

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 BACK NINE PROPERTIES,                      CASE NO. 15716  
LLC FOR A NONSTANDARD OIL SPACING  
AND PRORATION UNIT AND COMPULSORY  
POOLING, CHAVES COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 8, 2017

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          WILLIAM V. JONES, TECHNICAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner and William V. Jones, Technical Examiner  
on Thursday, June 8, 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  
                  New Mexico CCR #20  
                  Paul Baca Professional Court Reporters  
                  500 4th Street, Northwest, Suite 105  
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## 1 APPEARANCES

2 FOR APPLICANT BACK NINE PROPERTIES, LLC:

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 6

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1 (11:43 a.m.)

2 EXAMINER McMILLAN: Call Case Number 15716,  
3 application of Back Nine Properties, LLC for a  
4 nonstandard oil spacing and proration unit and  
5 compulsory pooling, Chaves County, New Mexico.

6 Call for appearances.

7 MR. LARSON: Mr. Examiner, Gary Larson of  
8 the Santa Fe office of Hinkle Shanor, for the Applicant,  
9 Back Nine Properties.

10 EXAMINER McMILLAN: Any other appearances?  
11 Please proceed.

12 (Mr. Cherry, Mr. Bahlburg and Mr. Maxey  
13 previously sworn earlier in the day.)

14 DAVID L. CHERRY, JR.,  
15 after having been previously sworn under oath, was  
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. LARSON:

19 Q. Good morning, Mr. Cherry. Would you state your  
20 full name for the record?

21 A. David Louis Cherry, Jr.

22 Q. Where do you reside?

23 A. Dallas, Texas.

24 Q. And what is your position with Back Nine?

25 A. I'm a manager at Back Nine, and I specifically

1 focus on land activities.

2 Q. And does that include land matters pertaining  
3 to Back Nine's acreage in southeast New Mexico?

4 A. Yes.

5 Q. And are you familiar with the land matters that  
6 pertain to Back Nine's application in this case?

7 A. Yes.

8 Q. Have you previously testified at a Division  
9 hearing?

10 A. Yes.

11 Q. Did the Examiner qualify you as an expert in  
12 petroleum land matters?

13 A. Yes.

14 MR. LARSON: Mr. Examiner, I'd tender  
15 Mr. Cherry as an expert in petroleum land matters.

16 EXAMINER McMILLAN: So qualified.

17 Q. (BY MR. LARSON) Would you identify the document  
18 marked as Exhibit Number 1?

19 A. It's a Form C-102 for the Pinehurst 5H well.

20 Q. And is this a true and correct copy of the  
21 C-102?

22 A. Yes.

23 Q. And what formation is Back Nine seeking to  
24 pool?

25 A. The San Andres.

1           Q.    And the pool name is the Chisum; San Andres,  
2   East?

3           A.    Yes.

4           Q.    And the pool code is 12358; is that correct?

5           A.    Yes.

6           Q.    Are there any depth exceptions in the San  
7   Andres in this proposed project area?

8           A.    No.

9           Q.    And will Back Nine be drilling and operating  
10   the Pinehurst 5H?

11          A.    No.  We've hired Hadaway Consulting &  
12   Engineering to be our contract operator for this  
13   project.

14          Q.    And where is Hadaway based?

15          A.    I believe Canadian, Texas.

16          Q.    And is Hadaway a Division-approved operator?

17          A.    Yes.

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

20          A.    It's the location map for our project area for  
21   the Pinehurst 5H well.

22          Q.    Did you prepare this document?

23          A.    Yes.

24          Q.    And is all the acreage in the area fee?

25          A.    Yes.

1 Q. And are the leasehold interests all uniform?

2 A. Yes.

3 Q. And directing your attention to the bottom  
4 right-hand corner of Exhibit 2, does it include a  
5 breakdown of the interests in the project area?

6 A. It does. Back Nine Properties has  
7 81-and-a-quarter leased. We have 6-and-a-quarter  
8 participating and 12-and-a-half percent currently  
9 unleased.

10 Q. Does Back Nine hold an interest in each 40-acre  
11 unit within the project area?

12 A. Yes. Our leasehold interest is undivided.

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

15 A. It's our well-proposal letter and green cards.

16 Q. And is Exhibit 3 a true and correct copy of one  
17 of the well-proposal letters?

18 A. Yes.

19 Q. And did you receive returned green cards for  
20 all these letters?

21 A. Yes.

22 Q. And after you proposed the well, did you  
23 communicate with any of the interest owners?

24 A. Yes.

25 Q. And what was the result of those

1     **communications?**

2           A.     We ended up getting a lease from the Selma  
3     Andrews Trust. We got an election to participate by  
4     Chisos. We got an election to not participate by Black  
5     Shale Minerals, and we are currently negotiating a lease  
6     with Samedan.

7           Q.     So the two parties would be Samedan and Black  
8     Shale?

9           A.     As it currently sits, yes.

10          Q.     But there's a possibility that Samedan will  
11     lease?

12          A.     Correct. We're hopeful.

13          Q.     Will you next identify the document marked as  
14     Exhibit 4?

15          A.     It's our notice letters to the uncommitted  
16     interest owners.

17          Q.     And were these letters sent under your  
18     direction and supervision?

19          A.     Yes.

20          Q.     And were green cards received for all of the  
21     letters?

22          A.     Yes.

23          Q.     And would you next identify the document marked  
24     as Exhibit 5?

25          A.     It's our notice letter for the offset interests



1 and green cards.

2 Q. And was this letter also sent at your direction  
3 and supervision?

4 A. It was.

5 Q. And were all the green cards returned?

6 A. Yes.

7 Q. And even though you've got 100 percent returns  
8 on the green cards, as a conservative matter, did Back  
9 Nine also publish notice?

10 A. That is correct.

11 Q. Would you identify the document marked as  
12 Exhibit 6?

13 A. I'm sorry. It's the notice in the "Roswell  
14 Daily Record" and Affidavit of Publication.

15 Q. Is Exhibit 6 a true and correct copy of the  
16 Affidavit of Publication?

17 A. Yes.

18 Q. And what day did the notice run?

19 A. May 17th, 2017.

20 Q. And would you identify the document marked as  
21 Exhibit 7?

22 A. It's the AFE for the Pinehurst 5H well.

23 Q. And was this AFE prepared by Hadaway?

24 A. It was.

25 Q. And what are the total estimated costs

1 indicated on the AFE?

2 A. We estimate the cost to be \$1,637,556.

3 Q. And is this similar to the costs incurred by  
4 Hadaway for other San Andres horizontal wells?

5 A. Yes.

6 Q. And do you have a recommendation for the  
7 amounts Back Nine should be paid for supervision and  
8 administrative expenses?

9 A. Yes. We believe it should be 8,000 per month  
10 for drilling and 800 per month for producing wells.

11 Q. And were those numbers provided to you by  
12 Hadaway?

13 A. Yes.

14 Q. And are they consistent with and similar to  
15 those charged by Hadaway for other San Andres wells?

16 A. Yes.

17 Q. And do you also recommend that the rates for  
18 supervision and administrative expenses be adjusted  
19 periodically pursuant to the COPAS accounting  
20 procedures?

21 A. Yes.

22 Q. Is Back Nine requesting a 200 percent charge  
23 for the risk of drilling and completing the wells?

24 A. Yes, we are.

25 Q. Is Back Nine further requesting that Hadaway

1 Consulting & Engineering be designated as the operator  
2 of the well?

3 A. Yes, the contract operator.

4 Q. In your opinion, will the granting of Back  
5 Nine's application avoid the drilling of unnecessary  
6 wells, protect correlative rights and serve the  
7 interests of conservation and the prevention of waste?

8 A. Yes.

9 MR. LARSON: Mr. Examiner, I move the  
10 admission of Back Nine Exhibits 1 through 7.

11 EXAMINER McMILLAN: Exhibits 1 through 7  
12 may now be accepted as part of the record.

13 (Back Nine Properties, LLC Exhibit Number 1  
14 through 7 are offered and admitted into  
15 evidence.)

16 MR. LARSON: And I pass the witness.

17 CROSS-EXAMINATION

18 BY EXAMINER McMILLAN:

19 Q. Okay. So, once again, you wouldn't object to  
20 moving the location 10 feet?

21 A. No.

22 Q. Okay.

23 EXAMINER McMILLAN: Go ahead, Will.  
24  
25

1 CROSS-EXAMINATION

2 BY EXAMINER JONES:

3 Q. The JOA -- you're going to do a JOA?

4 A. We are. We're currently constructing one for  
5 Chisos and then eventually Selma Andrews Trust.

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

8 MR. LARSON: I have a couple of follow-up  
9 questions.

10 REDIRECT EXAMINATION

11 BY MR. LARSON:

12 Q. Would moving the well, as Mr. McMillan  
13 suggested, change the AFE costs?

14 A. As far as I know, no.

15 Q. And what would be the administrative expenses  
16 you'll include in the JOA? Would it be the 8,000 and  
17 800?

18 A. Yes.

19 EXAMINER JONES: I was going to ask the  
20 same thing. I forgot.

21 MR. LARSON: I anticipated that.

22 That's all I have for Mr. Cherry.

23 EXAMINER JONES: Thank you.

24 EXAMINER McMILLAN: Thank you very much.

25

1 WILLIAM C. BAHLBURG,  
2 after having been previously sworn under oath, was  
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. LARSON:

6 Q. Mr. Bahlburg, please state your full name for  
7 the record.

8 A. William Carl Bahlburg.

9 Q. Where do you reside?

10 A. Frisco, Texas.

11 Q. What is your position with Back Nine?

12 A. I'm a company manager and exploration  
13 geologist.

14 Q. And do your responsibilities include Back  
15 Nine's interest in southeast New Mexico?

16 A. Yes.

17 Q. And are you familiar with the geologic aspect  
18 of the Pinehurst 5H well in the matters addressed in  
19 Back Nine's application?

20 A. Yes.

21 Q. And you've previously testified at Division  
22 hearings; is that correct?

23 A. Yes.

24 Q. And did the Examiner qualify you as an expert  
25 in petroleum geology?

1           A.     Yes.

2                       MR. LARSON:   Mr. Examiner, I would tender  
3   Mr. Bahlburg as an expert in petroleum geology.

4                       EXAMINER McMILLAN:   So qualified.

5           **Q.     (BY MR. LARSON) Mr. Bahlburg, I direct your**  
6   **attention to the document marked as Exhibit 2.**

7           A.     Exhibit 2 is a map or plat showing the 320-acre  
8   project area for the Pinehurst 5H and the well location.

9           **Q.     And will the bottom-hole and surface-hole**  
10   **locations both be 330 feet from the section lines?**

11          A.     They will be.

12                      MR. LARSON:   Mr. Examiner, I request  
13   adoption by reference of Mr. Bahlburg's testimony in  
14   Cases 15714 and 15715 regarding his experience with  
15   San Andres horizontal drilling in southeast New Mexico  
16   and West Texas.

17                      EXAMINER McMILLAN:   So accepted.

18           **Q.     (BY MR. LARSON) Would you identify the document**  
19   **marked as Exhibit 8?**

20          A.     Exhibit 8 is a plat showing San Andres  
21   structure, the 320-acre project area for the Pinehurst  
22   5H in the Pinehurst 5H well location.

23           **Q.     And was this document prepared under your**  
24   **direction and supervision?**

25          A.     It was.

1           Q.    And what does it tell you about the geology in  
2   the area of this project area?

3           A.    Just -- we have gentle eastward monoclinal dip  
4   throughout the entire area.

5           Q.    Would you identify the document marked as  
6   Exhibit 9?

7           A.    Exhibit 9 is a two-well cross section that has  
8   taken a very nearby well in the surface location of the  
9   Pinehurst 5H and tied it in. It shows the stratigraphic  
10   zonation of the San Andres. It also shows the target  
11   interval, which is labeled SAPD1 [sic], in red, and it  
12   shows the horizontal location -- proposed location of  
13   the horizontal leg of our Pinehurst 5H well.

14          Q.    And was this document prepared under your  
15   direction?

16          A.    Yes.

17          Q.    And is it representative of the geology in the  
18   proposed project area?

19          A.    Yes, it is.

20          Q.    And to the best of your knowledge, are there  
21   any geologic impediments in the target interval?

22          A.    No.

23          Q.    In your opinion, will the proposed well be  
24   productive along the entire length of the completed  
25   lateral?

1           A.     Yes.

2           **Q.     Would you identify the document marked as**  
3 **Exhibit 10?**

4           A.     Exhibit 10 is a plat that shows the 320-acre  
5 project area, the initial Pinehurst 5H horizontal well  
6 and two additional horizontal wells that we intend to  
7 drill within that 320-acre project area.

8                     MR. LARSON:   Again, Mr. Examiner, I request  
9 the adoption by reference of Mr. Bahlburg's testimony  
10 regarding the three-well drilling pattern in Cases 15714  
11 and 15715.

12                    EXAMINER McMILLAN:   Show testimony about  
13 the three-well pattern presented in Case Number 15714  
14 and Case 15715 and may now be part of the record for  
15 15716.

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

17           **Q.     (BY MR. LARSON) And Exhibit 10 illustrates, as**  
18 **the exhibits in 15714 and 15715 show, Back Nine's**  
19 **long-term drilling pattern for these areas?**

20           A.     Correct.

21           **Q.     In your opinion, is this three-well drilling**  
22 **program an optimal approach for horizontally developing**  
23 **the San Andres in this area?**

24           A.     Yes.

25           **Q.     And in your opinion, is the three-well drilling**



1 pattern the most efficient and economical way to develop  
2 the San Andres on this acreage?

3 A. Yes.

4 Q. And do you anticipate that the other two San  
5 Andres horizontal wells identified in Exhibit 10 will  
6 also be productive along the entire length of the  
7 lateral?

8 A. Yes.

9 Q. In your opinion, will the Pinehurst #5H well  
10 effect, develop and drain each of the 40-acre spacing  
11 units in the proposed project area?

12 A. Yes.

13 MR. LARSON: And one last time, Mr.  
14 Examiner, I'd ask to adopt by reference Mr. Bahlburg's  
15 testimony in 15714 and 15715 regarding the center well  
16 and three-well pattern effecting, developing and  
17 draining all of the 40 acres within the proposed project  
18 area.

19 EXAMINER McMILLAN: Okay. The information  
20 presented about draining of the units as presented in  
21 Case Number 15714 and Case Number 15715 may now be  
22 accepted as part of the record in Case Number 15716.

23 MR. LARSON: Thank you.

24 Q. (BY MR. LARSON) Finally, Mr. Bahlburg, in your  
25 opinion, will the granting of Back Nine's application

1     **avoid the drilling of unnecessary wells, protect**  
2     **correlative rights and serve the interests of**  
3     **conservation and the prevention of waste?**

4             A.     Yes.

5                     MR. LARSON:   Mr. Examiner, I move the  
6     admission of Exhibits 8, 9 and 10.

7                     EXAMINER McMILLAN:   Exhibits 8, 9 and 10  
8     shall be accepted as part of the record.

9                     (Back Nine Properties, LLC Exhibit Number 8  
10     through 10 are offered and admitted into  
11     evidence.)

12                    MR. LARSON:   And I pass the witness.

13                                   CROSS-EXAMINATION

14     BY EXAMINER McMILLAN:

15             **Q.     For clarity purposes, will the penetration**  
16     **point and final penetration point be 330 feet from the**  
17     **southern and northern portions of the project area?**

18             A.     More correctly, the perforated intervals will  
19     be.

20             **Q.     Okay.   That is the project area?**

21             A.     Right.

22             **Q.     Will be 330 feet from the northern and southern**  
23     **boundaries?**

24             A.     Absolutely.

25             **Q.     Okay.   On that point, you kind of waffled on**

1     **your question there.**

2                     EXAMINER McMILLAN:   Go ahead, Will.

3                     CROSS-EXAMINATION

4     BY EXAMINER JONES:

5             **Q.    Can you talk a little bit about that Chisum**  
6     **Field to the north?  Is that a strat trap?  Is that what**  
7     **that was?**

8             A.    You know what that -- you know the way we view  
9     this stuff is -- is there was a lot of deep exploration  
10    along kind of a structural trend that ran through there,  
11    and they drilled some Devonian wells.

12            **Q.    Okay.**

13            A.    And then every once in a while, they would bomb  
14    out in the Devonian, and they'd come up in the San  
15    Andres and they might have a good well.  And then they'd  
16    offset it.  And if the offset was good, they'd continue  
17    to offset it until it wasn't so good, and then they'd  
18    stop.

19                   And so we've seen numerous cases, to answer  
20    your question, where the well is at a strat trap, only  
21    to the extent the whole area is a strat trap.

22            **Q.    Okay.**

23            A.    We view the whole thing as a Paleo trap.  And  
24    there are many Chisums that have yet to be found because  
25    you just haven't drilled those areas and developed those

1 lands.

2                   And we found places where people would go  
3 in, depending upon who the operator is, and they'd drill  
4 it. They were happy with the results, then they became  
5 unhappy. For whatever reason, they would stop. Seven  
6 years later, somebody would offset it half a mile in any  
7 direction, find even a better well than they had in the  
8 field, and it would be a dry hole in between. You know,  
9 because somebody's dry hole could be another guy's "I'm  
10 going to try to milk this thing as hard as I can for the  
11 next 20 years and get five barrels a day out of it," and  
12 it becomes a producer. This guy didn't even bother with  
13 that. So you've got that kind of variability all over  
14 the map, so you've got to back away from it to  
15 understand the picture.

16                   We view the whole thing as saturated with  
17 hydrocarbon, with a tremendous amount of variability,  
18 which is why we think we have to go chase it with  
19 horizontal wells and try to exploit it.

20                   RECROSS EXAMINATION

21 BY EXAMINER McMILLAN:

22           **Q. Is this the field that's right by the highway?**

23           A. Chisum?

24           **Q. Yeah.**

25           A. Yeah. There's that and Racetrack.

1           **Q.    Okay.  Yeah.  I remember driving back from**  
2           **school and seeing the flaring there.**

3           A.    Yeah.  It's a problem with the gas.  But there  
4           is actually a lot of gas in the reservoir, so we plan  
5           on -- we plan on capturing the gas and marketing it.

6                       EXAMINER JONES:  Thank you very much.

7                       EXAMINER McMILLAN:  All right.  Thank you  
8           very much.

9                               JOHN C. MAXEY,  
10           after having been previously sworn under oath, was  
11           questioned and testified as follows:

12                               DIRECT EXAMINATION

13   BY MR. LARSON:

14           **Q.    Mr. Maxey, would you please state your full**  
15           **name for the record?**

16           A.    John C. Maxey.

17           **Q.    Where do you reside?**

18           A.    Roswell, New Mexico.

19           **Q.    And what is the nature of your business?**

20           A.    I'm a consulting petroleum engineer.

21           **Q.    And what is your relationship with Back Nine**  
22           **Properties?**

23           A.    Back Nine retained me to evaluate their  
24           southeast New Mexico acreage for horizontal San Andres  
25           development.

1           Q.    And are you familiar with horizontal well  
2   development of the San Andres in the southeast New  
3   Mexico?

4           A.    Yes.

5           Q.    And are you familiar with the matters addressed  
6   in Back Nine's application?

7           A.    Yes.

8           Q.    And you've previously testified at the Division  
9   and Commission hearings; is that correct?

10          A.    Yes.

11          Q.    And you were qualified as an expert petroleum  
12   engineer?

13          A.    Yes.

14                   MR. LARSON:  Mr. Examiner, I tender  
15   Mr. Maxey as an expert in petroleum engineering.

16                   EXAMINER McMILLAN:  So qualified.

17          Q.    (BY MR. LARSON) Would you identify the document  
18   marked as Exhibit 11?

19          A.    Exhibit 11 is a map of the San Andres Field in  
20   southeastern New Mexico.

21          Q.    And did you prepare this exhibit?

22          A.    Yes.

23          Q.    And was this identical exhibit admitted in  
24   Cases 15714 and 15715?

25          A.    Yes.

1           **Q.    Would you identify the document marked as**  
2   **Exhibit 12?**

3           A.    That is a map of the portion of the Milnesand  
4   San Andres Unit.

5           **Q.    Did you also prepare this document?**

6           A.    Yes.

7           **Q.    And was an identical exhibit admitted in Cases**  
8   **15714 and 15715?**

9           A.    Yes.

10                   MR. LARSON:   Mr. Examiner, I request the  
11   adoption by reference of Mr. Maxey's testimony regarding  
12   Exhibits 11 and 12 in Cases 15714 and 15715.

13                   EXAMINER McMILLAN:   Exhibits 11 and 12 --  
14   the testimony in Cases 15714 and 15715 shall be accepted  
15   as part of the record in Case Number 15716.

16                   MR. LARSON:   Thank you.

17           **Q.    (BY MR. LARSON) And would you identify the**  
18   **final exhibit, which is Exhibit 13?**

19           A.    That is a map of the Chisum Field with the  
20   Pinehurst -- the center well in the Pinehurst 5H.

21           **Q.    Did you prepare this exhibit?**

22           A.    Yes.

23           **Q.    And what is it intended to depict?**

24           A.    This depicts the average reserves in the Chisum  
25   Field and the estimated reserves in the lateral that are

1 going to be drilled.

2 **Q. Can you draw any conclusions in regard to the**  
3 **Pinehurst well?**

4 A. Yes. The Chisum reserves were normalized to  
5 320 acres. The Chisum Field is drilled on a 10-acre  
6 spacing. The Chisum Field has produced 1.1 million  
7 barrels of oil and 554 million cubic feet of gas.  
8 Normalizing the average production over a 320-proration  
9 unit, 320 acres would produce 819,000 barrels of oil.  
10 That would be 25,600 barrels of oil per well.

11 There is an uplift anticipated in  
12 horizontal laterals due to connecting pay discontinuity  
13 in the San Andres. An approximate 2 percent increase in  
14 the recovery factors are anticipated. So using  
15 normalized data from the vertical wells and projecting  
16 reserves for the horizontal wells, we're looking at  
17 three wells on the 320 acres producing 983,000 estimated  
18 EURs. That would be approximately 328,000 barrels per  
19 well.

20 **Q. You heard a question from Mr. McMillan about**  
21 **moving the Pinehurst 5H, which is the well in the center**  
22 **of the project area, 10 feet or something in that range.**  
23 **Would that affect the AFE costs?**

24 A. That will not change the AFE costs.

25 **Q. And do you agree with Mr. Bahlburg's view that**



1 drilling three horizontal wells across a half section is  
2 the optimal approach to producing from the San Andres in  
3 this area?

4 A. Yes.

5 Q. And once the three wells identified in Exhibit  
6 10 are completed, will there be any possibility of  
7 stranded acreage in the project area?

8 A. No.

9 Q. In your opinion, is drilling three wells in the  
10 proposed project area the most efficient and economical  
11 well to developing the -- I'm sorry -- most economical  
12 way to develop the San Andres in this acreage?

13 A. Yes.

14 Q. In your opinion, will the Pinehurst 5H well  
15 effect, develop and drain portion of the lands in each  
16 and every quarter-quarter section included in the  
17 proposed project area?

18 A. Yes.

19 Q. In your opinion, will the production from the  
20 Pinehurst 5H well be reasonably uniform across the  
21 entire length of the lateral?

22 A. Yes.

23 Q. And in your opinion, will the #4 and #6 wells,  
24 indicated on Exhibit 10, also produce uniformly across  
25 the length of the laterals?

1           A.     Yes.

2           Q.     And in your opinion, will the granting of Back  
3     Nine's application avoid the drilling of unnecessary  
4     wells, protect correlative rights and serve the  
5     interests of conversation and the prevention of waste?

6           A.     Yes.

7                     MR. LARSON:   Mr. Examiner, I move the  
8     admission of Exhibit Numbers 11, 12 and 13?

9                     EXAMINER McMILLAN:   Exhibits 11, 12 and 13  
10    shall be accepted as part of the record.

11                    (Back Nine Properties, LLC Exhibit Numbers  
12                    11 through 13 are offered and admitted into  
13                    evidence.)

14                    MR. LARSON:   And I will pass the witness.

15                    EXAMINER McMILLAN:   Go ahead.

16                                   CROSS-EXAMINATION

17    BY EXAMINER JONES:

18           Q.     I've never asked this before.   A well that's  
19     2,300 feet deep and drilling it, you know, almost twice  
20     that horizontally is doable nowadays?

21           A.     Yes, it's doable.   You have to move around  
22     collars a little bit more than you might deeper in the  
23     vertical section.

24           Q.     Okay.   So is it electricity out here?

25           A.     Yes, electrified.

1           Q.    And is there a salt section you have to case  
2 off or immediate somewhere down here?

3           A.    Actually, how the wells are going to be planned  
4 is to actually put all -- everything salt -- have any  
5 salt -- potential salt anhydrite behind the first  
6 string.

7           Q.    Okay.

8           A.    That's been done in the area and approved.

9           Q.    Okay. Okay. So just two strings of pipe in  
10 these wells?

11          A.    Yes.

12          Q.    And producing through gas lift or some kind of  
13 pumping units or --

14          A.    Depends on the type of production, but with the  
15 lower water cut, the rod pump would probably work fine.  
16 This shallow, you can use progressive cavity pumps.  
17 That's an option.

18          Q.    Used to be those were kind of dangerous if they  
19 twist off or something, but if you can use them, you can  
20 use them.

21          A.    I've had very successful runs, and they can run  
22 for a very long time.

23          Q.    Will they -- can you get them down in the --

24          A.    You're going to pump from above.

25          Q.    You have to -- it's totally vertical?

1           A.    Yeah.  You can't run them below.  I mean -- but  
2   you -- and normally you would run above, and then as you  
3   draw down fluid level, you could consider running them  
4   around the corner.

5           **Q.    Yeah.  At least they will move your frac sand**  
6   **and everything.**

7           A.    Yeah.  They're better at moving sand and  
8   debris.

9           **Q.    Thank you very much.**

10                       EXAMINER McMILLAN:  Thank you very much.

11                       Case Number 15716 shall be taken under  
12   advisement.

13                       (Case Number 15716 concludes, 12:08 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2017  
Paul Baca Professional Court Reporters

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