger for sure.</p> <p>11 EXAMINER JONES: And what difference was</p> <p>12 this one? Except for the reservoir, was it the frac job</p> <p>13 or --</p> <p>14 THE WITNESS: No. Actually, this frac was,</p> <p>15 you know, a fairly small frac by horizontal well</p> <p>16 standards. I don't even think we got the 2 million</p> <p>17 pounds of sand. In fact, way didn't want it to grow</p> <p>18 very much, worrying about water and Brushy and those</p> <p>19 kind of items.</p> <p>20 EXAMINER JONES: Okay.</p> <p>21 THE WITNESS: I think it's just because at</p> <p>22 the time of deposition, at the time of sourcing, you</p> <p>23 know, you had a trap that created a really big oil</p> <p>24 column.</p> <p>25 EXAMINER JONES: That's a good trap.</p>	<p style="text-align: right;">Page 37</p> <p>1 THE WITNESS: Yeah. It would have been the</p> <p>2 first well, yeah.</p> <p>3 MS. KESSLER: So you're just asking for a</p> <p>4 little more? I think you got the engineering covered,</p> <p>5 and the geology. It looks good to me.</p> <p>6 EXAMINER BROOKS: Where is the Brushy</p> <p>7 Canyon production to this?</p> <p>8 THE WITNESS: Well, we have a new well --</p> <p>9 well, the Dinwiddie is almost three miles due</p> <p>10 east/southeast of it. That's the closest well. It's in</p> <p>11 the pool.</p> <p>12 EXAMINER BROOKS: Yeah, that's in the pool.</p> <p>13 THE WITNESS: That's in the pool. And --</p> <p>14 EXAMINER BROOKS: Where is the closest</p> <p>15 unrelated Brushy production?</p> <p>16 THE WITNESS: Well, we have what we call</p> <p>17 our Moonlight Buttruss Well that we just recently</p> <p>18 completed. That's south of Dinwiddie about two miles</p> <p>19 and west. That well is already up to about a 20 percent</p> <p>20 oil cut. It's already up to about a half a million</p> <p>21 barrels EUR, which is why --</p> <p>22 EXAMINER BROOKS: Is that well going to be</p> <p>23 within a mile of this pool?</p> <p>24 THE WITNESS: It's not today. Well, I</p> <p>25 guess the toe of it is, yeah.</p>

<p style="text-align: right;">Page 38</p> <p>1 EXAMINER BROOKS: I was going to say Paul 2 probably put it in this pool if it's within a mile. 3 THE WITNESS: Right. And you can pretty 4 much figure there will be a string of wells across that 5 policy. 6 EXAMINER BROOKS: No previously established 7 Brushy Canyon production really close to this? 8 THE WITNESS: That Dinwiddie was the only 9 one, and that Rattlesnake/Madera area to the southwest 10 about three miles. 11 EXAMINER BROOKS: Okay, thank you. 12 EXAMINER JONES: I think we need to discuss 13 the rest of this one, too. 14 MS. KESSLER: Oh, for the order? 15 EXAMINER JONES: For the order. 16 EXAMINER BROOKS: Well, I think we need to 17 discuss this a little bit. First we can decide what we 18 want to do, but there's a danger of us getting lost here 19 somewhere is what I'm concerned about. 20 So one option would be to put a provision 21 that this special provision will continue only until 22 such time a pool is created, including this area. That 23 would put the monkey on Endurance, which is the only 24 producer in this pillow right now, right? 25 THE WITNESS: Chevron, the Dinwiddie Well.</p>	<p style="text-align: right;">Page 40</p> <p>1 more. 2 We have a lot of confidence in Paul. I'm 3 hoping somebody shows he's wrong for some reasons. And 4 that hasn't happened, to my knowledge. 5 THE WITNESS: No. 6 EXAMINER BROOKS: We would create a pool 7 and give it a regular pool name, instead of a wildcat 8 name. And that would be -- that's why I said 9 practically. I don't want to make it harder to do that 10 because it's just a matter of recordkeeping. But 11 recordkeeping does have some significance when you're 12 the State and you're regulating things. I mean you want 13 people to know what the regulations are. 14 I don't even know how Barrons operates, 15 where they get their information from. We've had 16 trouble internally finding out where pools are. 17 Apparently that is in the process of getting solved. 18 But I was fairly relieved at some of the things I heard 19 in that meeting yesterday, and I hope they're right. 20 But I do think that -- I think the 21 suggestion you made is a good one, that we could just 22 put an order -- a temporary order for some period of 23 time, and then give you a chance to reopen and 24 re-notice. 25 I was thinking there's really no rule that</p>
<p style="text-align: right;">Page 39</p> <p>1 EXAMINER BROOKS: Okay. I was thinking 2 that was yours, but I didn't look at the exhibit. 3 MS. KESSLER: So Mr. Examiner, something 4 that we could consider doing would be to ask for an 5 order today for the allowable -- for the expansion of 6 the allowable, and then Endurance could reopen this case 7 for a nomenclature hearing, and that burden would be on 8 Endurance if that's something -- 9 EXAMINER BROOKS: Yeah, I was thinking 10 that's what I'd really like to do. Because I'm afraid 11 if we just do this, like I was saying, and we don't put 12 some expiration on this order, that it's going to get 13 lost somewhere. And when an order of this type gets 14 lost, it's liable to pop up at a time and in a place 15 when it creates headaches for people. 16 THE WITNESS: So in the nomenclature 17 approach, would you actually expand the boundaries at 18 that time as well? 19 EXAMINER BROOKS: We would create this 20 pool -- 21 EXAMINER JONES: You could. 22 EXAMINER BROOKS: -- whatever boundaries 23 Paul had designated -- 24 THE WITNESS: You could. 25 EXAMINER BROOKS: -- probably, not any</p>	<p style="text-align: right;">Page 41</p> <p>1 says you have to give notice to everybody of an amended 2 application. But if you extend that to a situation 3 where the amended application, to use the words familiar 4 to lawyers, brings in a new cause of action, so to 5 speak, you're going to have a problematic practice. 6 So I think your suggestion is a pretty good 7 one, that we do this as temporary order, then allow you 8 to reopen to do a nomenclature order, unless Paul gets 9 around to doing it first. And I wouldn't count on the 10 that. 11 MS. KESSLER: Mr. Sirgo, would Endurance be 12 amenable to that suggestion? 13 THE WITNESS: Sure. 14 MS. KESSLER: The notice for this 15 particular case was not particularly substantial, so I 16 don't think that should be a barrier to -- 17 EXAMINER BROOKS: It doesn't look like it 18 was, that 15 cards, it looks like. No publications. 19 EXAMINER JONES: Practically speaking, the 20 pool code should stay the same. So all it would be is 21 changing the name from the long name that Paul -- Paul's 22 code to the -- 23 EXAMINER BROOKS: Yeah. Actually -- 24 THE WITNESS: To a word. 25 EXAMINER BROOKS: -- if I were certain that</p>

1 Barrons would pick it up, I wouldn't be too concerned
2 about it, but I don't know how Barrons operates.

3 And Barrons, I gather from some things I've
4 heard, that Barrons is kind of a mom-and-pop-type
5 outfit. It's not a big institutional publisher. Not
6 that that necessarily guarantees -- not that the latter
7 necessarily guarantees accuracy.

8 EXAMINER JONES: We have a computer table
9 that has special rules in it, you know, for any pool.
10 And the code is keyed in there, so everything should be
11 okay. But that's a good point about Barrons.

12 EXAMINER BROOKS: If you get an error in
13 Barrons -- a lot of people rely on Barrons, including
14 me.

15 EXAMINER JONES: Okay. So we can take this
16 one under advisement and then --

17 EXAMINER BROOKS: Yes, let's take it under
18 advisement. And Ms. Kessler can reopen it -- if we
19 enter an order that establishes these pools only for a
20 temporary purpose, then Ms. Kessler can reopen it to
21 extend and designate a specific pool.

22 EXAMINER JONES: Okay. With that, we'll
23 take Case Number 15465 under advisement and an expedited
24 order in that case.

25 [The proceedings concluded at 2:07 p.m.]

1 STATE OF NEW MEXICO.
2 COUNTY OF BERNALILLO

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8 REPORTER'S CERTIFICATE

9
10 I, DEBRA ANN FRIETZE, New Mexico Certified Court
Reporter No. 251, do hereby certify that I reported the
11 foregoing proceeding in stenographic shorthand and that
the foregoing pages are a true and correct transcript of
12 those proceedings and was reduced to printed form under
my direct supervision.

13
14 I FURTHER CERTIFY that I am neither employed by nor
related to any of the parties or attorneys in this case
15 and that I have no interest in the final disposition of
this case.

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