

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

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF LIME ROCK RESOURCES                      CASE NO. 15678  
II-A, LP FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 27, 2017

Santa Fe, New Mexico

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

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, April 27, 2017, at the New Mexico Energy,  
Minerals and Natural Resources Department, Wendell Chino  
Building, 1220 South St. Francis Drive, Porter Hall,  
Room 102, Santa Fe, New Mexico.

REPORTED BY:    Mary C. Hankins, CCR, RPR  
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## 1 APPEARANCES

2 FOR APPLICANT LIME ROCK RESOURCES II-A, LP:

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1 (8:29 a.m.)

2 EXAMINER JONES: Okay. Let's start on page  
3 1, Case Number -- let's call Case Number 15678,  
4 application of Lime Rock Resources II-A, LP for  
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. LARSON: Good morning, Mr. Examiner,  
8 the Honorable Mr. Brooks. Gary Larson, of the Santa Fe  
9 office of Hinkle Shanor, for the Applicant, Lime Rock  
10 Resources II-A, LP.

11 EXAMINER JONES: Other appearances?

12 MR. BRUCE: Mr. Examiner, Jim Bruce of  
13 Santa Fe representing MRC Permian Company and MRC Energy  
14 Company, if it exists.

15 EXAMINER JONES: Any other appearances in  
16 this case?

17 MR. BRUCE: And I have no witnesses.

18 EXAMINER JONES: Do you have witnesses?

19 MR. LARSON: I have two witnesses. Yes.

20 EXAMINER JONES: Will the witnesses please  
21 stand and the court reporter swear the witnesses?

22 (Mr. Reynolds and Mr. Gutierrez sworn.)

23 MR. LARSON: May I proceed?

24 EXAMINER JONES: Yes, sir.

25

1 BOBBY REYNOLDS,  
2 after having been first duly sworn under oath, was  
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. LARSON:

6 Q. Good morning, Mr. Reynolds.

7 A. Good morning.

8 Q. Could you state your full name for the record?

9 A. Bobby Reynolds.

10 Q. And where do you reside?

11 A. Houston, Texas.

12 Q. And by whom are you employed and in what  
13 capacity?

14 A. I'm employed by Lime Rock Resources as a  
15 landman.

16 Q. And do your responsibilities as a landman  
17 include acreage in southeast New Mexico?

18 A. Absolutely, core area.

19 Q. And are you familiar with the land matters that  
20 pertain to the application in this case?

21 A. I am.

22 Q. Have you previously testified at a Division  
23 hearing?

24 A. Yes.

25 Q. And were you qualified as an expert in

1 petroleum land matters?

2 A. Yes.

3 MR. LARSON: Mr. Examiner, I tender  
4 Mr. Reynolds as an expert in petroleum land matters.

5 MR. BRUCE: No objection.

6 EXAMINER JONES: He is so qualified.

7 Q. (BY MR. LARSON) Would you identify the document  
8 marked as Exhibit 1?

9 A. I'm sorry? Oh.

10 Q. Is that Exhibit 1? It's under your left hand.

11 A. Ah. Yes. I'm sorry. It is the C-102 form for  
12 this well.

13 Q. And is it a true and correct copy for the  
14 Higgins Cahoon 12D #3 well?

15 A. Yes.

16 Q. And is it a vertical well?

17 A. It is, yes.

18 Q. And will it be drilled in an orthodox location?

19 A. Yes.

20 Q. And what formation is Lime Rock seeking to  
21 pool?

22 A. The Yeso.

23 Q. Are there any depth exceptions in the Yeso?

24 A. No.

25 Q. And what is the pool name?

1           A.     The pool name is Atoka; Glorieta-Yeso.

2           Q.     Do you know the pool code?

3           A.     Yes, 3250.

4           Q.     And what is Lime Rock's percentage working  
5 interest in the proposed project area?

6           A.     71.875.

7           Q.     And how many interests in the proposed project  
8 area is Lime Rock seeking to pool?

9           A.     There are two.

10          Q.     And what are those entities?

11          A.     MRC Permian Company and Central National  
12 Gottesman.

13          Q.     And what are their percentage interests in the  
14 project area?

15          A.     MRC has 25.3125 percent; Gottesman, .82125  
16 [sic].

17          Q.     Would you identify the document marked as  
18 Exhibit 2?

19          A.     Exhibit 2 are our proposal letters and green  
20 cards.

21          Q.     Is that your signature on the proposal letters?

22          A.     Yes.

23          Q.     And are the documents comprised in Exhibit 2  
24 true and correct copies of well-proposal letters and the  
25 green cards?

1 A. Yes.

2 Q. And before and after sending the well  
3 proposals, have you communicated with the parties Lime  
4 Rock seeks to pool?

5 A. Yes. Yes. We had first contact with MRC in  
6 September of last year. And we have been talking on and  
7 off trying to get something going between the two  
8 companies, and we just haven't been able to.

9 Q. And in your opinion, has Lime Rock made a  
10 good-faith effort to obtain joinder in the well?

11 A. Yes.

12 Q. Would you next identify the document marked as  
13 Exhibit 3?

14 A. Yes. Those are the hearing notice letters that  
15 our firm initially sent out.

16 Q. And that also includes the returned green cards  
17 for the notice letters?

18 A. It does.

19 Q. And are the notice letters a true and correct  
20 copy of the notice letters?

21 A. Yes.

22 Q. Were those letters sent at your direction?

23 A. They were.

24 Q. Would you next identify the document marked as  
25 Exhibit 4?

1           A.     It's the drilling and completion AFE.

2           Q.     Is it a true and correct copy of the AFE for  
3 the Higgins Cahoon 12D #3?

4           A.     Yes.

5           Q.     And what are the estimated well costs indicated  
6 on the AFE?

7           A.     900,000.

8           Q.     And are those costs similar to costs incurred  
9 by Lime Rock for its other Yeso vertical wells in the  
10 area?

11          A.     Yes.

12          Q.     And do you have a recommendation for the  
13 amounts Lime Rock should be paid for supervision and  
14 administrative expenses?

15          A.     Yes, 9,000 for drilling and 800 for production.

16          Q.     And the completion on these Yeso verticals are  
17 fairly fast?

18          A.     They're fast.  It's about six days' drilling  
19 and maybe six days' completion.

20          Q.     And are these costs consistent with those  
21 charged by Lime Rock for other Yeso vertical wells?

22          A.     Yes.

23          Q.     And do you also recommend that the rates be  
24 adjusted periodically pursuant to the COPAS accounting  
25 procedure?



1           A.     Yes.    Yes.

2           Q.     Is Lime Rock also requesting a 200 percent  
3 charge for the risk of drilling and completing the  
4 Higgins well?

5           A.     Yes.

6           Q.     In your opinion, will the granting of Lime  
7 Rock's application serve the interest of conservation  
8 and the prevention of waste?

9           A.     Yes.

10                   MR. LARSON:  Mr. Examiner, I move the  
11 admission of Exhibits 1 through 4.

12                   MR. BRUCE:  No objection.

13                   EXAMINER JONES:  Exhibits 1 through 4 are  
14 admitted.

15                               (Lime Rock Resources II-A, LP Exhibit  
16 Numbers 1 through 4 are offered and  
17 admitted into evidence.)

18                   MR. LARSON:  And I'll pass the witness.

19                               CROSS-EXAMINATION

20   BY MR. BRUCE:

21           Q.     Just one question.  What is Central National  
22 Gottesman?

23           A.     I don't really know.  It's an outfit out of  
24 New York that is not in the oil and gas business.  How  
25 they acquired this interest is unusual, to say the

1     least. I didn't -- I was actually provided their  
2     contact information by MRC, and they -- when they  
3     plugged their well out there, they AFE'd Gottesman,  
4     never got a return on that. And as far as I know, we  
5     sent them notice, sent them the well proposal. And then  
6     Gary sent them the notice of hearing, and there's been  
7     no reply, although they did receive it.

8           Q.     Thank you.

9                   EXAMINER JONES: Mr. Brooks?

10                   CROSS-EXAMINATION

11     BY EXAMINER BROOKS:

12           Q.     Higgins Cahoon is a very familiar name. I  
13     wonder why. I looked over your notice list, and I don't  
14     see my name on it. So -- (laughter) -- but I know -- I  
15     am assuming that Brooks Oil & Gas does not have  
16     any interest in this property.

17           A.     Not according to my title opinion, no.

18           Q.     Good.

19           A.     In fact, these leases are quite old and  
20     involve --

21           Q.     Well, all our leases are quite old (laughter).

22           A.     It's part of that old Fair-something-Farms  
23     Subdivision that was done around 1910, and the Higgins  
24     family bought a bunch of those lots in fee, as did Laura  
25     Cahoon, et al.

1 Q. Well, there must be a lot of Higgins Cahoon  
2 because I know that there is a Higgins Cahoon, well,  
3 that is in our portfolio, but I don't know where it is.

4 A. They're in Sections 1 and 2 of the township  
5 just above this. There are quite a bit of Higgins  
6 Cahoon in this area.

7 Q. Well, I just wanted to make sure I'm not  
8 disqualified, but I see no real evidence to indicate  
9 that I am.

10 A. At this point I don't remember your name on the  
11 title opinion.

12 Q. Thank you.

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 Q. So how did Lime Rock obtain interest in this 40  
16 acres?

17 A. In 2010, Lime Rock made a large acquisition of  
18 this field from Devon, and this was just one of the  
19 assets. Overlaying this particular lease is the Atoka  
20 San Andres Unit, which, of course, has been producing a  
21 long time and holding all of these leases.

22 Q. So is there a depth limitation on your interest  
23 out here?

24 A. No.

25 Q. But this is going to be a proposal for 4,700

1 feet; is that correct?

2 A. Yes.

3 Q. So the Tubb member, or however the geologists  
4 say it, of the Yeso?

5 A. Yes. We complete in four slick-water stages  
6 and pretty much get everything in the Yeso,  
7 Paddock-Blaine and Tubb. Normally not any part of the  
8 Drinkard.

9 Q. 4,700 feet, will that get you to the bottom of  
10 the Yeso or just to the bottom of the Tubb?

11 A. Probably the bottom of the Tubb. Of course,  
12 the Drinkard is the last formation there before the Abo.  
13 It isn't part of the Yeso, but it tends to be a little  
14 wet.

15 Q. You're stealing Mr. Alberto's (laughter) --

16 A. Oh. Well --

17 MR. GUTIERREZ: That's okay.

18 Q. (BY EXAMINER JONES) -- but I wanted to ask you.

19 So you feel you've made a good-faith effort  
20 to obtain joinder from the parties you're wanting to  
21 pool?

22 A. Absolutely. Nick Weeks, the landman with MRC,  
23 and I have been in communication ever since September of  
24 last year and back and forth quite a bit.

25 Q. Okay. Thank you very much.

1                   MR. LARSON: I just have one follow-up  
2 question, Mr. Examiner.

3                   REDIRECT EXAMINATION

4 BY MR. LARSON:

5           Q. Lime Rock has a number of vertical Yeso wells  
6 in this area; do they not?

7           A. Oh, yes. We typically don't drill horizontally  
8 because of all the stacked pay out here. We get more  
9 bang for our buck vertically.

10           MR. LARSON: That's all I have,  
11 Mr. Examiner.

12           EXAMINER JONES: Thank you.

13                   I'm not sure I know this guy.

14           MR. GUTIERREZ: But I don't have a  
15 PowerPoint (laughter).

16           EXAMINER JONES: That's unusual.

17           MR. GUTIERREZ: Yeah, I know.

18                   ALBERTO A. GUTIERREZ,  
19 after having been previously sworn under oath, was  
20 questioned and testified as follows:

21                   DIRECT EXAMINATION

22 BY MR. LARSON:

23           Q. Good morning, sir.

24           A. Good morning.

25           Q. State your full name for the record.

1 A. Alberto A. Gutierrez.

2 Q. And where do you reside?

3 A. Albuquerque.

4 Q. And what is the name of your company?

5 A. Geolex, Incorporated.

6 Q. What is your role at Geolex?

7 A. I'm the president of Geolex, and I'm a senior  
8 petroleum geologist.

9 Q. And has Lime Rock retained you to provide  
10 expert geologic testimony on its behalf today?

11 A. They have.

12 Q. And are you conversant with the geological  
13 aspects of the proposed well in Lime Rock's application?

14 A. I am indeed. I have discussed it extensively  
15 with Lime Rock's geologists.

16 Q. And you've testified at numerous Division  
17 hearings; is that correct?

18 A. I've testified in a few, yes.

19 Q. And were you qualified as an expert in  
20 petroleum geology?

21 A. Yes, sir.

22 MR. LARSON: Mr. Examiner, I tender  
23 Mr. Gutierrez as an expert in petroleum geology.

24 EXAMINER JONES: Any objection?

25 MR. BRUCE: Let me think about that. No

1 objection.

2 (Laughter.)

3 EXAMINER JONES: He is so qualified.

4 Q. (BY MR. LARSON) Would you identify the document  
5 marked as Exhibit Number 5?

6 A. Yes. It's just a general location map that  
7 just gives the Hearing Examiner an overall view of where  
8 the well is located relative to the town of Artesia.

9 Q. And was this document prepared by Geolex?

10 A. It was.

11 Q. And, generally speaking, where will the  
12 proposed well be located?

13 A. It's located west of the Pecos River and kind  
14 of east of the little town of Atoka.

15 Q. And Mr. Reynolds addressed the fact that Lime  
16 Rock has other Yeso wells in this area. Have those been  
17 economic wells?

18 A. Yes, they have. Actually, they've got quite a  
19 few wells in the area. There's a very broad Yeso trend  
20 there, and they've been improving the completion  
21 techniques for these wells and have gotten them more and  
22 more economical.

23 Q. Would you identify the document marked as  
24 Exhibit Number 6?

25 A. Yes. Exhibit 6 is a printout of a structure

1     contour map and line of section for the area showing  
2     where the well is going to be drilled relative to other  
3     Yeso wells, many of which are Lime Rock wells in the  
4     area.

5           Q.     And was the structure map prepared by Lime  
6     Rock's geology department?

7           A.     Yes.  They prepared the structure map, and I  
8     independently reviewed the data that backs it up, and I  
9     confirmed -- concur with the assessment.

10          Q.     And what does Exhibit 6 tell you about the  
11     target formation for Lime Rock's proposed well?

12          A.     Well, basically we're on a little structure  
13     nose of the Yeso here.  You can see that coming across  
14     from Section 11 over into Section 12.  This particular  
15     location, 990 from the north, 990 from the west of  
16     Section 12, is where the proposed Higgins Cahoon 12D #3  
17     is, and it shows our line of section across there, which  
18     is the subject of the next exhibit.

19          Q.     And would you identify that exhibit, which is  
20     marked as Number 7?

21          A.     Yes.  That's this big cross section, and it has  
22     a copy of the same structure map next to it as a guide.

23          Q.     And was this exhibit also prepared by Lime  
24     Rock's geology department?

25          A.     It was.  Stan Bishop, Lime Rock's head



1 geologist, and myself discussed this extensively, and  
2 they prepared it. Yes.

3 Q. And what do Exhibits 6 and 7 tell you about the  
4 trends?

5 A. Well, basically it's a broad Yeso trend that  
6 extends -- this is kind of the western-southwestern end  
7 of it. It extends to the east pretty significantly, and  
8 it -- you can just basically see that we are essentially  
9 in a dolomitic section of the Yeso. It's pretty much  
10 all dolomite, and you tend to have some good shows and  
11 production at the very top of that zone. And then  
12 continuing all the way down through the section, there  
13 are some good shows and then some just above the Tubb at  
14 the base.

15 Q. And would you say that the proposed Higgins  
16 Cahoon well is right on strike?

17 A. Yes. I'd say it's generally on strike here.  
18 It's actually structurally high to a couple of these  
19 wells, but it's on strike with the overall trend. Yeah.

20 Q. And are there any geologic impediments in the  
21 target interval?

22 A. No, there are not. There are some variations  
23 stratigraphically. This is largely a stratigraphic  
24 play, but in this particular area and certainly for a  
25 vertical 40-acre well, there is no geologic impediment.

1           Q.    And following up on a question I asked  
2   Mr. Reynolds, throughout this trend, has Lime Rock found  
3   it to be economically more vertically rather than  
4   horizontally?

5           A.    Yes.  I mean, some people have started drilling  
6   some of these Yeso wells horizontally, but Lime Rock has  
7   had good success with a new completion approach that  
8   they're following, some very large multistage fracs,  
9   slick-water fracs as opposed to gel fracs.  And they've  
10   seen some significant performance improvement and good  
11   performance out of these vertical wells.  Some of the  
12   horizontal wells -- really the only reason why it makes  
13   sense sometimes to do these horizontally is if there is  
14   some impediment to a surface or various surface  
15   locations.

16          Q.    In your opinion, will the granting of Lime  
17   Rock's application protect correlative rights and serve  
18   the interest of conservation and the prevention of  
19   waste?

20          A.    Absolutely.  I think there is still some oil to  
21   be had in this trend, quite a bit, and I think this  
22   well's right on strike.

23                   MR. LARSON:  Mr. Examiner, I move the  
24   admission of Exhibits 5 through 7.

25                   MR. BRUCE:  No objection.

1 EXAMINER JONES: Exhibits 5 through 7 are  
2 admitted.

3 (Lime Rock Resources II-A, LP Exhibit  
4 Numbers 5 through 7 are offered and  
5 admitted into evidence.)

6 MR. LARSON: I'll pass the witness.

7 EXAMINER JONES: Mr. Brooks?

8 EXAMINER BROOKS: No questions.

9 CROSS-EXAMINATION

10 BY EXAMINER JONES:

11 Q. So is this the little town of Atoka, the tight  
12 locale for the Atoka Formation?

13 A. You know, I don't know, but I would think it  
14 might be.

15 Q. So the pool's name is Atoka; Glorieta-Yeso?

16 A. Yes, it is, but it doesn't have anything to do  
17 with the Atoka Formation, this particular well.

18 Q. But what about the Glorieta Formation?

19 A. Well, the Glorieta is named in the pool, but it  
20 would not be part of this particular well.

21 Q. So -- but it could possibly in some instances  
22 in this pool produce?

23 A. It could. I'm not familiar with Glorieta  
24 production in this immediate area.

25 Q. Be unusual?

1           A.    Yes.  It would be pretty unusual.

2           Q.    And why do you think -- why do you pick the  
3   Tubb of all -- of any of these members of the Yeso here?

4           A.    Well, I think it is -- it's the basal portion  
5   of what Lime Rock has found through drilling  
6   approximately -- oh, I think they've got close to 100 of  
7   these wells throughout the area, and it's the bottom of  
8   what they've found to be generally the productive zone.

9           Q.    Okay.  So the Drinkard is not any good?

10          A.    Not here.  It's pretty wet.

11          Q.    Okay.  And so what about the Paddock and the  
12   Blinebry?  Is that a possibility?

13          A.    The Paddock, actually, at the top of the  
14   section is usually a very productive portion of the  
15   section.

16          Q.    Okay.  So you could be proving up something  
17   that you might be able to drill horizontally someday?

18          A.    Certainly.  There has been some -- there have  
19   been some horizontal wells, but what Lime Rock has found  
20   is that these vertical wells on normal 40-acre spacing  
21   are easy to complete, easy to drill, and they do -- they  
22   are economical and productive.

23          Q.    So they intend to run a mud logger through  
24   the -- after the intermediate pipe?  Just put a  
25   mudlogger on for the rest of the well?

1           A.    I don't know the normal procedure, but I  
2 believe that's normally how they do it.

3           Q.    And the big down-the-casing frac job at high  
4 rates with slick-water then is --

5           A.    And lots of proppant.

6           Q.    Lots of proppant at lower concentrations?

7           A.    That's right.

8           Q.    Okay.  So it's a stratigraphic play and risky  
9 in that respect?

10          A.    I don't believe it is too risky in this  
11 particular location because we've got quite a few wells  
12 that are right on strike and structurally at the same  
13 elevation or lower that are still producing pretty well.

14                   What they have found -- if you look at the  
15 wells to the east of this cross section compared to the  
16 well at the west end of this cross section, you get a  
17 pretty good idea of the differences in the completion  
18 approaches.

19                   If you take a look, for example, at the  
20 Lime Rock Terry 14 C, which kind of is the poster child  
21 for their current completion approaches, you can see  
22 that they've got a four-stage frac with roughly 330,000  
23 pounds of sand per stage.  And you can -- and that's a  
24 slick-water frac.  And you can see the IP in that well  
25 came in at about 228 barrels of oil.  That's about 10 or

1 12 percent oil cut. They get a lot of water in these  
2 wells as well, but they've got their own water-disposal  
3 system.

4 But you take a look, then, at the well on  
5 the extreme end, the right -- or the east end of this  
6 cross section near the A prime, which would be the  
7 Stirling 6 M4, and you can see that's a gel frac with  
8 much less and about a third of the amount of sand as was  
9 used in the others, and you can see the IP came in quite  
10 a bit lower.

11 And they just -- what they have found is  
12 that doing these slick-water fracs with a lot of  
13 proppant is what it takes to get these wells to produce.

14 Q. Okay. So what is the Tubb out here? Is it a  
15 sand, silt, carbonate?

16 A. It is a -- it is a sandy carbonate.

17 Q. Sandy carbonate?

18 A. Yes, sir.

19 Q. And so surface handling of the fluids -- it's  
20 right close to the river. Is everything taken care of  
21 in that respect?

22 A. They do. They have a -- they have a -- the  
23 produced-water disposal field that they have is to the  
24 east here, but they gather all of the produced water and  
25 take it to that field via pipeline and then inject it

1     there.

2           Q.     Do they tell you anything about the flowbacks  
3     from the fracs -- about how much flowback they would get  
4     from a frac, or does it pretty much tail off after --

5           A.     I think they get a fair amount of flowback with  
6     the slick-water fracs. And some of the produced water,  
7     they recycle and use as frac fluid as well, and then  
8     some of it is disposed of.

9           Q.     Is it closed-loop drilling here?

10          A.     I believe that the approach they follow is  
11     closed loop, but I'm not certain. That would probably  
12     be a question for Bobby.

13          Q.     It's close to the river, though, so it's  
14     probably a closed loop.

15          A.     Yeah. It's closed loop. I believe it's closed  
16     loop.

17          Q.     Thank you very much.

18                   MR. LARSON: Mr. Examiner, Mr. Reynolds  
19     could probably answer a couple of questions if you'd  
20     like him to.

21                   Jim, do you have --

22                   MR. BRUCE: (Indicating.)

23                                 BOBBY REYNOLDS,

24     after having been previously sworn under oath, was  
25     recalled, questioned and testified as follows:

1                                RECROSS EXAMINATION

2        BY EXAMINER JONES:

3            Q.     I would like to ask Mr. Reynolds about the  
4        COPAS, six days to drill, six days to complete.    So you  
5        roll it up to at least one month?

6            A.     Right.    Right.

7                    MR. LARSON:    Six days, six days?

8                    THE WITNESS:    Yeah.

9                    MR. LARSON:    And he can answer your  
10        questions about the particular -- the way the well --  
11        the closed loop, those kinds of things.

12            Q.     (BY EXAMINER JONES) I meant to ask you if your  
13        contact info is up to date on the OCD Web site.    We have  
14        lots of issues with that.

15            A.     I believe so, yes.

16                    And to answer the last question, everything  
17        we drill out here is closed loop.

18            Q.     Okay.    Thank you for that.

19                    Dennis Nelson, Stephen Hunter are the  
20        people to contact?

21            A.     Yes.

22            Q.     Okay.    Thank you very much.

23                    MR. LARSON:    Nothing further.

24                    EXAMINER BROOKS:    You mentioned COPAS,  
25        Mr. Examiner.



1                                    RECROSS EXAMINATION

2        BY EXAMINER BROOKS:

3            Q.     I had a question as to why the COPAS is higher  
4        than what we've been seeing. And I haven't studied the  
5        materials that have come out from AAPL about this, but  
6        yours was 9,000 and 800, right?

7            A.     (Indicating.)

8            Q.     And what we've been seeing has been in the  
9        range of 7- to 8,000. So -- and 7- to 800 on the  
10       producing. Is there a reason why this would just be  
11       higher than normal, or is that just --

12                    MR. LARSON: I can ask Mr. Reynolds the  
13        question.

14                    EXAMINER JONES: Okay.

15                                    REDIRECT EXAMINATION

16        BY MR. LARSON:

17            Q.     The question raised by Mr. Brooks is about the  
18        administrative costs. Are the costs Lime Rock's seeking  
19        consistent with their JOAs for Yeso vertical wells in  
20        this area?

21            A.     Yes, they are. With the COPAS increases, yes,  
22        without a doubt. And like I said, it only takes about  
23        12 days in here, and that's close up to a month. So it  
24        wouldn't necessarily be that amount for drilling.

25

1                                    RECROSS EXAMINATION

2        BY EXAMINER BROOKS:

3            Q.     Yeah. Well, I thought you charged one month --  
4        that's the way I understood what you said before was you  
5        charged one month regardless of how long it takes to  
6        drill, unless it's more than a month, which you don't  
7        expect.

8            A.     And that -- that figure was supplied by the  
9        supervisor of our JIB accounting department. What she  
10       did was take the -- the nine well -- the wells we had  
11       drilled, about 20 of them in the last -- in '16 and '17,  
12       and averaged that. And that's how she came up with  
13       that.

14          Q.     Okay. Well, thank you.

15                        EXAMINER JONES: Thank you.

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

17                        (Case Number 15678 concludes, 8:57 a.m.)

18                        (Recess, 8:57 a.m. to 9:17 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
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11 were reduced to printed form by me to the best of my  
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14 Record of the proceedings truly and accurately reflects  
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16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

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