

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 ASCENT ENERGY, LLC	CASE NOS. 15949,
FOR APPROVAL OF A NONSTANDARD SPACING	15950,
AND PRORATION UNIT AND COMPULSORY	15951,
POOLING, LEA COUNTY, NEW MEXICO.	15952

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 8, 2018

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, February 8, 2018, 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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APPEARANCES

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1 (11:04 a.m.)

2 EXAMINER GOETZE: We have two groups of
3 cases left, and, I believe, by counsel, the Ascent
4 Energy is going to be heard. So we call Cases 15949,
5 15950, 15951 and 15952. In each case, the application
6 is the application of Ascent Energy, LLC for approval of
7 a nonstandard spacing and proration unit and compulsory
8 pooling, Lea County, New Mexico.

9 Call for appearances.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of
11 Santa Fe representing the Applicant. I have two
12 witnesses.

13 MR. FELDEWERT: Mr. Examiner, Michael
14 Feldewert, with the Santa Fe office of Holland & Hart,
15 appearing on behalf of Centennial Resource Production,
16 LLC. I do not have any witnesses here today.

17 EXAMINER GOETZE: Very good.

18 One point of clarity, we had EOG in this at
19 one time?

20 MR. FELDEWERT: That is correct,
21 Mr. Examiner. They entered an appearance but have --
22 well, they've already entered an appearance in this
23 case.

24 EXAMINER GOETZE: Okay.

25 MR. BRUCE: Mr. Examiner, the landman will

1 testify that they have apparently reached at least
2 preliminary approval.

3 EXAMINER GOETZE: So part of this case --
4 these cases have been partially heard already or no?

5 MR. BRUCE: No. No.

6 EXAMINER GOETZE: This is a fresh start for
7 all four cases, right?

8 MR. BRUCE: Yeah.

9 EXAMINER GOETZE: Thank you.

10 MR. BRUCE: Well, as fresh as it can get
11 around here.

12 EXAMINER GOETZE: She's going to put that
13 on the record.

14 (Laughter.)

15 EXAMINER GOETZE: Very well. Will the
16 witnesses for Ascent Energy please stand, identify
17 yourself for the court reporter and be sworn in?

18 MR. METZ: William Metz.

19 MR. ZINK: Lee Zink.

20 (Mr. Zink and Mr. Metz sworn.)

21 LEE ZINK,
22 after having been previously sworn under oath, was
23 questioned and testified as follows:

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DIRECT EXAMINATION

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BY MR. BRUCE:

Q. Will you please state your name for the record and what is your city of residence?

A. Lee Zink, Denver, Colorado.

Q. Who do you work for and in what capacity?

A. Ascent Energy, LLC as a land manager.

Q. Have you previously testified before the Division?

A. I have not.

Q. Would you please describe your educational and employment background?

A. Yes. I have a Bachelor of Arts from the University of Maryland and a Master's of Resource Law Studies from the University of Denver, Sturm College of Law. And I've worked in the industry about 12 years, the first three years as a field landman and the previous nine with operators in various states.

Q. Have you previously testified before any other state commissions?

A. I have, the North Dakota Industrial Commission.

Q. Okay. So obviously you've spent a fair amount of time up there?

A. I have.

Q. Is Ascent fairly new to New Mexico?

1 A. Ascent is new to New Mexico. We acquired our
2 first asset in 2016.

3 **Q. And does your area of responsibility at Ascent**
4 **now include this area of southeast New Mexico?**

5 A. Correct.

6 **Q. And are you familiar with the land matters**
7 **involved in these applications?**

8 A. Correct.

9 MR. BRUCE: Mr. Examiner, I tender Mr. Zink
10 as an expert petroleum landman.

11 EXAMINER GOETZE: He is so qualified.

12 Oops.

13 Mr. Feldewert?

14 MR. FELDEWERT: No objection.

15 EXAMINER GOETZE: Thank you. You're very
16 silent over there, so I have to give you an opportunity.

17 MR. FELDEWERT: Thank you.

18 EXAMINER GOETZE: Proceed.

19 EXAMINER BROOKS: Mr. Feldewert will
20 usually say something.

21 MR. BRUCE: He's not shy, you mean?

22 EXAMINER BROOKS: That's been my
23 observation.

24 **Q. (BY MR. BRUCE) Mr. Zink, we're here for four**
25 **wells, but really the land situation is pretty simple;**

1 is it not?

2 A. Correct.

3 Q. And two of the wells are Bone Spring and two of
4 them are Wolfcamp?

5 A. Correct.

6 Q. First off, is ownership in the Bone Spring --
7 in the entire Bone Spring Formation consistent
8 throughout the lands involved?

9 A. Correct.

10 Q. Similar for the Wolfcamp?

11 A. Correct.

12 Q. And in looking at Exhibit 1, could you
13 identify --

14 MR. BRUCE: I've marked them L1,
15 Mr. Examiner, L1 through the final land exhibit, and
16 then we have the geologic exhibits marked G1.

17 Q. (BY MR. BRUCE) Could you look at Exhibit L1
18 briefly and describe the land situation in this 320
19 acres we're here for today?

20 A. Yes. L1 is a Midland Map of Township 21 South,
21 Range 33 East. The unit regarding this case is in
22 Section 18, Lots 1, 2, 3, 4, in the east half of the
23 west half covering 303.5 gross acres.

24 Q. And looking at this, the quote, unquote,
25 "southwest quarter" is 100 percent owned by Ascent,

1 correct?

2 A. Correct.

3 Q. And that's uniform throughout that quarter
4 section?

5 A. Correct.

6 Q. And the northwest quarter is owned by COG, 75
7 percent, and EOG, 25 percent --

8 A. That's correct.

9 Q. -- throughout the quarter section?

10 A. Right.

11 Q. Could you move on to Exhibits L2 and L3 and
12 describe the ownership in the two well units, the east
13 half-west half and the west half-west half, involved in
14 the four wells we're here on today?

15 A. Yes. So the pooling units for -- on Exhibit L2
16 covers Lots 1, 2, 3 and 4, which is the west half of the
17 west half. As you see outlined by the red-dotted line,
18 this unit covers the two proposed wells, the Sombrero
19 Fed Com 501H and the Sombrero Fed Com 702H. The
20 ownership for that unit would be -- for both wells would
21 be Ascent Energy, 50.07 percent; COG Operating, 37.45
22 percent; and EOG Resources at 12.48 percent.

23 Q. And then on L3?

24 A. L3 is the pooling unit of Section 18 for the
25 east half of the west half covering the Sombrero Fed Com

1 503H and the Sombrero Fed Com 701H. Ascent Energy is 60
2 percent owner in that unit, Concho operating at 37.5
3 percent, and EOG Resources at 12.5 percent.

4 Q. And you are seeking in these cases the forced
5 pooling of the Bone Spring Formation for the 501H in the
6 west half-west half and the 503H in the east half-west
7 half, correct?

8 A. For the Bone Spring? Correct.

9 Q. And the west half-west half for the -- in the
10 Wolfcamp Formation for the 702H and then the east
11 half-west half for the 701H for the Wolfcamp Formation?

12 A. That's correct, yes.

13 Q. Could you identify and briefly discuss
14 Exhibit -- I'll put them together -- Exhibits L4 and L5
15 for the Examiner. The first one is your contacts with
16 COG, the second with EOG. But, preliminarily, have you
17 tentatively at least reached an agreement with EOG?

18 A. We have tentatively reached an agreement with
19 EOG, correct.

20 Q. And if everything is finalized, will you notify
21 the Division so that they are not subject to the forced
22 pooling order?

23 A. That's correct.

24 Q. Would you run briefly through these?

25 A. Yes. So L4 is a summary of communications with

1 COG Operating. In short, we've spoken with them about
2 purchasing their interests, about doing any sort of
3 creative structure. We have proposed the wells, and
4 recently we have been in talks about negotiating an
5 operating agreement.

6 **Q. And what is the basic sticking point on the**
7 **operating agreement?**

8 A. We're just working through forms. So right now
9 we've proposed a 2015 AAPL form, and they are reviewing
10 it.

11 **Q. Okay. Did they prefer the older 1989 form?**

12 A. They prefer the 1989 form.

13 **Q. And have they indicated that they would, one**
14 **way or another, like to join in the well?**

15 A. Yes. They've indicated they would like to
16 participate in the well.

17 **Q. And if they can't come to terms on a JOA,**
18 **perhaps they will negotiate a new -- I mean join the**
19 **well under a pooling order?**

20 A. Correct.

21 **Q. The wells, I should say.**

22 A. The wells, correct.

23 **Q. And then on EOG, briefly?**

24 A. EOG is kind of the same sort of summary,
25 contact about purchasing the interest and then propose

1 the wells. We have -- we are working out an agreement
2 right now. We're hoping to have it resolved by today,
3 but it's taking a few more days. But they have verbally
4 committed on an agreement.

5 Q. And does Exhibit L6 simply contain copies of
6 the various well proposals and any amendments thereto
7 from Ascent to COG and EOG?

8 A. That's correct.

9 Q. And in your opinion, has Ascent made a
10 good-faith effort to obtain the voluntary joinder of the
11 interest owners in the wells?

12 A. Yes.

13 Q. And, again, there are no unlocatable interests?

14 A. There are no unlocatable interests.

15 Q. Would you identify --

16 MR. BRUCE: Mr. Examiner, I was doing this
17 in the morning and I can't understand --

18 EXAMINER GOETZE: Well, I can. You've gone
19 to the alphabet. Again, this is a bad thing for you.

20 MR. BRUCE: I know. And I don't like
21 hyphens, but I did it.

22 EXAMINER GOETZE: When you go to the
23 alphabet, it just falls apart. I'm sorry.

24 Q. (BY MR. BRUCE) Let's move on. I should have --
25 I had written down Exhibit 4. But are Exhibits L7

1 through L10 the AFEs for the four wells?

2 A. That is correct.

3 Q. And could you discuss the cost, just very
4 briefly, of each well and identify whether it's a Bone
5 Spring or a Wolfcamp well?

6 A. Yes. So Exhibits L7 and L8 are two Bone Spring
7 wells. That's the Sombrero Fed Com 503H and the
8 Sombrero Fed Com 501H. The AFEs are similar in costs,
9 and those total costs are 6.7 million, with a drilling
10 cost of 2.8.

11 And then Exhibit L9 and L10 are Wolfcamp
12 wells, and that's the Sombrero Fed Com 702H and the
13 Sombrero Fed Com 701H. And the total AFE costs are
14 about 7.3 million, with the drilling costs being 3.1
15 million.

16 Q. And are these costs reasonable and in line with
17 the costs of other similar Bone Spring or Wolfcamp wells
18 of this length and depth drilled in this area of
19 New Mexico?

20 A. Yes.

21 Q. And do you request that Ascent be appointed
22 operator of the wells?

23 A. That's correct.

24 Q. Do you have a recommendation for the amounts
25 which Ascent should be paid for supervision and

1 **administrative expenses?**

2 A. For drilling, we propose \$7,000, and for
3 producing, \$700.

4 **Q. And are these amounts fair and equivalent to**
5 **those charged by Ascent and other operators in this area**
6 **for wells of this depth?**

7 A. That's correct, yes.

8 **Q. Do you request that these rates be adjusted**
9 **periodically by the COPAS accounting procedure?**

10 A. Yes.

11 **Q. And do you request that the maximum cost plus**
12 **200 percent risk charge be assessed if an interest owner**
13 **goes nonconsent in a well?**

14 A. Yes.

15 **Q. And were the parties being pooled notified of**
16 **this application?**

17 A. They were.

18 **Q. And is that reflected in Exhibit L11?**

19 A. Yes.

20 MR. BRUCE: And, Mr. Examiner, world of
21 wonders, I got green cards back from everybody.

22 **Q. (BY MR. BRUCE) And looking at Exhibit L12,**
23 **Mr. Zink, the notice to the offsets, does the letter --**
24 **does Exhibit A to my notice letter identify all offset**
25 **operators or working interests in the surrounding two**

1 well units?

2 A. Yes, it does.

3 Q. And notice was provided to them by that letter;
4 is that correct?

5 A. That's correct.

6 MR. BRUCE: And, again, Mr. Examiner,
7 everybody did receive -- or return a green card, so they
8 received actual notice.

9 Q. (BY MR. BRUCE) Were Exhibits L1 through L12
10 prepared by you or under your supervision or compiled
11 from company business records?

12 A. Yes, they were.

13 Q. And in your opinion, is the granting of these
14 applications in the interest of conservation and the
15 prevention of waste?

16 A. Yes.

17 MR. BRUCE: Mr. Examiner, I'd move the
18 admission of Exhibits L1 through L12.

19 EXAMINER GOETZE: Mr. Feldewert?

20 MR. FELDEWERT: No objection.

21 EXAMINER GOETZE: Exhibits L1 through L12
22 are so entered into the record.

23 (Ascent Energy, LLC Exhibit Numbers L1
24 through L12 are offered and admitted into
25 evidence.)

1 MR. BRUCE: I pass the witness.

2 EXAMINER GOETZE: Mr. Feldewert?

3 CROSS-EXAMINATION

4 BY MR. FELDEWERT:

5 Q. Mr. Zink, I'm looking at Exhibit L5.

6 A. Yes.

7 Q. And just so I'm clear, I see an entry there of
8 January 22nd, 2018, the last entry, "phone call with
9 Chuck Moran."

10 A. Uh-huh.

11 Q. Have you had discussions since that phone call?

12 A. Yes, we have.

13 Q. Okay. And the basic gist of those deductions
14 are what, again?

15 A. For an office [sic] to purchase -- offer to
16 purchase their interest.

17 Q. Okay. And if I understand your testimony,
18 you've comes to terms?

19 A. We have.

20 Q. And you're papering that up at this point?

21 A. We are.

22 Q. Okay. All right. Now, you mentioned that
23 you're new to New Mexico, and I missed when you acquired
24 your assets.

25 A. First assets were acquired in 2016.

1 Q. 2016?

2 A. Yes.

3 Q. Okay. Was that late or --

4 A. I would say fall -- fall of 2016.

5 Q. Fall. Okay.

6 Has the company drilled any horizontal
7 wells in New Mexico?

8 A. No, it has not.

9 Q. Now, what were your overhead -- what are your
10 overhead rates here?

11 A. Overhead rates are 7,000 and 700.

12 Q. And that's for both Bone Spring and Wolfcamp?

13 A. That's correct.

14 Q. Now, your AFE costs, where did you get those
15 from?

16 A. Those were compiled by our VP of drilling
17 through extensive reaching out to his network of bidding
18 out costs.

19 Q. And who is your VP of drilling?

20 A. VP of drilling is a guy by the name of Jody
21 Robins.

22 Q. Jody Robins?

23 A. Jody Robins, yes.

24 Q. Now, you have how many wells proposed here?

25 Four?

1 A. We have four wells proposed.

2 Q. Do you have a drilling rig under contract?

3 A. We do not.

4 Q. Do you have -- well, maybe I know the answer to
5 this. You don't have vendors set up for takeaway of
6 water, gas --

7 A. We're in negotiations.

8 Q. You're in negotiation?

9 A. Yes.

10 Q. When did those start?

11 A. When did those start? I would say, on all of
12 our positions, somewhere in July of '17.

13 Q. July?

14 A. 2017.

15 Q. Okay. But you don't have any agreements in
16 place?

17 A. Specifically for this tract, no, we do not.

18 Q. Now, your drilling is, as I understand, from
19 the location to the north and west half of Section 7?

20 A. That's correct.

21 Q. Does the company own that acreage?

22 A. Correct. We do. We do own the lease in the
23 west half of Section 7.

24 Q. Okay. And how many drilling pads are you going
25 to be utilizing for these four wells in the west half of

1 **Section 7?**

2 A. Those four wells have two well sites.

3 **Q. Why are you using two well sites?**

4 A. One well site is going to be on the -- in the
5 southeast of the southwest of Section 7, and one well
6 site will be in Lot 4 of Section 7. We'll be drilling
7 multiple wells from the one in southeast-southwest, and
8 we actually have an approved permit to drill to the
9 north on that well pad.

10 **Q. So your company believes two pads are necessary**
11 **to efficiently develop the west half of 18?**

12 A. That's correct.

13 **Q. That's in order to accommodate multiple Bone**
14 **Spring and Wolfcamp wells?**

15 A. Correct.

16 **Q. Does the company own acreage in the east half**
17 **of Section 7?**

18 A. It does.

19 **Q. It does.**

20 **Where is that located?**

21 A. In the southeast of Section -- oh, in Section
22 7?

23 **Q. Yes. I'm sorry. Section 7.**

24 A. In Section 7, we own a lease in the west half
25 of Section 7.

1 Q. You don't have any ownership in the east half?

2 A. Of Section 7?

3 Q. Correct.

4 A. No.

5 Q. Do you have authority to stake drilling
6 locations in the east half of Section 7?

7 A. No.

8 Q. Okay. So, you know, there is no authority to
9 utilize any of the acreage in the east half of Section 7
10 for any of your drilling plans?

11 A. For the Sombrero wells?

12 Q. For any wells.

13 A. Well, for the Sombrero wells, we do not plan on
14 using any of the east half -- surface in the east half.

15 Q. Are you planning on using the surface in the
16 east half of Section 7 to drill any wells?

17 A. Possibly, yes.

18 Q. Do you have authority to utilize the acreage in
19 the east half of Section 7 to drill wells?

20 A. For the Sombrero wells?

21 Q. For any wells.

22 A. For the authority, we are working through some
23 of that.

24 Q. Who you working with?

25 A. Various -- various parties involved in those

1 leases.

2 **Q. Who?**

3 A. We are working with Cimarex. We are working
4 with the grazing lessee, and we are working with the
5 BLM.

6 **Q. Cimarex, the grazing lessee and the BLM.**

7 **So this is federal acreage?**

8 A. It is federal acreage. It is federal acreage.

9 **Q. What's your stance --**

10 A. I'm sorry. State acreage. The southeast of
11 Section 7 is state acreage.

12 So we're working with the BLM because the
13 northeast of Section 18 is federal.

14 **Q. Okay. Okay. So you're looking, then, at**
15 **utilizing that to drill into Section 18?**

16 A. Correct.

17 **Q. And that's why you have to deal with BLM?**

18 A. Correct.

19 **Q. What's the status of your discussions with**
20 **Cimarex?**

21 A. We are -- we are negotiating an operating
22 agreement covering the wells in Section 7 right now.

23 **Q. To drill wells in Section 7?**

24 A. That is correct.

25 **Q. What's the status of your discussions with**

1 **Cimarex about --**

2 MR. BRUCE: Mr. Examiner, I'd object. This
3 has nothing to do with the wells we're here for today.

4 EXAMINER GOETZE: Hold on.

5 Yes. But we seem to be going adrift of
6 where we are on these applications. Why am I worried
7 about the west half?

8 MR. FELDEWERT: Well, we're an offset
9 operator in the --

10 EXAMINER GOETZE: That's correct.

11 MR. FELDEWERT: And I'm trying to figure
12 out --

13 EXAMINER GOETZE: Well, you can do that
14 another way and not in hearing. This is about the
15 application. How is it relevant to the application?

16 MR. FELDEWERT: Well, I think it's -- I
17 need to have an understanding, Mr. Examiner, of what
18 their drilling plans are for this section to assist our
19 client in understanding what their position is. And I'm
20 almost finished.

21 EXAMINER BROOKS: Yeah. I would be
22 inclined to think it was irrelevant except, for some
23 reason, we had determined that offset operators have to
24 be notified of these compulsory pooling cases, and there
25 must have been some reason for that determination.

1 MR. BRUCE: Well, both Mr. Feldewert and I
2 opposed that (laughter).

3 EXAMINER BROOKS: Well, I have reservations
4 at this point myself, and I wonder if it's appropriate
5 to allow an operator to use a hearing of this type in
6 order to get information that they would otherwise
7 not -- perhaps not be able to get directly. But
8 Mr. Feldewert said he was about finished, so maybe it
9 would be better -- maybe a better use of time is to let
10 him go ahead and finish.

11 Q. (BY MR. FELDEWERT) So I think the last question
12 was: What's your status of discussions with Cimarex?

13 A. We are working with Cimarex on an operating
14 agreement covering our Section 7 wells.

15 Q. I think my question was: What is the status of
16 your discussions with Cimarex about utilizing the
17 location to drill into Section 18?

18 A. For our Sombrero wells?

19 Q. For any wells.

20 A. So for our Sombrero wells, we own the lease in
21 the west half of Section 18.

22 Q. The question is: What's the status of your
23 discussions with Cimarex in the east half of 7 for
24 drilling into Section 18?

25 A. And Cimarex is the lessee.

1 **Q. What's the status of that discussion?**

2 A. We are working with Cimarex and talking with
3 them. I've had phone calls with them as early as -- as
4 late as on Monday about that.

5 **Q. Okay. All right. Who would we talk to about**
6 **your completion plan?**

7 MR. BRUCE: Mr. Examiner, I'm going to
8 object to --

9 **Q. (BY MR. FELDEWERT) I'm sorry. The completion**
10 **plan for the acreage of the Sombrero wells?**

11 MR. BRUCE: Well -- and, again, what do
12 they care?

13 EXAMINER GOETZE: Do you have someone
14 that's going to be talking about the geology and
15 completion?

16 MR. BRUCE: I'm going to have someone. I
17 have a geologist.

18 EXAMINER GOETZE: At that point, I would
19 probably -- unless you have something to contribute to
20 the question he has, I probably would defer to the
21 expert, since he is a landman.

22 MR. FELDEWERT: I don't disagree with that.
23 If he was going to tell me he was a geologist --

24 EXAMINER GOETZE: Thank you for the trip.

25 EXAMINER BROOKS: Okay. I would point out

1 that you said the question before that was your last
2 question.

3 MR. FELDEWERT: Okay.

4 EXAMINER BROOKS: Lawyers always lie when
5 they say something like that.

6 MR. FELDEWERT: That's fine. I can save
7 that question for the next witness.

8 MR. BRUCE: Could I just ask a quick
9 follow-up question, Mr. Examiner?

10 EXAMINER GOETZE: You may.

11 REDIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. You have not applied for APDs on these wells at
14 this point; is that correct?

15 A. The Sombrero wells, we have not.

16 Q. Because you don't own an interest in every
17 quarter-quarter section in the well units; is that
18 correct?

19 A. That's correct.

20 EXAMINER BROOKS: I have to amend my
21 remarks about lawyers don't lie about those things.
22 They just are not good predictors.

23 MR. BRUCE: No. We don't count well.

24 That's all I have, Mr. Examiner.

25 EXAMINER GOETZE: Thank you.

1 Mr. Brooks?

2 EXAMINER BROOKS: Nothing.

3 CROSS-EXAMINATION

4 BY EXAMINER GOETZE:

5 Q. Mr. Zink, just for clarity --

6 A. Sure.

7 Q. -- in Section -- what are we dealing with?

8 Section 15, what is the ownership as far as the mineral
9 estate on this -- excuse me -- Section 18? We have
10 federal leases?

11 A. We've got a federal lease in the northwest
12 quarter, and we have a state lease in the southwest
13 quarter.

14 Q. Okay.

15 EXAMINER GOETZE: And do you want me to ask
16 any overriding royalty questions?

17 CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Yeah. Are there any overrides?

20 A. There are overrides on the federal lease in the
21 northwest quarter.

22 Q. Have the override royalty owners joined in the
23 com agreement or ratified the com agreement?

24 A. We will be addressing that. Yes.

25 Q. They have?

1 A. No, they haven't. We will be applying for the
2 com agreement and have them ratify it.

3 **Q. Okay. Well, you don't feel it's necessary to**
4 **include them for compulsory pooling then?**

5 A. Right.

6 **Q. Okay. Thank you.**

7 EXAMINER GOETZE: Okay. Very good. Well,
8 we're done with this witness. Your next witness,
9 please.

10 THE WITNESS: Thank you.

11 EXAMINER GOETZE: Thank you.

12 MR. BRUCE: Ordinarily, Mr. Examiner, there
13 are two sets of geologic exhibits in a case number. In
14 the right-hand corner, first group of the Bone Spring
15 and the second for the Wolfcamp.

16 WILLIAM "BEN" METZ,
17 after having been previously sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 **Q. Would you please state your name for the**
22 **record?**

23 A. William Benjamin Metz.

24 **Q. Who do you work for and in what capacity?**

25 A. I work for Ascent Energy as the exploration

1 manager.

2 Q. Have you previously testified before the
3 Division?

4 A. No.

5 Q. Would you briefly summarize your educational
6 and employment background?

7 A. Yes. I have a Bachelor's of Science from
8 California State University, Sacramento. I have worked
9 in the industry for 12 -- for 12 years, starting with
10 Cabot Oil & Gas working in the Mid-Continent, then to
11 Baytex Energy working in the Williston Basin and Powder
12 River Basin, Gino [phonetic] Energy in east Texas, and
13 for the last 18 months, here at Ascent solely in
14 New Mexico.

15 Q. And does your area of responsibility at Ascent
16 include this area of southeast New Mexico?

17 A. Yes.

18 Q. Are you familiar with the geologic matters
19 involved in these four cases?

20 A. Yes.

21 Q. Let's look at your Bone Spring geology first,
22 and those are Exhibits G1 through G7. Could you just --
23 let's roll through --

24 EXAMINER GOETZE: Let's add a
25 qualification.

1 MR. BRUCE: Mr. Examiner, I'd submit
2 Mr. Metz as an expert petroleum geologist.

3 MR. FELDEWERT: No objection.

4 EXAMINER GOETZE: Welcome, Mr. Metz. We
5 don't get many graduates of California universities, so
6 you are a rare person.

7 Q. (BY MR. BRUCE) Mr. Metz, can you -- let's start
8 with Exhibit G1, and we'll roll through these. Tell
9 them what you know about these exhibits.

10 A. Okay. G1 is a structure map set on the top of
11 the Bone Spring Sand at a 25-foot contour interval
12 dipping gently to the east-southeast across to the two
13 areas that are in question here. The bubbles on there
14 are 2nd Bone Spring Sand wells with a six-month cum
15 production.

16 Q. And does the yellow indicate Ascent's acreage
17 in this area?

18 A. Yes.

19 Q. What is Exhibit G2?

20 A. G2 is a gross 2nd Bone Spring Sand isopach at a
21 50-foot contour interval. The gross interval across the
22 acreage in question here is approximately 550 feet, and
23 it also shows the six-month cum production.

24 Q. And what is Exhibit G3?

25 A. G3 is a net sand isopach on a 25-foot contour

1 interval. You see across here we're still in the
2 475-foot thick sand packages in the 2nd Bone Sand.

3 **Q. And there is a line of cross section on here?**

4 A. Yes. And that goes from north -- north to
5 south, which is followed up on Exhibit G4.

6 **Q. And do the wells on this cross section**
7 **accurately reflect the Bone Spring zone in this area?**

8 A. Yes, it does.

9 **Q. Okay. And looking at the isopach, it looks**
10 **like the thickness is going to be pretty similar in each**
11 **well unit; is that correct?**

12 A. Yes.

13 **Q. And let's move on to your cross section, G.4?**

14 A. Okay. This is, as I mentioned, starting from
15 the -- from the left to the right. It is going north to
16 south, with the center well being the Eaves Unit #1,
17 which is a petrophysical log, which we had acquired
18 through a New-Tex Delaware Basin study.

19 The third well, just for representation
20 sake, is the Dagger State 504H, which has a toe right at
21 the southern edge of Section 18, and it shows that our
22 projected landing in the red line is similar to the
23 Dagger State 504H, which was just completed last April
24 and has cumed over 200,000 barrels.

25 **Q. And does this also reflect -- and the zone of**

1 interest for your two Bone Spring wells is the 2nd Bone
2 Spring?

3 A. Sand, yes.

4 Q. And does this reflect -- also reflect that the
5 2nd Bone Spring reservoir is consistent across the
6 proposed well units?

7 A. Yes, it does.

8 Q. And in your opinion, will each quarter-quarter
9 section in each Bone Spring well unit contribute more or
10 less equally for production?

11 A. Yes, it will.

12 Q. To your knowledge, is there any faulting out
13 here or other geologic impediment that will impair the
14 drilling of these wells?

15 A. Not that we have seen.

16 Q. And is Exhibit G5 simply a tabular
17 representation of the production data you have on these
18 other plans?

19 A. Yes.

20 Q. And it looks like almost all the wells -- Bone
21 Spring wells out here have been 2nd Bone Spring?

22 A. Yes.

23 Q. Are Exhibits G6 and G7 simply the Form C-102
24 acreage dedication plats for the two Bone Spring wells?

25 A. Yes. These are -- these are what have been

1 worked up. Yes.

2 Q. And will the first take point and last take
3 point in each Bone Spring well be at orthodox locations?

4 A. Yes.

5 Q. Is there any particular preference for drilling
6 wells north-south rather than east-west?

7 A. Well, what we're seeing recently is the
8 predominant orientation has been north-south. East-west
9 wells were drilled back in 2012 and 2013 that are shown
10 down on the southern -- on the southern half of the
11 maps. And so the reason why I used a six-month cum
12 instead of a total cum is to kind of give you of an
13 apples-to-apples comparison, and it does show that the
14 north-south orientation has been producing better.
15 There could be some other factors in terms of completion
16 designs and such, but the majority of the current wells
17 being drilled in there are a north-south, as we are
18 planning on drilling ours in a north-south as well.

19 Q. And were Exhibits G1 through G7, as to Cases
20 15949 and 15950, prepared by you or under your
21 supervision or compiled from company business records?

22 A. Yes.

23 Q. Let's move on to the Wolfcamp cases, 951 and
24 952. It's a pretty similar package; is it not?

25 A. Yes.

1 **Q. Why don't you briefly run through these?**

2 A. Okay. Exhibit G1 is a structure map on the top
3 of the Wolfcamp. You see that it is dipping down
4 towards the -- down towards the south, heading to the
5 center of the Basin. The bubbles indicate, again, the
6 first six months of cum nearby, the Wolfcamp wells, and
7 there's also -- the permitted wells that have been
8 designated as Wolfcamp permits are also shown on there.

9 **Q. There are quite a few fewer Wolfcamp wells than**
10 **Bone Spring wells in this area?**

11 A. Yes.

12 **Q. And move on to your Exhibit G2.**

13 A. G2 is a Wolfcamp A isopach map. You see
14 through -- through our area, we have about 350 feet
15 total thickness in what we call the Wolfcamp A. And
16 these are 25-foot contour intervals.

17 **Q. And Exhibit G3?**

18 A. Exhibit G3 a net sand isopach through the
19 Wolfcamp A, which I'll be using as our pay indicator.
20 And you can see that we still have over 300 feet of
21 quality reservoir.

22 **Q. And the Wolfcamp thickness is uniform across**
23 **both well units?**

24 A. Yes.

25 **Q. And then --**

1 A. There is also a line of -- line of cross
2 section again with a different set of wells.

3 **Q. Were these basically older Morrow wells or**
4 **something like that?**

5 A. Yeah. These are old, deeper tests. Yes.

6 **Q. And what does the cross section show as to the**
7 **Wolfcamp?**

8 A. So, once again, it goes from north to south,
9 going from left -- left to right, and it shows where our
10 primary Wolfcamp target will be, which is in the 2nd
11 Sand, commonly referred to as the excess [sic] sand.
12 And the consistency of the reservoir across the Wolfcamp
13 appears to be fairly consistent.

14 I will point out that on G3, the Wolfcamp
15 wells that are on the north part of the map, those
16 targeted the X Sand, and the Wolfcamp well that is down
17 in the southern part of the -- southern part of the map
18 targeted the Lower A Shale, which is in that log on the
19 far right and they landed that right at the bottom on
20 top of the B.

21 **Q. And would you anticipate each quarter-quarter**
22 **section in each Wolfcamp well unit to contribute more or**
23 **less equally to production?**

24 A. Yes.

25 **Q. And, again, is there any faulting in this area**

1 or geological problem?

2 A. Not that we are aware of.

3 Q. And does Exhibit G5 again clearly tabulate the
4 other data that's shown on the other plats?

5 A. Yes, it does.

6 Q. And these wells are fairly recent, and they
7 have pretty good six-month cums; do they not?

8 A. Yes. Yes.

9 Q. Finally, are Exhibits G6 and G7 the C-102s for
10 the two Wolfcamp wells?

11 A. Yes.

12 Q. And, again, do they reflect that the first take
13 point and the last take point will be at orthodox
14 locations?

15 A. Yes.

16 Q. And in Cases 951 and 952, were Exhibits G1
17 through G7 either prepared by you or compiled from
18 company business records?

19 A. Yes.

20 Q. And in your opinion, will the granting of these
21 applications be in the interest of conservation and the
22 prevention of waste?

23 A. Yes.

24 MR. BRUCE: Mr. Examiner, I'd like to move
25 the admission of Exhibits G1 through G7 in each of the

1 cases, 949 and 950 and 951 and 952.

2 MR. FELDEWERT: No objection.

3 EXAMINER GOETZE: Exhibits G1 through G7
4 for Cases 15949 and 15950, as well as G1 through G7 for
5 15951 and 15952 are so entered.

6 (Ascent Energy, LLC Exhibit Numbers G1
7 through G7 are offered and admitted into
8 evidence.)

9 MR. BRUCE: And I pass the witness.

10 CROSS-EXAMINATION

11 BY MR. FELDEWERT:

12 Q. Mr. Metz, I'm looking at Exhibit G3 for the
13 Bone Spring wells. Now, I'm trying to understand here.
14 The bubbles represent the 2nd Bone Spring wells?

15 A. 2nd Bone Spring Sand wells, yes.

16 Q. Okay. So if I look, for example, up there in
17 Section 7 to the north, I see some sticks up there. Are
18 those wells drilled?

19 A. No. So the drilled well that is in the west
20 half of the east half of Section 7 is a 3rd Bone Spring
21 sand --

22 Q. Okay.

23 A. -- and that one was just showing up on the map
24 because it has a log associated with it. And then the
25 permit in the east half of the west half of Section 7 is

1 our permit.

2 Q. And is that the 2nd or 3rd Bone Spring?

3 A. That is a 2nd -- 2nd Bone Sand well.

4 Q. All right. And the wells down there in
5 Section -- Sections 19, 30 and 31, are those 2nd Bone
6 Spring?

7 A. Those are 2nd Bone Spring wells.

8 Q. Are they permitted wells?

9 A. Yes, by -- originally by Amtex Energy, and now
10 they're currently at Advance.

11 Q. And then you have one 2nd Bone Spring well down
12 there in Section 19 on the east half that's been
13 drilled, right?

14 A. Yes. That is the Dagger State 504H, which is
15 also the well on Exhibit G4 shown as their lateral
16 placement.

17 Q. So one of the questions I had is why you were
18 targeting the 2nd Bone Spring Sand instead of the 3rd
19 Bone Spring Sand?

20 A. We believe both of them are attractive, but we
21 felt our first well drilling here, we would be kind of
22 staying close to what our nearest offset operators have
23 done. And I think a well that has cumed over 200,000
24 barrels in under a year is a pretty darn good well.

25 Q. And that's that -- which well are you

1 **referencing?**

2 A. The Dagger 504H, the one that starts in the
3 middle of Section 30 and drills north, and it toes into
4 the south line of Section 18.

5 **Q. What about that 3rd Bone Spring well up there**
6 **in Section 7? Has that been successful?**

7 A. That is a 2013 well, I believe, 2014 well, and
8 that has -- that well is a -- hasn't met expectations on
9 what you would expect.

10 **Q. Okay. All right. And who drilled that well?**

11 A. That was Cimarex.

12 **Q. Cimarex. Okay.**

13 And I think you may have answered my
14 question here. Do you see -- you mentioned lay-down
15 versus stand-up wells. Do you see any difference if you
16 drill a well north to south or put a well south to north
17 in the Bone Spring? Does it make any difference?

18 A. I haven't seen -- I haven't seen anything that
19 would say there is a difference.

20 **Q. Same thing for the Wolfcamp?**

21 A. Yes.

22 **Q. Doesn't matter if you drilled north to south or**
23 **south to north?**

24 A. Yeah, correct.

25 **Q. Okay. Are you familiar with the company's**

1 completion plan for its proposed wells?

2 A. As far as I know, those are still -- those are
3 still being worked on.

4 Q. Do you know what type of design they're looking
5 at?

6 A. Probably plug and perf, but those are still
7 being worked up by our VP of completions.

8 Q. Do you know what pounds of proppant per foot
9 they're proposing?

10 A. It will be similar to what has been done in
11 nearby wells, so I would say probably in excess of 2,500
12 pounds per lateral foot.

13 Q. And do you know the cluster spacing you're
14 anticipating?

15 A. I do not know that. I do not.

16 Q. Or the number of stages?

17 A. I do not.

18 Q. What's the plan for the surface facilities in
19 the east half of Section 7? Are you going to have
20 separate tank batteries?

21 A. I'm not aware of the exact design yet, but our
22 belief is that a centralized setup is the most
23 sufficient to minimize the surface disturbance.

24 Q. So I may have misspoke. I'm talking about the
25 west half of Section 7. I think you have two drilling

1 **pads. Are you proposing separate tank batteries there?**

2 A. Oh. No. There will be -- as I said, we're
3 still working it through, but I think we will be trying
4 out a centralized everything as much as we can. But to
5 say yes for sure, I can't say that.

6 **Q. Okay. So we don't know yet?**

7 A. Yeah.

8 **Q. That's all the questions I have. Thank you.**

9 A. Uh-huh.

10 EXAMINER BROOKS: No questions.

11 CROSS-EXAMINATION

12 BY EXAMINER GOETZE:

13 **Q. Mr. Metz, one thing on your Bone Spring, I**
14 **notice we have, the well that was recently drilled, toe**
15 **up, heel down; is that correct?**

16 A. Yes.

17 **Q. Are you going to follow that same pattern?**

18 A. We will be drilling from the north going south.

19 Oh, and in terms of on G4, how it shows
20 them drilling up, they were drilling updip?

21 **Q. Yeah.**

22 A. Yeah. So we will be kind of drilling more on a
23 downdip, drilling southward.

24 **Q. Okay. And as far as the Wolfcamp, any**
25 **orientation, up, down, with regards to those, just out**

1 **of curiosity?**

2 A. Yeah. We haven't seen a huge difference yet.
3 As you can see, there hasn't been a lot of completed
4 wells in the area, but there is quite a bit of activity
5 moving up, as you can see, on the permitting process,
6 and in all different -- they're both going south and
7 north. So from what we have seen, there is not a huge
8 difference drilling north versus drilling south.

9 **Q. Just out of curiosity, has anybody talked with**
10 **the district geologist as far as pool assignments or a**
11 **guess?**

12 MR. BRUCE: Mr. Zink can answer this, but
13 yes, I asked them to contact Mr. Kautz.

14 EXAMINER GOETZE: Make his day?

15 MR. BRUCE: I don't know about the pool
16 name, but we did figure out that Mr. Kautz would have
17 assigned the Wolfcamp to an oil pool.

18 EXAMINER GOETZE: Okay. That's what I was
19 getting to, so we've got the 40-acre spacing still --

20 MR. BRUCE: Yes.

21 EXAMINER GOETZE: No further questions.
22 Thank you very much, sir.

23 THE WITNESS: Thank you.

24 EXAMINER GOETZE: What do you want to do?

25 MR. BRUCE: Can I get an order by tomorrow

1 (laughter)?

2 EXAMINER GOETZE: If you get me a pool
3 number.

4 MR. BRUCE: I'd ask that it be taken under
5 advisement.

6 EXAMINER GOETZE: Okay. And we will be
7 back at 1:30.

8 (Case Numbers 15949, 15950, 15951 and 15952
9 conclude, 11:53 a.m.)

10 (Recess, 11:53 a.m. to 1:35 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
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13 I FURTHER CERTIFY that the Reporter's
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.

20 DATED THIS 1st day of March 2018.

21

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23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
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Date of CCR Expiration: 12/31/2018
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