

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:

|                                |                  |
|--------------------------------|------------------|
| AMENDED APPLICATION(S) OF XTO  | CASE NOS. 15832, |
| ENERGY, INC. FOR A NONSTANDARD | 15833,           |
| SPACING AND PRORATION UNIT     | 15834,           |
| AND COMPULSORY POOLING, EDDY   | 15835            |
| COUNTY, NEW MEXICO.            |                  |

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 26, 2017

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, October 26, 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.

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1 (1:30 p.m.)

2 EXAMINER DAWSON: And now we will hear  
3 Cases 15832, 15833 and 15835. 15832, 15833 and 15835  
4 are amended application of XTO Energy, Incorporated for  
5 a nonstandard spacing and proration unit and compulsory  
6 pooling, Eddy County, New Mexico. They are all amended  
7 applications of XTO Energy for the nonstandard spacing  
8 and proration unit and compulsory pooling in Eddy  
9 County, New Mexico.

10 And, Mr. Feldewert, when you are ready, you  
11 can begin.

12 MR. FELDEWERT: Mr. Examiner, just a couple  
13 of points at the beginning. We would include within  
14 this set of consolidate cases Case 15834. So we are  
15 consolidating in total 15832, 15833, 15834 and 15835.

16 EXAMINER DAWSON: Okay. Did I skip 15835?

17 MR. FELDEWERT: 834.

18 EXAMINER DAWSON: Sorry.

19 MR. FELDEWERT: And then I have three  
20 witnesses here today.

21 EXAMINER BROOKS: Mr. Feldewert, we know  
22 the answer, but for the record, would you state who you  
23 represent in this case?

24 MR. FELDEWERT: Yes. Sorry, Mr. Examiner.

25 Michael Feldewert, with the Santa Fe office

1 of Holland & Hart, appearing on behalf of the Applicant,  
2 XTO Energy, Inc.

3 EXAMINER DAWSON: Okay. Mr. Bruce?

4 MR. BRUCE: Mr. Examiner, Jim Bruce of  
5 Santa Fe representing Devon Energy Production Company,  
6 LP. I have one witness who will be quite brief, if I  
7 understand.

8 EXAMINER DAWSON: Okay. May the witnesses  
9 all stand and be sworn by the court reporter?

10 (Mr. Black, Mr. Franka, Mr. Hammond and  
11 Mr. Henthorn sworn.)

12 MR. FELDEWERT: Call our first witness.

13 RODNEY BLACK,  
14 after having been first duly sworn under oath, was  
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. FELDEWERT:

18 Q. Would you please state your name, identify by  
19 whom you're employed and in what capacity?

20 A. Rodney Black. I work for XTO Energy as the  
21 regional land manager for the Delaware Basin.

22 Q. And does that include the Delaware Basin in New  
23 Mexico?

24 A. It does.

25 Q. And, Mr. Black, have you previously testified

1     **before this Division?**

2           A.     I have not.

3           **Q.     Would you outline your educational background?**

4           A.     Sure. I have a Bachelor of Science degree from  
5     Southern Arkansas University.

6           **Q.     And when did you get that degree?**

7           A.     In 2000.

8           **Q.     And how long have you been with XTO?**

9           A.     For 15 years.

10          **Q.     As a landman?**

11          A.     Yes.

12          **Q.     And how long have you been their regional**  
13 **manager?**

14          A.     For four years.

15          **Q.     Are you a member of any professional**  
16 **affiliations or associations?**

17          A.     Yes, the American Association of Professional  
18 Landmen and the Fort Worth Association of Professional  
19 Landmen.

20          **Q.     And how long have you been a member of those**  
21 **associations?**

22          A.     For 15 years.

23          **Q.     Are you familiar with the applications that**  
24 **have been filed in these consolidated cases?**

25          A.     Yes, I am.

1           Q.    And are you familiar with the status of the  
2   lands in the subject area?

3           A.    Yes, I am.

4                   MR. FELDEWERT:  I would tender Mr. Black as  
5   expert witness in petroleum land matters.

6                   EXAMINER DAWSON:  Any opposition?

7                   MR. BRUCE:  No, sir.

8                   EXAMINER DAWSON:  Mr. Black will be  
9   accepted, for the record, as a professional petroleum  
10   landman.

11           Q.    (BY MR. FELDEWERT) Mr. Black, would you turn to  
12   what's marked as XTO Exhibit Number 1?

13           A.    Yes.

14           Q.    Now, this case involves Sections 24, 25 and 36,  
15   correct?

16           A.    That is correct.

17           Q.    And those are depicted on this exhibit in  
18   yellow?

19           A.    Yes.

20           Q.    Does this show the company's complete  
21   development plan for these three sections in the  
22   Wolfcamp Formation?

23           A.    Yes, it does.

24           Q.    And which pool is involved here?

25           A.    The Purple Sage Gas Pool.



1 Q. That's 320-acre spacing?

2 A. That's correct.

3 Q. Does the company seek to create four 480-acre  
4 spacing units for one-half-mile stand-up wells?

5 A. Yes, we do.

6 Q. And does this exhibit identify the drilling  
7 pads from which these wells will be drilled?

8 A. Yes, it does.

9 Q. How is that depicted here?

10 A. It's eight locations shown in the middle of  
11 Section 25.

12 Q. So, essentially, you're seeking to marry, so to  
13 speak, a 320-acre spacing unit with various quarter  
14 sections in Section 25?

15 A. That is correct.

16 Q. Okay. I see a number of wells that are listed  
17 on here. Are these the wells that are to be drilled in  
18 this area in the Wolfcamp?

19 A. Yes, they are.

20 Q. And am I correct in reading this that you have  
21 a set of wells called the Remuda North wells?

22 A. That's correct.

23 Q. And then you have a set of wells that are  
24 called the Remuda South wells?

25 A. Yes.

1           Q.    And that's what's involved in these four  
2 consolidated cases?

3           A.    That's correct.

4           Q.    Pooling is necessary for what entity?

5           A.    For Devon Energy Corporation.

6           Q.    Is that the only other working interest owner  
7 besides the XTO entities?

8           A.    Yes.

9           Q.    And when I look at this Exhibit Number 1, does  
10 it identify for us how many wells are going to be  
11 dedicated to each of the four 480-acre spacing units  
12 that you see on this acreage here?

13          A.    Yes, it does.

14          Q.    So we have a set of Remuda North wells on the  
15 left-hand side of this exhibit?

16          A.    That is correct.

17          Q.    And those will be dedicated, if I'm correct, to  
18 the west half of Section 24 and the northwest of 25?

19          A.    That is correct.

20          Q.    And then the pattern follows around this  
21 exhibit to encompass the remaining entire sections here?

22          A.    Yes.

23          Q.    It shows that there are going to be six total  
24 wells in each spacing unit in the Wolfcamp, correct?

25          A.    Correct.

1           Q.    How are they going to be differentiated?

2           A.    There will two in the Wolfcamp X-Y and four in  
3   the Wolfcamp A Formation.

4           Q.    So there will be six per pad?

5           A.    Six per pad, yes.

6           Q.    Okay.  Are these wells going to be sequentially  
7   drilled?

8           A.    Yes, they will.

9           Q.    And then batch completed?

10          A.    That's correct.

11          Q.    Do you have an engineer that will be here today  
12   to discuss in more detail your sequential drilling and  
13   batch-completion methodology?

14          A.    Yes, we do.

15          Q.    Okay.  How many rigs will the company be  
16   utilizing for its drilling operations?

17          A.    Four rigs.

18          Q.    Okay.  And where will the drilling operations  
19   start?

20          A.    They will begin on the west half.

21          Q.    So if I look at Exhibit Number 1, we're calling  
22   the west -- the two west-half spacing units, one being  
23   the west half of 24 and the northwest of 25, right?

24          A.    That is correct.

25          Q.    And the other west-half spacing unit being the

1 west half of 36 and the southwest quarter of 25?

2 A. That is correct.

3 Q. Okay. With this in mind, then, if I go to  
4 what's been marked as XTO Exhibit Number 2, does this  
5 exhibit contain, by spacing units, the C-102 plats that  
6 have been filed?

7 A. Yes, it does.

8 Q. So, for example, if I go to Exhibit 2A, does it  
9 contain the six C-102s -- the C-102 forms for the six  
10 wells that are going to be dedicated to the west-half  
11 spacing unit for the Remuda North wells?

12 A. Yes, it does.

13 Q. And if I go to Exhibit 2B, does that contain  
14 the six wells that will be dedicated to the Remuda  
15 northeast-half spacing unit?

16 A. Yes, it does.

17 Q. And then 2C contains the six wells for the  
18 Remuda southwest-half spacing unit?

19 A. That is correct.

20 Q. And finally, 2D would be the six wells for the  
21 Remuda southeast-half spacing unit?

22 A. That is correct.

23 Q. And each of these C-102, within Exhibit 2,  
24 provide the Examiner with the API number for the wells?

25 A. They do.

1           Q.    And it identifies the Purple Sage Pool and pool  
2   code?

3           A.    Yes, it does.

4           Q.    As I look through this, will the completed  
5   interval for all of these wells comply with the 330-foot  
6   setback requirements within the Purple Sage Gas Pool?

7           A.    Yes, they will.

8           Q.    Now, looking at the acreage here that's  
9   involved with these three sections, how many -- what  
10   kind of lands are we speaking about here?  What's the  
11   nature of the lands?

12          A.    They're state lands.

13          Q.    Is it -- how many leases?

14          A.    One lease -- one state lease.

15          Q.    Covering all three sections?

16          A.    Yes.

17          Q.    Is that lease currently being held by  
18   production?

19          A.    It's currently held by production.  Yes.

20          Q.    Okay.  If I look at the company's ownership,  
21   the XTO entities and then Devon's ownership throughout  
22   Sections 24, 25 and 36, do they change slightly  
23   depending on which spacing you're in?

24          A.    Yes, they do.

25          Q.    If I turn to what's been marked as XTO Exhibit

1     Number 3, does this provide the Examiner with the  
2     ownership breakdown for each of the four spacing units  
3     that are involved here?

4           A.     It does.

5           Q.     Starting with what I'll call the west-half  
6     spacing unit for the Remuda North wells?

7           A.     That's correct.

8           Q.     And then continuing on for the remaining  
9     480-acre spacing units --

10          A.     That is correct.

11          Q.     Okay. Now, you mentioned there is a plan here  
12     to drill two wells in the Wolfcamp X-Y?

13          A.     Yes.

14          Q.     That's the Upper Wolfcamp sands?

15          A.     That is correct.

16          Q.     And then another plan, then, for each spacing  
17     unit to drill four Wolfcamp wells in the A zone?

18          A.     Yes.

19          Q.     That would be the upper shale zone?

20          A.     That is correct.

21          Q.     If I turn to what's been marked as XTO Exhibit  
22     Number 4, is that a sample of the numerous well-proposal  
23     letters that went to Devon for the Wolfcamp upper sand  
24     formation wells?

25          A.     Yes, it is.

1           Q.    Okay.  And then is Exhibit Number 5 an example  
2   of the numerous letters that went to Devon for the other  
3   zone, the Wolfcamp X?  Is that right?

4           A.    That is correct.

5           Q.    And did all of these well-proposal letters  
6   contain an AFE?

7           A.    Yes, they do.

8           Q.    And are the costs reflected on these AFEs  
9   consistent with what the company has incurred for  
10  drilling similar horizontal wells?

11          A.    Yes, they are.

12          Q.    After sending these letters to Devon back in --  
13  some in September, some in July, what efforts were  
14  undertaken to try to reach a voluntary agreement?

15          A.    So we've had numerous phone conversations and  
16  email exchanges with the Devon representatives.

17          Q.    Was a lot of that time spent trying to work out  
18  drilling locations in the area for Devon's development  
19  plans?

20          A.    Yes, it was.

21          Q.    And has that now been resolved with the BLM  
22  granting some additional drilling islands?

23          A.    To the best of my knowledge.

24          Q.    And I guess one of the things we should point  
25  out is that this is an area within the potash area of

1     **New Mexico; is that correct?**

2           A.     That is correct.

3           Q.     And so you're forced to develop drilling  
4     **islands?**

5           A.     When BLM lands are involved, yes.

6           Q.     Okay.   Here we have state lands?

7           A.     Here we have state lands.

8           Q.     Now, aside from that, has the company more  
9     **recently been working on reaching a voluntary agreement**  
10    **with Devon?**

11          A.     Yes, we have.

12          Q.     One of the issues that has arisen is how to  
13    **deal with the elections for these various wells that you**  
14    **seek to dedicate to the spacing units, correct?**

15          A.     That is correct.

16          Q.     And have you had some discussions with Devon  
17    **about that?**

18          A.     Yes.

19          Q.     And in preparation for this hearing, have you  
20    **developed a proposal that you believe would be**  
21    **reasonable given the -- I'm going to talk about this --**  
22    **the wells that you seek to drill in the drilling plan?**

23          A.     Yes, we do.   We have.

24          Q.     What's your proposal?

25          A.     So we would propose that Devon make elections



1 on three wells at a time by providing well proposals 30  
2 days prior to spud but no sooner than 60 days prior to  
3 spud of each well.

4 Q. And that would allow a sequential election by  
5 Devon?

6 A. Yes, it would.

7 Q. They would avoid having to put -- of making a  
8 cash call initially for all of the wells?

9 A. That's correct.

10 Q. Okay. If I look at these well-proposal  
11 letters, do they contain an estimate of the overhead and  
12 administrative costs of drilling these wells and also  
13 while producing?

14 A. Yes, they do.

15 Q. What are those numbers?

16 A. \$7,500 for drilling and \$750 for a producing  
17 well.

18 Q. And those are found in the last sentence in the  
19 second paragraph of these well-proposal letters?

20 A. That is correct.

21 Q. Are these rates consistent with what XTO and  
22 other operators in the area charge for similar wells?

23 A. Yes.

24 Q. Now, I wasn't sure if we had to do this, but  
25 out of an abundance of caution, did the company identify

1 the operators and the mineral lessees in the 320-acre  
2 tracts surrounding each of the proposed 480-acre  
3 Wolfcamp spacing units?

4 A. Yes, we did.

5 Q. Did the company include these operators and the  
6 mineral lessees in the notice of this hearing?

7 A. Yes, we did.

8 Q. And if I take a look at Exhibit Number 6, is  
9 this an affidavit prepared by my office with attached  
10 letters providing notice of this hearing to these  
11 affected parties?

12 A. It is.

13 MR. FELDEWERT: And, Mr. Examiner, just  
14 because there are four cases involved here, you'll see  
15 it contains four letters to the pooled parties and four  
16 letters to the affected offset owners, in case there is  
17 any confusion as to why there are so many letters.

18 Q. (BY MR. FELDEWERT) Was the notice list the same  
19 for all four proposed spacing units?

20 A. Yes.

21 Q. Okay. Were XTO Exhibits 1 through 5 prepared  
22 by you or compiled under your direction or supervision?

23 A. Yes, they were.

24 MR. FELDEWERT: Mr. Examiner, I would move  
25 into admission XTO Exhibits 1 through 6, which includes

1 my Notice of Affidavit.

2 MR. BRUCE: No objection.

3 EXAMINER DAWSON: At this time Exhibits 1  
4 through 6 will be admitted to the record.

5 (XTO Energy, Inc. Exhibit Numbers 1 through  
6 6 are offered and admitted into evidence.)

7 MR. FELDEWERT: That concludes my  
8 examination of this witness.

9 EXAMINER DAWSON: Okay. Mr. Bruce?

10 MR. BRUCE: Just a few questions.

11 CROSS-EXAMINATION

12 BY MR. BRUCE:

13 Q. Mr. Black, there is going to be another group  
14 of testimony regarding the Bone Spring wells?

15 A. Yes. That's correct.

16 Q. Between the Wolfcamp and the Bone Spring, how  
17 many total wells is XTO seeking to drill and force pool  
18 at this point?

19 A. So we are seeking -- I have to think. So six  
20 in each of the Wolfcamp spacing units and three in each  
21 of the eight Bone Spring spacing units that we will be  
22 proposing.

23 Q. Okay.

24 A. So that's --

25 Q. 58?

1           A.     58 wells total, yes.

2           Q.     Okay.  Thanks.

3                         And when you talk about sequential  
4     drilling, what you're talking about is you are going to  
5     drill all the wells first?

6           A.     Yes.

7           Q.     And after they're drilled, then you're going to  
8     bring completion operations on?

9           A.     That is correct.

10          Q.     Okay.  And I know Devon talked with XTO about  
11     this, but 13 of the well proposals, Devon informs me,  
12     did not contain the total vertical depth or vertical  
13     depth.  Will XTO get that information?

14          A.     Absolutely.

15          Q.     And did Chevron own an interest in these wells  
16     that XTO acquired somehow or another?

17          A.     They do not own an interest in the Wolfcamp  
18     wells.

19          Q.     They do not, not in the Wolfcamp?

20          A.     They do own an interest in the Bone Spring.

21          Q.     Now, did you acquire that interest, or are they  
22     participating?

23          A.     They were participating.

24          Q.     Okay.

25                         MR. BRUCE:  I think that's all I have.

1 EXAMINER DAWSON: Mr. Brooks?

2 MR. FELDEWERT: Just one clarification.

3 REDIRECT EXAMINATION

4 BY MR. FELDEWERT:

5 Q. Mr. Black, I think he asked you whether all of  
6 the Wolfcamp and Bone Spring wells are going to be  
7 drilled first before commencing the completion  
8 operations?

9 A. Yes.

10 Q. Is that -- I think he asked you and you said  
11 yes. But is it more accurate to say a certain set of  
12 all the wells are going to be drilled first before  
13 commencing completion?

14 A. Yes. All the -- so the four rigs we'll drill  
15 from two pads drilling north, two pads drilling south,  
16 and those wells will be drilled and simultaneously  
17 completed.

18 Q. And then you'll move to the other pads?

19 A. That's correct.

20 Q. Got it. And you have an engineer who is going  
21 to talk about that?

22 A. We do.

23 EXAMINER BROOKS: Well, I don't have to ask  
24 him any notice questions because you have testified that  
25 the only nonjoined interest here is that of Devon, and

1 they are represented, entered an appearance in this case  
2 through counsel. So whether they had notice of it or  
3 not is academic.

4 EXAMINER DAWSON: Is that all you have?

5 EXAMINER BROOKS: That's all I have.

6 EXAMINER DAWSON: All right.

7 CROSS-EXAMINATION

8 BY EXAMINER DAWSON:

9 Q. Mr. Black, in looking at your -- if you could  
10 please turn to Exhibit 3.

11 A. Okay.

12 Q. And looking at the -- on Exhibit A, the Remuda  
13 North, North [sic] Wolfcamp Formation, the first page,  
14 the owners -- the working interest owners --

15 A. Yes.

16 Q. -- is XTO with 91.66667 percent?

17 A. Yes, sir.

18 Q. And Devon with 16?

19 A. We have a math error here.

20 Q. Yes. That's what I was going to ask you about.

21 MR. FELDEWERT: Oh, I didn't see that.

22 THE WITNESS: Yes. We have a math error.

23 EXAMINER DAWSON: Can I just request that  
24 you get that fixed and submitted and corrected in the  
25 record?

1 THE WITNESS: Absolutely.

2 EXAMINER DAWSON: Okay. I believe the rest  
3 of them look okay, from what I see.

4 MR. FELDEWERT: If you would like,  
5 Mr. Examiner, we can probably confer quickly and give  
6 you the number right now and if you want to scratch it  
7 out and put it in there, if that will be easier.

8 EXAMINER DAWSON: Is that acceptable?

9 EXAMINER BROOKS: What was the question?

10 EXAMINER DAWSON: This number here -- these  
11 two numbers on Exhibit 3, page 1, the 91.66667 and 16,  
12 don't add to 100 percent working interest. So can we  
13 correct that now?

14 EXAMINER BROOKS: Yes.

15 MR. FELDEWERT: I'll tell you what, it  
16 looks like it's going to take a little digging, so we'll  
17 just get you a revised page of Exhibit Number 3. I'll  
18 get it to you today.

19 EXAMINER DAWSON: Any objection to that,  
20 Mr. Bruce?

21 MR. BRUCE: No, sir.

22 EXAMINER DAWSON: Thank you very much.

23 That's all the questions I have. Thank you  
24 very much, Mr. Black.

25 THE WITNESS: Thank you.

1                   EXAMINER DAWSON: We'll call our next  
2 witness.

3                   BRIAN HENTHORN,  
4           after having been previously sworn under oath, was  
5           questioned and testified as follows:

6                   DIRECT EXAMINATION

7 BY MR. FELDEWERT:

8           Q.    Please state your name, identify by whom you're  
9 employed and in what capacity.

10          A.    Brian Henthorn, XTO Energy as a regional  
11 geologist.

12          Q.    How long have you been a regional geologist  
13 with XTO?

14          A.    Ten years.

15          Q.    And have your responsibilities included the  
16 Permian Basin?

17          A.    Yes.

18          Q.    And, Mr. Henthorn, you have previously  
19 testified before this Division as an expert in petroleum  
20 geology, correct?

21          A.    I have, yes.

22          Q.    Are you familiar with the applications that  
23 have been filed in these consolidated cases?

24          A.    Yes.

25          Q.    And have you conducted a geologic study of the



1     lands and the formation that are the subject of these  
2     consolidated applications?

3             A.     I have, yes, sir.

4                     MR. FELDEWERT:   I would tender Mr. Henthorn  
5     once again as an expert witness in petroleum geology.

6                     MR. BRUCE:   No objection.

7                     EXAMINER DAWSON:   Mr. Henthorn will be  
8     accepted as an expert in petroleum geology at this time.

9             Q.     (BY MR. FELDEWERT) Mr. Henthorn, just to get us  
10    oriented at this time, would you please turn to XTO  
11    Exhibit Number 1?

12            A.     Yes.

13            Q.     Did you assist in formulating the drilling  
14    plan?

15            A.     I did.

16            Q.     And in your opinion, is the Wolfcamp Formation,  
17    which is the target of these proposed wells, continuous  
18    across the three sections of land that are the subject  
19    here?

20            A.     Yes, it is.

21            Q.     And have you prepared a structure map and cross  
22    section of this targeted formation for the Examiner?

23            A.     Yes.

24            Q.     If I turn to what's been marked now as XTO  
25    Exhibit Number 7, is this the structure map that you

1     **created?**

2           A.     Yes.

3           **Q.     Okay.  Would you please review this exhibit for**  
4     **us and tell us what it shows?**

5           A.     Yes.  This is a structure map on the top of the  
6     Wolfcamp showing our development plan and the other  
7     surrounding Wolfcamp horizontals.  The contour interval  
8     is 40 foot, and the structure on the Wolfcamp exhibits a  
9     gentle dip to the east.

10          **Q.     Okay.  And have you observed any geologic**  
11     **impediments to the development of these three sections**  
12     **with mile-and-a-half horizontal wells?**

13          A.     No.

14          **Q.     One of the things I didn't cover and I want to**  
15     **do it while you're here is if I look at, for example,**  
16     **back at Exhibit Number 1, just so there is no confusion,**  
17     **if I just look at the sticks that represent the**  
18     **wellbores --**

19          A.     Yeah.

20          **Q.     -- they don't quite match up.  What's the**  
21     **reason for that?**

22          A.     So some of these laterals are stacked laterals.  
23     We have a series of wells, four per each unit -- pooled  
24     unit in the Wolfcamp A, two in the X-Y sands.  And so  
25     two of these laterals and two of the positions are on

1 top of each other vertically.

2 Q. Okay. So, for example, if I look at the upper,  
3 left-hand corner of this exhibit, I see an arrow  
4 pointing to the corresponding well stick to the Remuda  
5 25 #21H?

6 A. Yes.

7 Q. Okay. And if I go down that list and get down  
8 to the 101H, it's pointing to the same stick, right?

9 A. That's correct.

10 Q. And that's because --

11 A. Both in the same location.

12 Q. But vertically separated?

13 A. But vertically separated.

14 Q. Got it. Thank you.

15 EXAMINER DAWSON: Just for clarification,  
16 Mr. Feldewert, you're talking about the Remuda North 25  
17 #121H, right?

18 MR. FELDEWERT: I'm sorry. Number 121H,  
19 yes.

20 Q. (BY MR. FELDEWERT) And back, then, on Exhibit  
21 Number 7 -- sorry for jumping around here -- I see a  
22 notation here of A to A prime?

23 A. Yes.

24 Q. Okay. And are these the wells that you  
25 utilized for your cross section?

1           A.     Yes.

2           Q.     And in your opinion, are they representative of  
3     the area?

4           A.     Yes.

5           Q.     Why did you utilize these particular wells?

6           A.     These are deep wells that penetrate the  
7     Wolfcamp Formation and have open-hole logs over all the  
8     prospective intervals.

9           Q.     And if I turn to what's been marked as XTO  
10    Exhibit Number 8, is this the cross section that  
11    corresponds with the A to A prime shown on the prior  
12    exhibit?

13          A.     It is, yes.

14          Q.     And what -- can you please explain to us,  
15    starting from the top and moving to the bottom, what  
16    you're depicting on here?

17          A.     Yes. This is the -- that north-south 2-0 [sic]  
18    cross section stratigraphically hung on the top of the  
19    Wolfbone, which is denoted by the blue line. The other  
20    correlation points, the X and Y, A, are all labeled with  
21    gray lines, and the proposed target intervals for the  
22    series of wells are -- they provide the red arrows. The  
23    Wolfcamp X-Y horizontals, the 100 series, if you will,  
24    all are planning to be landed in the Wolfcamp X-Y sands.  
25    That would be four wells per section. And the lower

1 target interval, the 120 series wells, are in the  
2 Wolfcamp A shale, and we are planning eight wells per  
3 section.

4 Q. So if I keep my finger here --

5 A. Yes.

6 Q. -- and I flip back to Exhibit Number 1, it'll  
7 depict, does it not, for example, the one -- you have a  
8 101H that is a Remuda North well?

9 A. Correct.

10 Q. And then a 101H that is a Remuda South well?

11 A. Correct.

12 Q. And so each of these numbers that you show here  
13 on Exhibit Number 8, each of these well numbers actually  
14 represent two wells, right?

15 A. Correct.

16 Q. One would be a Remuda North well, and one would  
17 be a Remuda South well?

18 A. Yes.

19 Q. And with respect to the sands and shales that  
20 are being targeted by these wells in the Wolfcamp, what  
21 do you see about the consistency of those target zones  
22 as you move across the sections?

23 A. In terms of thickness and porosity, it's very  
24 consistent across this three-section area.

25 Q. Okay. So is this an area, in your opinion,

1     that can efficiently and economically be developed by  
2     horizontal wells?

3             A.     Yes.

4             Q.     And in your opinion, will the acreage that is  
5     being combined for the 480-acre spacing units  
6     contribute, more or less, equally to the production from  
7     the well?

8             A.     Yes.

9             Q.     And in your opinion, will the granting of this  
10    application be in the best interest of conservation, the  
11    prevention of waste and the protection of correlative  
12    rights?

13            A.     Yes, it will.

14            Q.     Were XTO Exhibits 7 and 8 prepared by you or  
15    compiled under your direction and supervision?

16            A.     They were.

17                   MR. FELDEWERT:   Mr. Examiner, I would move  
18    the admission into evidence of XTO Exhibits 7 and 8.

19                   MR. BRUCE:   No objection.

20                   EXAMINER DAWSON:   No objection?

21                   XTO Exhibits 7 and 8 will be admitted to  
22    the record at this time.

23                   (XTO Energy, Inc. Exhibit Numbers 7 and 8  
24    are offered and admitted into evidence.)

25                   MR. FELDEWERT:   And that concludes my

1 examination of this witness.

2 EXAMINER DAWSON: Thank you.

3 Mr. Bruce?

4 MR. BRUCE: Couple of questions.

5 CROSS-EXAMINATION

6 BY MR. BRUCE:

7 Q. One curiosity, looking at your cross section,  
8 how thick is the Wolfcamp in this area?

9 A. This cross section is only showing the upper  
10 interval, so it's about twice as thick as this cross  
11 section.

12 Q. Okay. Thank you. I was just wondering.

13 A. Yeah.

14 Q. And you're drilling 48 wells, and Devon is  
15 drilling probably an equivalent number. The area has  
16 become pretty popular.

17 A. Yeah.

18 Q. That's all I have.

19 EXAMINER BROOKS: No questions.

20 EXAMINER DAWSON: I have no questions of  
21 Mr. Henthorn, but can I call Mr. Black back for a couple  
22 of questions?

23 MR. FELDEWERT: It's your hearing.

24 EXAMINER DAWSON: Okay. Thank you.

25 EXAMINER BROOKS: I agree with

1 Mr. Feldewert.

2 (Laughter.)

3 EXAMINER DAWSON: Thank you. Thank you  
4 both (laughter).

5 CROSS-EXAMINATION

6 BY EXAMINER DAWSON:

7 Q. I'm going back to your Exhibit 1.

8 A. Yes, sir.

9 Q. And there is just one thing on this exhibit  
10 that I don't know if we really talked about much, and  
11 that's that orange line. Is that -- that's the unit  
12 outline, correct? Is that the James Ranch Unit out  
13 there? What is that orange line?

14 A. No. That orange line is -- I'm not exactly  
15 sure. Is that the potash KPLA?

16 Q. Oh, that's the potash.

17 MR. FELDEWERT: We're getting a consensus  
18 that that's the potash.

19 EXAMINER DAWSON: That's the only question  
20 I had. Thank you very much.

21 MR. FELDEWERT: Call our last witness.

22 EXAMINER DAWSON: Okay.

23 NATHAN FRANKA,

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



1 DIRECT EXAMINATION

2 BY MR. FELDEWERT:

3 Q. Would you please state your name, identify by  
4 whom you're employed and in what capacity?

5 A. Nathan Franka with XTO Energy. I'm employed as  
6 a reservoir engineer.

7 Q. Would you spell your last name? F-R-A-N-K-A?

8 A. That is correct.

9 Q. And how long have you been working as an  
10 engineer with XTO or Exxon?

11 A. I've been working nine years.

12 Q. Okay. And would you please -- have you  
13 previously testified before the Division?

14 A. I have not.

15 Q. Would you please outline your educational  
16 background?

17 A. I received a bachelor's in science in  
18 mechanical engineering from Iowa State University in  
19 2006. I received Master's of Science in mechanical  
20 engineering from Iowa State University in 2008. And  
21 that's it.

22 Q. And you've been working with Exxon and then XTO  
23 since graduation, right?

24 A. Yes, I have.

25 Q. Are you a member of any professional

1     **affiliations or associations?**

2           A.     I'm a member of the Society of Petroleum  
3     Engineers. I'm also a professional engineer licensed in  
4     the state of Texas.

5           Q.     How long have you been a member of the SPE?

6           A.     For three years.

7           Q.     And how long have you held your license in  
8     Texas?

9           A.     Since 2016.

10          Q.     Are you familiar with the applications filed in  
11     these consolidated cases?

12          A.     I am.

13          Q.     And are you familiar with the drilling and  
14     completion plans for the proposed wells?

15          A.     I am.

16                   MR. FELDEWERT: I would tender Mr. Franka  
17     as an expert witness in petroleum engineering.

18                   MR. BRUCE: No objection.

19                   EXAMINER DAWSON: No objection?

20                   Mr. Franka will be accepted as an expert in  
21     petroleum engineering at this time.

22          Q.     (BY MR. FELDEWERT) Why don't we go back to XTO  
23     Exhibit Number 1? And would you please explain to the  
24     Examiner using this exhibit what the company's drilling  
25     plans and completion plans are with respect to this

1     **three-section area?**

2           A.     There are four -- or eight drilling pads spaced  
3     in the equidistant line of Section 25. Four of those  
4     pads, we will drill wells going to the north. Four of  
5     those pads, we will drill wells going to the south. At  
6     each pad location, there will be six wells. There will  
7     be three Wolfcamp wells, and there will also be three  
8     Bone Spring wells.

9           Q.     And so we're going to have another case after  
10    this one to talk about the Bone Spring Formation,  
11    correct?

12          A.     Correct.

13          Q.     But you're here to testify both with respect to  
14    the drilling plans for the Wolfcamp and the Bone Spring?

15          A.     Yes.

16                   MR. FELDEWERT: Okay. And, Mr. Examiner,  
17    my thought is when we do the second case, we can just  
18    incorporate his testimony as part of the record for that  
19    Bone Spring, and then he doesn't have to come up and say  
20    the same thing again.

21                   EXAMINER DAWSON: That's fine.

22                   Is that fine with you, Mr. Bruce?

23                   MR. BRUCE: Yes, sir.

24          Q.     **(BY MR. FELDEWERT) Okay. Now, you're going to**  
25    **be drilling both Wolfcamp and Bone Spring wells from**

1     **each of these pads?**

2           A.     That is correct.

3           **Q.     And how many drilling rigs will be employed to**  
4     **commence the drilling?**

5           A.     There will be four rigs at a time.

6           **Q.     On each pad?**

7           A.     One rig per pad, and then starting in the west  
8     half of Section 25.

9           **Q.     Okay. And the drilling will be sequentially?**

10          A.     Correct.

11          **Q.     What does that mean?**

12          A.     We will start drilling the shallowest wells  
13     first, one well at a time, until we finish drilling six  
14     wells -- all six wells on a pad, and then come back in  
15     batch completions to complete wells simultaneously.

16          **Q.     Okay. So you're going to be drilling from each**  
17     **pad wells to the north and wells to the south? I'm**  
18     **sorry --**

19          A.     Each pad will have all wells to the north or  
20     all wells to the south as that pad dictates.

21          **Q.     Okay. All right. And then completion**  
22     **operations won't commence until you have completed the**  
23     **sequential drilling for all of what we'll call the**  
24     **west-half wells?**

25          A.     That is correct.

1           Q.    After you complete the drilling -- after you  
2   finish the drilling and then the completion of the  
3   west-half wells, are there plans then to commence  
4   drilling of the east-half wells?

5           A.    Yes.

6           Q.    Again, sequential drilling?

7           A.    Sequential drilling.

8           Q.    And then batch completion?

9           A.    That is correct.

10          Q.    For the record, what do you mean by batch  
11   completion?

12          A.    Batch completion is completing multiple wells  
13   simultaneously.

14          Q.    If I then look at the drilling and the number  
15   of wells that are involved here, how long is it going to  
16   take roughly -- and I know this is hard to predict. But  
17   just roughly, how many days per well to drill?

18          A.    It's approximately 30 days per well.

19          Q.    And have you anticipated how long it will take  
20   to drill and then complete all the wells in the  
21   Wolfcamp, in the Bone Spring in the west-half spacing  
22   unit?

23          A.    Approximately, 10 to 12 months.

24          Q.    And will that -- once you finish that initial  
25   10- to 12-month period, the west half will be complete,

1     and then you'll move to the east half?

2           A.     Correct.

3           Q.     And in your opinion, will the drilling and  
4     completion for the east half take a similar amount of  
5     time?

6           A.     That is correct.

7           Q.     So it's quite a capital investment for the  
8     company?

9           A.     Yes, it is.

10          Q.     And an interesting plan.

11                   Have you studied the benefits of sequential  
12     drilling followed by batch completion like this?

13          A.     Yes, I have.

14          Q.     Has the company run studies on this type of  
15     development plan?

16          A.     Yes, we have.

17          Q.     And has experience shown the benefits of  
18     sequential drilling and batch completion in areas where  
19     circumstances allow you to do this?

20          A.     Yes.   We have seen benefits.

21          Q.     What are the benefits of sequential drilling  
22     and batch completion operations like this?

23          A.     The two benefits we see primarily are a cost  
24     savings.   The cost savings being anywhere from at least  
25     400- to \$800,000 per well, or 5 to 10 percent of an AFE

1 cost. And the second efficiency we see is on completion  
2 effectiveness.

3 Q. Okay. Let me stop you right here. You said  
4 4- to \$800,000. That's per well?

5 A. That's per well. Correct.

6 Q. Okay. And I believe the AFEs for these  
7 Wolfcamp wells are somewhere around 7.8 million?

8 A. That is correct.

9 Q. So if I did my math right, that's roughly 5 to  
10 10 percent savings?

11 A. That is correct.

12 Q. For each well?

13 A. For each well.

14 Q. Okay. Now, what efficiencies do you see from  
15 the -- from a completion standpoint when you are able to  
16 do this first sequential drilling and then come in and  
17 do these batch completions?

18 A. Within batch completions, we see another cost  
19 savings, being able to utilize some equipment in  
20 multiple wells at the same time. We also see an  
21 improvement in completion effectiveness.

22 Q. Why do you see that?

23 A. We have experienced in other areas in similar  
24 basins, later down-spacing of wells, drilling wells and  
25 completing in between wells that have already been

1 completed, lending [sic] towards lower completion  
2 effectiveness.

3 Q. And have you analyzed why that would occur or  
4 why that does occur?

5 A. Yes, I have.

6 Q. And why is that?

7 A. It appears to be related to the pressure  
8 drawdown of other areas changing the stimulation  
9 effectiveness.

10 Q. So if I have well that I've drilled and  
11 completed and it's producing, and then I have another  
12 well that I've drilled and completed and it's producing,  
13 and then I come down and I try to do a well in between  
14 them, is that where you see some completion  
15 inefficiency?

16 A. Yes.

17 Q. And, again, why does that occur?

18 A. It occurs because of the drawn-down reservoir  
19 pressure local to that area.

20 Q. For the two wells that are already there?

21 A. For the two wells that have already drawn down  
22 that area.

23 Q. If you're able to do the sequential drilling  
24 and then do batch completion, do you avoid that negative  
25 effect of the pressure drawdown?



1           A.     Yes, we do.

2           Q.     In your opinion, does that result in a more  
3     efficient recovery of resources?

4           A.     Yes, it does.

5           Q.     And thereby avoid waste?

6           A.     That is correct.

7           Q.     Now, you can't always do this, right?

8           A.     No, you cannot.

9           Q.     You have to have the right circumstance?

10          A.     You have to have the right circumstance.

11          Q.     And in this case, we have a three-section state  
12     lease and three sections of land with a small group of  
13     operators where you can get this done, correct?

14          A.     That is correct.

15          Q.     All right. Do the benefits of sequential  
16     drilling and batch completion, does that extend equally  
17     to development operations in the Wolfcamp and the Bone  
18     Spring?

19          A.     Yes, it does.

20          Q.     It's not dependent upon the formation?

21          A.     It is not.

22          Q.     In your opinion, is sequential drilling and  
23     batch completion an effective development tool for both  
24     the Wolfcamp and the Bone Spring Formations?

25          A.     Yes, it is.

1           Q.    And does sequential and batch completion  
2 promote the recovery of hydrocarbons and thereby prevent  
3 waste?

4           A.    Yes, it does.

5           Q.    In your opinion, will the granting of these  
6 applications be in the best interest of conservation and  
7 the prevention of waste?

8           A.    Yes.

9           Q.    Okay. Now, given the time frames that are  
10 involved here, I want you to turn to what's been marked  
11 as XTO Number 9. I'm going to represent to you,  
12 Mr. Franka, that this is a pooling order that was  
13 entered by the Division for XTO just recently, October  
14 of 2017, and that this, more or less, follows the  
15 standard form that the Division utilizes in pooling  
16 cases. Okay?

17          A.    Okay.

18          Q.    All right. Now, if I turn to page 4 of -- I'll  
19 call it a standard pooling order, and I first look at  
20 subparagraph four on page 4, okay, it currently requires  
21 the operator of the pooled unit to commence drilling --  
22 and I'm going to put in here "of the proposed wells" --  
23 on or before October 31, 2018. Do we need a  
24 modification to this time frame to compensate for the  
25 fact that it's going to take you ten months to a year to

1     drill in the -- and complete in the west half before you  
2     can start drilling in the east half? In other words,  
3     will be you able to compensation drilling --

4           A.     Commence drilling?

5           Q.     Yeah -- of the wells in the east half being  
6     pooled within a year?

7           A.     We will need this amended.

8           Q.     Okay. And what period of time will you need in  
9     order to be safely within the requirements of the  
10    pooling order and to accommodate your sequential  
11    drilling starting in the west half and then east half?

12          A.     If we can commence drilling within a two-year  
13    time frame, that would give us adequate time.

14          Q.     That would cover the west-half wells --

15          A.     Yes.

16          Q.     -- and the east-half spacing wells?

17          A.     Yes.

18          Q.     Okay. And the next thing we need to look at,  
19    then, is the period of time between when you commence  
20    drilling and when you have to have it completed, right?

21          A.     Correct.

22          Q.     Okay. If I look at that, that's contained in  
23    paragraph six. And right now, what we see in the first  
24    sentence is that under the standard order, the  
25    completion has to be finished within 120 days after

1 drilling. Given your sequential drilling plan, can that  
2 occur here?

3 A. It cannot.

4 Q. You testified, I believe, that you thought it  
5 would take a period of 10 to 12 months to complete the  
6 drilling and completion of all the wells in the Wolfcamp  
7 and the Bone Spring in the west half?

8 A. That is correct.

9 Q. In your opinion, if this time period is  
10 modified to say that the proposed well shall be drilled  
11 and completed within a year after commencement of  
12 drilling, will that allow you to do your sequential  
13 drilling and batch completion?

14 A. Yes, it will.

15 Q. And do you, therefore, request that the  
16 Division make these slight modifications to their  
17 standard pooling order?

18 A. Yes, we do.

19 MR. FELDEWERT: Mr. Examiner, at this  
20 point, then, I will move admission into evidence XTO  
21 Exhibit 9, which is a Division record.

22 MR. BRUCE: No objection.

23 EXAMINER DAWSON: Okay. Exhibit 9 is  
24 admitted to the record.

25 (XTO Energy, Inc. Exhibit Number 9 is

1                   offered and admitted into evidence.)

2                   EXAMINER DAWSON: Mr. Brooks -- Bruce, do  
3 you have any questions?

4                   MR. BRUCE: Did you say Brooks or Bruce?

5                   EXAMINER DAWSON: Bruce. Both.

6                   (Laughter.)

7                   EXAMINER BROOKS: They sound a lot alike.

8                   EXAMINER DAWSON: I'm having a hard time  
9 with that.

10                                   CROSS-EXAMINATION

11 BY MR. BRUCE:

12           Q. Mr. Franka, first of all, I thought you said  
13 you got your bachelor's and then a master's from Iowa  
14 State.

15           A. That is correct.

16           Q. Well, my son and daughter went to the  
17 University of Iowa. I don't know if I can be very nice  
18 to you (laughter).

19                   Just one clarification. When you look at  
20 Exhibit 1, are you -- is XTO planning on drilling all  
21 the Wolfcamp wells on this acreage first and then the  
22 Bone Spring, or is it going to be a mixture?

23           A. It will be a mixture.

24           Q. Okay. And so the entire process is going to  
25 take a couple of years, is what you're saying?

1           A.     Yes.

2           Q.     And when do the -- when do the rigs arrive,  
3     roughly?

4           A.     The rigs will arrive in January.

5           Q.     January. Okay. Thank you.

6                   EXAMINER DAWSON: Mr. Brooks, do you have  
7     any questions?

8                   EXAMINER BROOKS: I don't believe I do.

9                   I would say that I have no prejudice  
10    against Iowa State.

11                  (Laughter.)

12                  EXAMINER DAWSON: I just have a few  
13    questions, Mr. Franka.

14                               CROSS-EXAMINATION

15    BY EXAMINER DAWSON:

16           Q.     Okay. You're talking batch completions and  
17    sign-off, right?

18           A.     That is correct.

19           Q.     I mean, the batch completions, when you  
20    complete those wells, is that the same as what a lot of  
21    people call a zipper frac?

22           A.     That's correct.

23           Q.     Where you do one stage on one well, one stage  
24    on the offset well and go back and forth?

25           A.     Yes, using one wireline line, set up one frac

1 crew, continuous operations for two wells.

2 Q. Okay. And 48 wells, correct?

3 A. That's correct.

4 Q. Gosh. That's quite an investment.

5 A. It is.

6 Q. Man.

7 Okay. That's all the questions I have.

8 Thank you very much.

9 A. Thank you.

10 MR. FELDEWERT: Mr. Examiner, that  
11 completes our presentation in these consolidated cases.

12 EXAMINER DAWSON: Okay. So at this time --

13 MR. BRUCE: I have one witness.

14 EXAMINER DAWSON: Go ahead.

15 JOE HAMMOND,

16 after having been previously sworn under oath, was  
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you state your name and residence for the  
21 record?

22 A. Joe Hammond, Oklahoma City, Oklahoma.

23 Q. And who do you work for and in what capacity?

24 A. Devon Energy as a land advisor.

25 Q. Have you previously testified before the

1     **Division?**

2           A.     Yes, I have.

3           **Q.     And were your credentials as an expert**  
4     **petroleum geologist accepted as a matter of record?**

5           A.     Not as a geologist but as a landman.

6           **Q.     Or as a landman.**

7                     **The Hearing Examiner is infecting me here.**

8                     **(Laughter.)**

9           **Q.     And are you familiar with the land matters**  
10    **involved in these applications and the land involved in**  
11    **Devon's other acreage in this area?**

12          A.     Yes, I am.

13                    MR. BRUCE:   Mr. Examiner, I tender  
14    Mr. Hammond as an expert petroleum landman.

15                    MR. FELDEWERT:   No objection.

16                    EXAMINER DAWSON:   Mr. Hammond will be  
17    accepted at this time as an expert petroleum landman.

18          **Q.     (BY MR. BRUCE) Briefly, Mr. Hammond, could you**  
19    **identify Devon Exhibit 1, please?**

20          A.     Well, it's a plat here, but this is Devon's  
21    version of the Remuda wells out in this area.  And,  
22    again, not every well is shown on this plat, but, you  
23    know they're stacked.  And, again, it shows Devon  
24    acreage on the plat with red crosshatched areas, meaning  
25    the potash area and then the actual potash ore in blue.



1     So it's just a general picture of the area.

2           Q.     Okay.  And Devon's not here to object to the  
3     drilling of the wells that XTO has proposed?

4           A.     We are not.

5           Q.     Okay.  Now, originally, looking at this map,  
6     Devon's initial plan was to drill wells.  You show here  
7     the three-section state lease, 24, 25 and 36.  Does  
8     Devon have plans to drill wells just to the immediate  
9     west in Sections 23 and 22?

10          A.     Yes, 23 and 22 and 26 and 27, actually.

11          Q.     Okay.  Now, those are federal leases?

12          A.     They are.

13          Q.     And as a result, in order to drill that, you  
14     needed -- Devon needed a drilling island?

15          A.     Yes.

16          Q.     And looking at this plat on the east side of  
17     Section 24, there is a green line.  Was that the only  
18     drilling island that Devon could initially obtain for  
19     the drilling of its wells?

20          A.     That was the original discussions for a drill  
21     island.  Yes, it was.

22          Q.     And if that was the case, to reach 22 and --  
23     Sections 22 and 23, you would have had to have drilled  
24     east-west laterals?

25          A.     That's correct.

1           Q.    And so that was the genesis of the conflict?

2           A.    That was it, yes.  We were concerned that we  
3    would be leaving stranded acreage.

4           Q.    You would have had to -- if XTO's applications  
5    are granted, you would have had to drill through Section  
6    24 without perforating -- you had to drill a mile before  
7    you could perforate?

8           A.    That would be one of the options.  Yes.

9           Q.    Yeah.

10                         And Devon's been working on this now all  
11   year long?

12          A.    Well, yes.  It actually -- yeah.  This eastern  
13   drill island started in February, roughly.

14          Q.    And have you recently gained approval for a  
15   different drill island that would allow Devon to access  
16   its acreage by drilling north-south wells?

17          A.    Yes.

18          Q.    And is that that green line at the bottom of  
19   Sections 26 and 27?

20          A.    Yes.  And, again, the green line at the bottom  
21   of 26 and 27 is not a true depiction of actually where  
22   those are at right this second.  It's just a general  
23   indication of where they'll be.  They'll actually be,  
24   you know, drill islands scattered along those two  
25   southern parts of that section -- of those sections.

1           Q.    And that was really just finally -- the BLM  
2   waved their hands over that last Friday?

3           A.    Yes, they did.  They had the final on-site last  
4   Friday.  And we really appreciate the BLM going beyond  
5   their normal processes in getting this done quickly, and  
6   we really appreciate the potash company, too, working  
7   with us on this.

8           Q.    Okay.  Now, Devon's the only party being pooled  
9   because of the conflicting either lay-down or stand-up  
10   units between Devon and XTO.  At that point, it would  
11   have been difficult, if not impossible, to agree on a  
12   JOA between the two companies; is that correct?

13          A.    Yes.

14          Q.    XTO has recently provided a JOA to Devon?

15          A.    Yes.  It was provided to us this past week.  We  
16   are working it as we speak through our legal department.

17          Q.    And insofar as, you know -- XTO presented  
18   evidence at least as to the Wolfcamp wells in this case,  
19   but what you're talking about is both the Wolfcamp and  
20   the Bone Spring wells here?

21          A.    That's correct.

22          Q.    And so that you don't have to testify in the  
23   next batch of cases, all your testimony here refers to  
24   both the Wolfcamp and the Bone Spring?

25          A.    Yes, it does.

1           Q.    And although XTO owns a majority of interest,  
2   because of the number of wells being drilled, if --  
3   if -- if Devon was subject to a normal pooling order and  
4   it had to make elections on all these 48 wells at one  
5   time, what would be the approximate cost for Devon?

6           A.    Somewhere in the range of 40- to \$43 million.

7           Q.    As a result, do you prefer some -- and XTO did  
8   discuss this, about just making batch elections? Is  
9   that what Devon would like?

10          A.    Yes. Yes, it is.

11          Q.    And are you working with XTO currently on  
12   putting language together in the JOA?

13          A.    Yes, we are.

14          Q.    And you will continue to do that after the  
15   hearing?

16          A.    Yes, we will.

17          Q.    And are your concerns -- and is part of your  
18   concern that you don't want to make a single election  
19   before you at least have some drilling information on  
20   these wells?

21          A.    Yes. I'm not sure if it was discussed earlier.  
22   We're not opposed to the batch -- to the three-well  
23   batch election. We just kind of want to make sure that  
24   we've got all the drilling data in from the wells that  
25   just got finished drilling before we have to make an

1 election on the next batch. And so I think we're  
2 working through that.

3 Q. Okay. So you're working through that and maybe  
4 not only batch elections but maybe billing like a JIB?

5 A. Yes, where we would not -- yeah. We would just  
6 bill the costs as they are accumulated.

7 Q. Okay. And simply put, Devon just wants to make  
8 informed decisions that it elects on these wells?

9 A. Sure.

10 Q. You hope to reach a JOA with XTO?

11 A. Yes.

12 Q. But if you don't, would you like language in  
13 the pooling orders that will give you a batch election?

14 A. Yes, I would.

15 Q. And was Exhibit 1 prepared by you?

16 A. Yes, it was.

17 MR. BRUCE: Mr. Examiner, I move the  
18 admission of Devon Exhibit 1.

19 EXAMINER DAWSON: Any objection?

20 MR. FELDEWERT: No objection.

21 EXAMINER DAWSON: Devon Exhibit 1 will be  
22 admitted at this time to the record.

23 (Devon Energy Production Company, LP  
24 Exhibit Number 1 is offered and admitted  
25 into evidence.)

1                   MR. BRUCE: And I have no further questions  
2 for the witness.

3                   EXAMINER DAWSON: Do you have any  
4 questions, Mr. Brooks?

5                   EXAMINER BROOKS: I have no questions.

6                   MR. FELDEWERT: I have a couple, just a  
7 couple.

8                   EXAMINER DAWSON: Mr. Feldewert, go ahead.

9                   CROSS-EXAMINATION

10 BY MR. FELDEWERT:

11           Q.    Mr. Hammond, you mentioned that you just got  
12 the JOA this past week?

13           A.    I believe it was this past week. Maybe it was  
14 last week.

15           Q.    Had you previously requested a JOA?

16           A.    We had not.

17           Q.    Okay. So you're not espousing any fault?

18           A.    No, I'm not. I'm really not.

19           Q.    And, secondly, has Devon itself conducted the  
20 simultaneous drilling operations with batch completions?

21           A.    We have.

22           Q.    And so do you agree that there is a substantial  
23 cost savings associated with those operations?

24           A.    I do. We do agree.

25           Q.    And do you also agree that there is completion

1     **efficiency associated with these type of operations?**

2           A.     Yes, we agree.

3           **Q.     So I assume you would agree with me, then, that**  
4     **it makes sense to allow these simultaneous drilling of**  
5     **batch completions of operations to occur whenever that's**  
6     **possible?**

7           A.     Yes.

8           **Q.     Okay. That's all the questions I've got.**

9                   EXAMINER BROOKS:   Very good.

10                  Mr. Bruce, any more questions?

11                  MR. BRUCE:   Really no other questions.

12                  I would just ask -- for the next batch of  
13     Bone Spring wells, I'd just ask that Mr. Hammond's  
14     testimony be incorporated by reference into those  
15     hearing transcripts.

16                  MR. FELDEWERT:   No objection.

17                  EXAMINER DAWSON:   Okay. Sounds fine.

18                  I have no further questions.

19                  So that will conclude Case Numbers 15832,  
20     15833, 15834 and 15835. They will be taken under  
21     advisement. The only thing I'm requesting is that  
22     correction on Exhibit 1.

23                  MR. FELDEWERT:   Yes, sir. Or Exhibit 3.

24                  EXAMINER DAWSON:   Oh. Yes, 3. I'm sorry.  
25     Exhibit 3, first page on Exhibit 3. Thank you.

1                   EXAMINER BROOKS: Before you start your  
2 next case, I would request a five-minute recess.

3                   EXAMINER DAWSON: Okay. We will take a  
4 five-minute recess. It's currently 2:25. Let's make it  
5 ten minutes. We'll be back at 2:35.

6                   EXAMINER BROOKS: Very good.

7                   (Case Numbers 15832 through 15835 conclude,  
8 2:26 p.m.)

9                   (Recess 2:25 p.m. to 2:35 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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6 Reporter, New Mexico Certified Court Reporter No. 20,  
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