

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. 16481,
FOR COMPULSORY POOLING, EDDY COUNTY, 16482
NEW MEXICO.

AMENDED APPLICATION OF APACHE CASE NO. 20171
CORPORATION FOR COMPULSORY POOLING
AND APPROVAL OF A HORIZONTAL SPACING
UNIT AND POTASH AREA DEVELOPMENT AREA,
EDDY COUNTY, NEW MEXICO.

APPLICATION OF APACHE CORPORATION FOR CASE NO. 20202
COMPULSORY POOLING AND APPROVAL OF A
HORIZONTAL SPACING UNIT AND POTASH AREA
DEVELOPMENT AREA, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 20, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
DYLAN ROSE-COSS, TECHNICAL EXAMINER
BILL BRANCARD, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Dylan Rose-Coss, Technical Examiner; and Bill Brancard, Legal Examiner, on Tuesday, August 20, 2019, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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Albuquerque, New Mexico 87102

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1	INDEX	
2		PAGE
3	Case Numbers 16481, 16482, 20171 and 20202 Called	6
4	Opening Statements	8 - 13
5	Ascent Energy, LLC's Case-in-Chief:	
6	Witnesses:	
7	Lee Zink:	
8	Direct Examination by Mr. Bruce	17
	Cross-Examination by Mr. DeBrine	31
9	Cross-Examination by Examiner Jones	39
	Cross-Examination by Examiner Coss	46
10	Recross Examination by Examiner Jones	46, 50
	Cross-Examination by Examiner Brancard	47, 50
11	Redirect Examination by Mr. Bruce	48
12	Alex Yancey:	
13	Direct Examination by Mr. Bruce	52
	Voir Dire Examination by Mr. DeBrine	53
14	Voir Dire Examination by Examiner Jones	54, 55
	Continued Direct Examination by Mr. Bruce	54, 55
15	Cross-Examination by Mr. DeBrine	63
	Cross-Examination by Examiner Jones	74
16	Cross-Examination by Examiner Coss	79
	Recross Examination by Examiner Jones	80
17	Redirect Examination by Mr. Bruce	81
	Recross Examination by Mr. DeBrine	82
18	Apache Corporation's Case-in-Chief:	
19	Witnesses:	
20	Laci L. Stretcher:	
21	Direct Examination by Mr. DeBrine	100
22	Cross-Examination by Mr. Bruce	135
	Cross-Examination by Examiner Jones	147
23	Cross-Examination by Examiner Coss	152
	Cross-Examination by Examiner Brancard	154
24	Recross Examination by Examiner Jones	161, 163
	Recross Examination by Examiner Coss	162
25	Recross Examination by Mr. Bruce	164

1	INDEX (Cont'd)	
2		PAGE
3	Apache Corporation's Case-in-Chief (Cont'd)	
4	Witnesses (Cont'd):	
5	Laci L. Stretcher (Cont'd):	
6	Redirect Examination by Mr. DeBrine	165
7	Mike Muncy:	
8	Direct Examination by Mr. DeBrine	168
	Cross-Examination by Mr. Bruce	177
9	Cross-Examination by Examiner Coss	178
	Cross-Examination by Examiner Jones	179
10	Recross Examination by Mr. Bruce	181
11	Mindy Goldsmith:	
12	Direct Examination by Mr. DeBrine	183
	Cross-Examination by Mr. Bruce	209
13	Cross-Examination by Examiner Coss	215
	Cross-Examination by Examiner Jones	217
14	Cross-Examination by Examiner Brancard	223
	Recross Examination by Mr. Bruce	224
15	Jordan Evans:	
16	Direct Examination by Mr. DeBrine	225
17	Cross-Examination by Mr. Bruce	232
	Cross-Examination by Examiner Jones	233
18	Cross-Examination of Examiner Coss	236
	Cross-Examination by Examiner Brancard	236
19	Recross Examination by Mr. Bruce	239
	Redirect Examination by Mr. DeBrine	239
20	Mindy Goldsmith (Re-called):	
21	Direct Examination by Mr. DeBrine	240
22		
23	Proceedings Conclude	243
24	Certificate of Court Reporter	245
25		

1 (9:04 a.m.)

2 EXAMINER JONES: Let's get started this
3 morning. I understand this is a special examiner
4 hearing for Tuesday, August 20th, 2019. They've labeled
5 it Docket Number 30-19.

6 As far as the examiners go, I'm William V.
7 Jones. Bill Brancard has graciously offered to sit with
8 us again today, and as long as we don't go too long,
9 we'll be okay. And we've got Dylan Coss here. We're
10 glad to have him. Hopefully, he'll ask some questions.

11 The matter this morning, as far as
12 continued, is Ascent -- two cases for Ascent and two
13 cases for Apache. I'll just call Case 16481,
14 application of Ascent Energy, LLC for compulsory pooling
15 in Eddy County, New Mexico, and Case Number 16482, which
16 is application of Ascent Energy, LLC for compulsory
17 pooling in Eddy County, New Mexico.

18 Then we also have Case Number 20171,
19 amended application of Apache Corporation for compulsory
20 pooling and approval of a horizontal spacing unit and
21 potash area development area, Eddy County, New Mexico,
22 and Case Number 20202, application of Apache Corporation
23 for compulsory pooling and approval of a horizontal
24 spacing unit and potash area development area in Eddy
25 County, New Mexico.

1 As far as the -- we've got two Applicants
2 and four different cases. Have you made an agreement
3 about who goes first or --

4 MR. BRUCE: Well, we filed first, so
5 under --

6 MR. DeBRINE: Yeah. We haven't discussed
7 it, and that's fine.

8 MR. BRUCE: -- the long-standing rules, I
9 would ask Ascent to go first.

10 EXAMINER JONES: Okay. As far as the two
11 cases for Ascent, which is Cases 16481 and 16482, call
12 for appearances.

13 MR. BRUCE: Mr. Examiner, Jim Bruce of
14 Santa Fe representing Ascent Energy, LLC.

15 I have two witnesses.

16 EXAMINER JONES: Other appearances?

17 MR. DeBRINE: Good morning, Mr. Examiner.
18 Earl DeBrine, with the Modrall, Sperling firm in
19 Albuquerque, New Mexico, representing Apache
20 Corporation.

21 And we'll be calling four witnesses today.

22 EXAMINER JONES: Other witnesses?

23 MR. LARSON: Good morning, Mr. Examiner.
24 Gary Larson of the Santa Fe office of Hinkle Shanor for
25 Mewbourne Oil Company.

1 I do not have any witnesses.

2 MR. PADILLA: Mr. Examiner, Ernest L.
3 Padilla for EOG Resources.

4 We don't have any witnesses today.

5 MR. MOELLENBERG: Mr. Examiner, Dalva
6 Moellenberg, Gallagher & Kennedy, appearing for
7 Occidental Permian Limited Partnership.

8 And we do not have any witnesses.

9 EXAMINER JONES: Any others?

10 Okay. Jim --

11 EXAMINER BRANCARD: And you've all entered
12 appearances in both cases.

13 MR. PADILLA: Yes.

14 MR. LARSON: Yes.

15 MR. MOELLENBERG: Yes.

16 EXAMINER JONES: Can you tell us what
17 you're going to show this morning?

18 OPENING STATEMENT

19 MR. BRUCE: Well, Mr. Examiner, these --
20 all four cases involve competing plans in the potash
21 area. Ascent is seeking to drill stand-up wells, and
22 Apache is seeking to drill lay-down wells.

23 Ascent got the ball rolling back in, I
24 believe, March of 19-- 2018, and I believe that it has
25 made a good-faith effort to obtain the voluntary pooling

1 of the interest owners in its proposed well units. I
2 would note that to the best of Ascent's knowledge,
3 Apache does not own any interest in Ascent's proposed
4 well units.

5 We will show that Ascent has a better
6 development plan, it will not leave any stranded acreage
7 in the potash area, and that Ascent has substantially
8 more working interest ownership role in its well units
9 than does Apache in its well units.

10 And based on these factors, which have been
11 used by the Division and the Commission for a number of
12 years, we believe Ascent's application should be granted
13 and Apache's denied.

14 EXAMINER JONES: Okay. Let's call also the
15 Apache cases, Case Number 20171 and 20202, application
16 of Apache Corporation for compulsory pooling and
17 approval of a horizontal spacing unit and potash area
18 development area in Eddy County, New Mexico.

19 Call for appearances in those two cases.

20 MR. DeBRINE: Earl DeBrine, for the
21 Modrall, Sperling firm, for the Applicant, Apache
22 Corporation.

23 MR. BRUCE: Jim Bruce representing Ascent
24 in the Apache cases.

25 EXAMINER JONES: Other appearances?

1 MR. LARSON: Mr. Examiner, Gary Larson for
2 Mewbourne Oil Company.

3 Again, I do not have any witnesses.

4 MR. PADILLA: Mr. Examiner, Ernest L.
5 Padilla for EOG Resources.

6 We don't have any witnesses.

7 MR. MOELLENBERG: And, Mr. Examiner, Dalva
8 Moellenberg for Occidental Petroleum -- Occidental
9 Permian Limited Partnership.

10 Again, we don't have any witnesses.

11 EXAMINER JONES: That's Occidental Permian?

12 MR. MOELLENBERG: Permian, yes.

13 EXAMINER JONES: It's not OXY USA,
14 Incorporated?

15 MR. MOELLENBERG: Right. Correct.

16 EXAMINER JONES: Okay. In the Apache
17 cases, Mr. DeBrine, can you briefly state what you're
18 going to show today.

19 OPENING STATEMENT

20 MR. DeBRINE: Yes, Mr. Examiner.

21 Mr. Bruce was right. These are competing
22 cases with regard to development plans in the potash
23 area, and there are special rules and procedures with
24 regard to development of oil and gas in the potash
25 resources established by orders of the Division and

1 orders by the Secretary of the Interior which basically
2 call for a process in which operators propose a
3 development area, notify affected parties within a
4 two-mile radius so that everybody has an opportunity to
5 weigh in on the proposed plan. And it's designed to
6 reach a collaborative process in which everybody is on
7 board with regard to establishment of drilling islands
8 and how the resources are going to be developed.

9 There was a plan proposed initially by
10 Ascent in March concerning its Anvil development area,
11 and Apache participated in the collaborative process.
12 They were unable to reach agreement.

13 Apache proposed its competing Taco 28-30
14 development plan. And basically what the two plans call
15 for is Apache is proposing to drill two-and-a-half-mile
16 laterals east to west from the north half of Sections 28
17 and 29 into the north quarter of Section 30. And Apache
18 already has a directional Morrow well that was drilled
19 from a drill pad in the northwest quarter, Section 28.
20 That was completed in Section 29. That is the only
21 hole -- only well holding its leases there in Section 29
22 where it has a 98 percent working interest in those
23 leases.

24 OXY, which supports OXY's [sic] development
25 plan, owns, we believe, 100 percent working interest in

1 the lands of the northwest quarter of Section 30 and
2 also a significant interest in the lands in the
3 northeast quarter of Section 28 on both ends of the
4 proposed development area.

5 Ascent's competing plan calls for drilling
6 two-mile laterals in the west half of Section 33 north
7 into Section 28, and so you've got this overlapping
8 Section 28 that involves both plans.

9 And what we intend to show is that Apache's
10 proposed plan is a superior plan that would result in
11 the greatest EUR, will effectively develop the
12 nonproductive formations and allow for future
13 development and that it's the superior operator with the
14 knowledge and ability to drill its proposed wells and
15 minimize the catastrophic risk of well collision. It
16 will show that it's made a substantial investment in
17 preparing its development area and is ready, willing and
18 able to implement it.

19 We'll be calling four witnesses today. The
20 first is Laci Stretcher, who is Apache's land manager,
21 who is overseeing this proposed development area,
22 working with the BLM and other working interest owners
23 to seek a plan that works for everyone and that the BLM
24 would approve of under the terms of the Secretary's
25 order.

1 We also have Mike Muncy, who is Apache's
2 geologist, who is going to talk about the geologic
3 structure and the characteristics of the target
4 formations.

5 We will also be calling Mindy Goldsmith,
6 who is Apache's engineer, who has analyzed the proposed
7 drilling plans for each development area to determine
8 the optimal well orientation and the waste that will
9 result if Ascent's plan is adopted.

10 And finally, we'll be calling Jordan Evans,
11 who is Apache's manager of drilling engineers, who is
12 overseeing the design of the proposed wells for Apache
13 and looked at the Ascent wells to assess the potential
14 for well collision if Ascent is allowed to drill wells
15 into Section 28.

16 EXAMINER JONES: Okay. Thank you.

17 Mr. Larson, as far as Mewbourne goes, do
18 they have a position in this, or have they not decided
19 yet?

20 MR. LARSON: Mewbourne does not have a
21 position.

22 EXAMINER JONES: Okay. Mr. Padilla, as far
23 as EOG goes?

24 MR. PADILLA: Mr. Examiner, as you well
25 know, we filed a motion to dismiss in this case on the

1 basis that the BLM ultimately may overrule anything that
2 the OCD does here today in terms of decision, whether or
3 not Ascent prevails or whether or not Apache prevails.

4 We believe that the BLM ultimately is going
5 to approve the APDs and presumably that the APDs could
6 follow the recommendations made in any decision by the
7 OCD, but still they could change that. And the potash
8 complicates a lot of things here. We're not --
9 certainly I'm not up to date as to where the BLM is with
10 the drilling approval for the island where those -- and
11 perhaps the witnesses of Apache and Ascent will give us
12 more information on that. But we're certainly -- or,
13 EOG is certainly concerned about stranding acreage that
14 could otherwise be developed under any of the plans. So
15 ultimately we're going to look to see which plan favors
16 EOG in terms of stranded acreage.

17 But going back to the BLM, they could --
18 they could certainly change things because they do have
19 total primacy in this case.

20 EXAMINER JONES: Okay. Thank you.

21 Mr. Moellenberg, as far as OXY Permian?

22 MR. MOELLENBERG: Mr. Hearing Examiner, as
23 Mr. DeBrine indicated, OXY is supporting Apache's
24 applications, and we filed a prehearing statement that
25 indicates the reasons, so I don't need to go into that

1 probably any further.

2 Thank you.

3 EXAMINER JONES: Okay. Thank you.

4 Any other matters before we get started
5 this morning?

6 MR. DeBRINE: If I could just clarify one
7 thing, Mr. Examiner. Apache's applications ask for an
8 order of compulsory pooling from the Division as part of
9 the relief requested. We are not actually seeking
10 pooling as part of this proceeding. We've had
11 discussions with the working interest owners. Those
12 discussions have been productive. But the common theme
13 that we heard is that the parties would rather wait to
14 see what plan is approved before they sign on board to a
15 JOA. So we elected not to seek pooling of the working
16 interest owners in the proposed wells that are the
17 subject of Apache's applications.

18 We're just asking the Division to approve
19 its proposed 28-30 Taco development plan and approve
20 Apache as the operator of the development area, and then
21 we'll go forward to consolidate interests to put
22 together spacing units for the wells that have been
23 proposed.

24 EXAMINER JONES: That's interesting.

25 Any other statements this morning?

1 EXAMINER BRANCARD: It's helpful to clarify
2 where everybody's at, the parties, competing
3 applications and multiple working interest owners and
4 potential operators here so we understand what
5 everyone's position is.

6 I would be curious, actually, for
7 Mr. Moellenberg to say why they support Apache's
8 position.

9 MR. MOELLENBERG: Yes, Mr. Brancard.
10 Essentially for the reasons Mr. DeBrine stated, and,
11 again, that's laid out in the prehearing statement. But
12 part of it is Apache's superior knowledge and financing
13 and then just the plan in general.

14 EXAMINER JONES: Okay. Will all the
15 witnesses that intend to testify today please stand and
16 the court reporter swear the witnesses?

17 (Mr. Zink, Mr. Yancey, Ms. Stretcher,
18 Mr. Muncy, Ms. Goldsmith and Mr. Evans
19 sworn.)

20 EXAMINER JONES: Thank you.

21 Mr. Bruce, you've got two witnesses?

22 MR. BRUCE: Yes.

23 LEE ZINK,
24 after having been first duly sworn under oath, was
25 questioned and testified as follows:

DIRECT EXAMINATION

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BY MR. BRUCE:

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

A. Lee Zink.

Q. And where do you reside?

A. Denver, Colorado.

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

A. I work for Ascent Energy, LLC as the vice president of land.

Q. Have you previously testified before the Division?

A. Yes.

Q. And were your credentials as an expert petroleum landman accepted as a matter of record?

A. Yes.

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

A. I am.

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

EXAMINER JONES: Any objections?

MR. DeBRINE: No objection.

MR. LARSON: No objection.

MR. MOELLENBERG: No objection.

1 MR. PADILLA: No objection.

2 EXAMINER JONES: So qualified.

3 Q. (BY MR. BRUCE) Mr. Zink, I've got a few
4 exhibits.

5 MR. BRUCE: And, Mr. Examiner, just to
6 minimize the, quote, unquote, "number of exhibits," what
7 I've done is stapled together a bunch of pages and
8 numbers of pages for easier reference.

9 Q. (BY MR. BRUCE) Mr. Zink, let's turn to your
10 Exhibit A, first of all. On the front page, what does
11 that show?

12 A. Exhibit A is just a location map of -- in Eddy
13 County, New Mexico. Highlighted there in red is our
14 proposed Anvil development area, which is in 20 South,
15 30 East, Sections 28 and 33, west half of both sections,
16 covering 640 acres.

17 Q. And what is page 2?

18 A. Page 2 is just -- it's just another land map of
19 our proposed Anvil development area with our two-mile
20 notification boundary for our -- for our development
21 area notification that was sent out to all the owners.

22 Q. And when did Ascent first propose its Anvil
23 development area to the Bureau of Land Management?

24 A. We proposed this development area in March of
25 2018. From that map, you can see actually those

1 green -- those green, I guess, squares are our approved
2 drill islands with the BLM. We had on-sites with them.
3 They were approved; they were staked prior to sending
4 out the development area notification.

5 **Q. Okay. And so you plan on drilling your wells**
6 **from the south to north?**

7 A. That's correct.

8 **Q. What does page 3 reflect?**

9 A. Page 3 is the current BLM development area map.
10 As you can see, outlined in red there is our proposed
11 Anvil development area. Just for, I guess -- just for
12 your information, the green units are approved units
13 according to the BLM, and the yellow-orange units are
14 pending, I guess, pending status. So they've been sent
15 out to owners, but they are not approved yet.

16 **Q. Moving on to page 4.**

17 A. Page 4 is just the -- it's the Ascent acreage
18 map covering our Anvil development area and all of our
19 interest there in Sections 28 and 32 and 33. And
20 outlined in red is our proposed Anvil development area.
21 Ascent owns interest outside of this -- this unit and
22 has planned to drill more wells on this acreage that are
23 outside of the Anvil development area.

24 **Q. And you are seeking to drill both Bone Spring**
25 **wells and Wolfcamp wells?**

1 A. We are.

2 **Q. What is the interest ownership in the proposed**
3 **well units? And I refer you to pages 5 and 6.**

4 A. Yup. Pages 5 and 6 are just listing the
5 current working interest owners at this time. Ascent is
6 the largest single owner in this unit. We are working
7 with the other owners there, and we have a pending deal
8 to acquire an additional 50 percent in that unit right
9 now. So that has not been closed, but in the near
10 future, we plan to have closer to 84 percent in this
11 unit.

12 **Q. Is the reason that there are some curative**
13 **title issues?**

14 A. There are some curative issues that we're --
15 we're sorting through right now to -- to -- to be able
16 to close that deal.

17 **Q. So that would bring your working interest up to**
18 **close to 85 percent?**

19 A. That's correct, 84 percent.

20 **Q. And you mentioned that you've been working with**
21 **the interest owners. Is that reflected in Exhibit 7 --**
22 **or page 7?**

23 A. Yes. Page 7 is the summary of communications
24 with the working interest owners in our unit. Today we
25 have closed on three acquisitions within this

1 development area, and we have an agreement in place to
2 acquire an additional 50 percent working interest, thus
3 bringing our interest up to 84 percent.

4 **Q. You've been working on this prospect now for**
5 **over a couple of years?**

6 A. Yeah. For about over a year now, we've been
7 working on this prospect.

8 **Q. What does page 8 reflect?**

9 A. Page 8 is just a leasehold map of the area,
10 Ascent's acreage there in yellow and Apache's acreage in
11 red. As you can see, Apache's interest is only in
12 Section -- it's in Section 29, and that is not in our
13 Anvil proposed -- in our proposed Anvil development
14 area.

15 **Q. And move on to page 9.**

16 A. Page 9 is just kind of a -- just a well map of
17 the area with Ascent's acreage there in yellow. All the
18 orange dots with orange pads are approved drilling
19 islands in the area. So there are obviously a number of
20 approved drill islands in that area.

21 **Q. And there are both stand-up and lay-down well**
22 **units in this area; are there not?**

23 A. Yes. As you see by the map, there are wells
24 drilled in both directions.

25 **Q. And will Ascent's next witness address that**

1 further?

2 A. Yes.

3 Q. Let's move on to Exhibit A1 -- A-1. Does that
4 contain the C-102s for the five proposed wells you're
5 here for today?

6 A. It does.

7 Q. And could you identify -- just briefly identify
8 each one and describe what zone will be tested by each
9 well?

10 A. Yes. On page 1 there, A-1, it's our Anvil Fed
11 Com 401H. That is our 1st Bone proposal. Again, we've
12 got a drill island there in kind of the -- I guess it's
13 Lot 1 of Section 4 in 21 South, 29 East, with a
14 bottom-hole location there in the northwest-northwest of
15 Section 28, 20 South, 30 East.

16 Page 2 is our Anvil Fed Com 501H, and that
17 is our 2nd Bone well. And, again, that's with the
18 surface location there in Section 4 all the way at the
19 bottom hole -- a two-mile well drilling to the north and
20 with a bottom-hole location there in the northwest-
21 northwest of Section 28 of 20 South, 30 East.

22 Page 3 is our Anvil Fed Com 601H, which is
23 our 3rd Bone target, again using the same drill island,
24 same bottom-hole location.

25 The next page is our Anvil Fed Com 701H,

1 and that is our Wolfcamp XY target, again using the same
2 drill islands and same bottom hole.

3 And then the last well is our Anvil Fed Com
4 702H, which is our Wolfcamp A, and again it's using the
5 same drill island drilling two miles north.

6 **Q. Now, you're here today for the west half-west**
7 **half wells; is that correct?**

8 A. That's correct.

9 **Q. Does Ascent intend to fully develop the west**
10 **half of both of Sections 28 and 33?**

11 A. Yes.

12 **Q. Are there any depth severances in the Bone**
13 **Spring Formation or the Wolfcamp Formation?**

14 A. There are no depth severances in the Bone
15 Spring or the Wolfcamp.

16 **Q. If you could move on to Exhibit 2 and identify**
17 **that for the Examiner.**

18 A. A-2?

19 **Q. Yes, A-2.**

20 A. Exhibit A-2 is a copy of our well proposals
21 that were sent out to the working interest owners in the
22 Anvil development area, obviously one proposal for the
23 401H, one for the 501H, 601H, 701H and 702. These are
24 just examples. This particular package was the one sent
25 out to EOG, but we sent a similar package out to all the

1 other working interest owners that are identified on --
2 on -- on page 5 of Exhibit A.

3 Q. And did the well-proposal letters include AFEs?

4 A. They did.

5 Q. And if you'd go back to page 10 of Exhibit A,
6 could you identify the remainder of that exhibit and
7 just briefly itemize the proposed well costs for each
8 particular well?

9 A. Yeah. We recently updated our AFE costs for
10 these two-mile wells.

11 Page 10 there is our 1st Bone well, so the
12 Anvil Fed Com 401H. I've got a well cost of about 9.3
13 million.

14 Page 12 there is our updated AFE for the
15 Anvil Fed Com 501H, and that's the 2nd Bone test, and
16 we've got a well cost of approximately 9.3, similar.

17 The next one is page 14. We have the Anvil
18 Fed Com 601. That's our 3rd Bone well. We have an AFE
19 of about 9.4 million.

20 And then page 16 is our Anvil Fed Com 701H.
21 That is our Wolfcamp XY, and total AFE of about 10
22 million.

23 And then page 18 is our Anvil Fed Com 702H,
24 and that's our Wolfcamp A. And that's about 10.1
25 million.

1 Q. And are these well costs fair and reasonable
2 and in line with the cost of similar wells drilled in
3 this part of New Mexico?

4 A. That's correct.

5 Q. Do you request that Ascent be appointed
6 operator of the wells?

7 A. Yes.

8 Q. Now, you sent out the proposal letters. Have
9 you had follow-up conversations with these interest
10 owners?

11 A. Yup. We did several follow-up conversations.
12 We've actually closed on two additional acquisitions
13 since we sent out the initial preliminary notification,
14 and we're working on the last part -- on closing the
15 last part, which is the additional 50 percent working
16 interests in this unit.

17 Q. And the proposal letters first went out over a
18 year ago; is that correct?

19 A. That's correct.

20 Q. In your opinion, has Ascent made a good-faith
21 effort to obtain the voluntary joinder of the working
22 interest owners in the well?

23 A. Yes.

24 Q. And does Ascent have the right to communitize
25 the overrides in the well?

1 A. Yes.

2 Q. Do you have a recommendation for the amounts
3 which Ascent should be paid for supervision and
4 administrative expenses?

5 A. 7,000 and 700. 7,000 for drilling, 700 for
6 overhead.

7 Q. Are these amounts equivalent to those normally
8 charged by Ascent and other operators in this area for
9 wells of this depth and length?

10 A. Yes.

11 Q. Do you request that the overhead rates be
12 adjusted periodically as provided by the COPAS
13 accounting procedure?

14 A. Yes.

15 Q. And do you request a maximum cost plus 200
16 percent risk charge if any interest owner goes
17 nonconsent in a well?

18 A. Yes.

19 Q. And were the parties being pooled notified of
20 the original hearing in this case?

21 A. Yes.

22 Q. These cases, I should say.

23 And is that reflected in my Affidavit of
24 Notice submitted as Exhibit B?

25 A. Yes. That's correct.

1 MR. BRUCE: Mr. Examiner, Exhibit C is
2 simply a notice of -- Affidavit of Publication showing
3 that all the interest owners did receive notice by
4 publication, too.

5 Q. (BY MR. BRUCE) Mr. Zink, what is Exhibit A-3?

6 A. A-3 is just a timeline of kind of -- of the
7 process of our DA notification. Again, the first --
8 first full point is we sent out our notification on
9 March 13th of 2018. We received -- and reflected behind
10 page 2 is we received a response from Apache for a
11 request for collaboration, and that's an example of
12 their letter there on page 2.

13 Q. Then things changed, didn't they?

14 A. Then things changed. We had some discussions,
15 and there was definitely some -- some -- some issues, I
16 guess, with the way they wanted to drill, or they saw
17 some technical difficulties with their proposals. So
18 they officially protested our development area in May of
19 2018. And then it wasn't until end of October in 2018
20 where they sent out a full DA notification for their
21 Taco unit, which included all of the north half of
22 Section 28. And this was not known --

23 Q. And their first proposal included no well -- no
24 Apache wells in the north half of 28; is that correct?

25 A. That's correct.

1 Q. And the second proposal proposed wells that
2 would have covered the northwest quarter of Section 28?

3 A. That's correct.

4 Q. And then the final proposal, why we're here
5 today, is they would use the entire north half of
6 Section 28?

7 A. Correct.

8 Q. Now, insofar as just pooling, you didn't
9 really -- since Apache owned no interest in your
10 proposed wells, you didn't discuss the pooling of them,
11 did you?

12 A. That's correct.

13 Q. Did Apache [sic] originally intend to have two
14 additional witnesses here today?

15 A. Yes.

16 EXAMINER JONES: Ascent?

17 THE WITNESS: Ascent.

18 Q. (BY MR. BRUCE) Ascent. Excuse me.

19 And who were they?

20 A. William Metz, who is our geologist, our VP of
21 engineering -- or I'm sorry -- VP of exploration, who is
22 also our geologist, and then Matt Ward, who is our chief
23 operating officer.

24 Q. And why can't they be here in today?

25 A. We are in the process of drilling a five-well

1 pad in Lea County right now, and they are currently
2 on-site and handling directional drilling on that well.

3 **Q. And that's the first of five; is that correct?**

4 A. That is the first of five wells, correct.

5 **Q. Now, besides the correspondence I just showed**
6 **you either from Apache or whatever, have you had other**
7 **contacts with Apache trying to work out some**
8 **development -- an agreed development plan?**

9 A. We've had numerous discussion, I'd say, over
10 the last year, several in-person meetings. At the time
11 there's been no resolution.

12 **Q. And in my opening, I stated the potential of**
13 **stranding acreage with Apache's plans. Will the next**
14 **witness discuss that in further detail?**

15 A. Yeah. Through kind of our work that we
16 discussed or that we've -- throughout the area, our
17 proposed north-south conforming development area using
18 the existing drill islands prevents other leases from
19 being stranded. And we'll show you in future
20 exhibits that -- in other exhibits that the east-west
21 orientation possibly strands acreage and other leases
22 and prevents them from being developed. So we think our
23 stand-up development plans prevent waste and maximizes
24 recovery.

25 **Q. And also does Apache have other options**

1 regarding development of its acreage?

2 A. There are numerous drill islands here in this
3 area that Apache could develop their acreage from other
4 drill islands.

5 Q. And in looking at this, there are also --
6 there's not a lot of nearby development at this stage;
7 is that correct?

8 A. That's correct.

9 Q. So there is acreage that can be used to form
10 other well units or development areas?

11 A. That's correct.

12 Q. Were Exhibits A, A-1, A-2 and A-3 prepared by
13 you or under your supervision?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, Exhibits B and C
16 are simply my notice affidavits.

17 I would move the admission of Exhibits A,
18 A-1, A-2, A-3, B and C.

19 MR. DeBRINE: No objection.

20 MR. LARSON: No objection.

21 MR. MOELLENBERG: (Indicating.)

22 MR. PADILLA: None.

23 (Ascent Energy, LLC Exhibit Numbers A and
24 A-1 through A-3 and B and C were offered
25 into evidence.)

1 Q. (BY MR. BRUCE) And finally, Mr. Zink, in your
2 opinion, is the granting of these applications in the
3 interest of conservation and the prevention of waste?

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I pass the
6 witness.

7 EXAMINER JONES: Mr. DeBrine.

8 CROSS-EXAMINATION

9 BY MR. DeBRINE:

10 Q. Yes. Mr. Zink, you said Ascent is currently
11 drilling wells in Lea County; is that correct?

12 A. That's correct.

13 Q. How many wells has Ascent drilled in New Mexico
14 since January of 2018?

15 A. We are currently drilling our first five-well
16 pad.

17 Q. When did you first come into New Mexico as an
18 operator?

19 A. As an operator, our first acquisition was end
20 of 2016.

21 Q. Did you ask the Division if your witnesses who
22 were on location could testify in today's hearing by
23 telephone?

24 A. I personally did not.

25 Q. You indicated that there is a pending deal in

1 **which Ascent's going to acquire additional acreage. Who**
2 **is that deal pending with?**

3 A. We're working through it right now, but a
4 number of owners in there. It's a multiparty deal.

5 **Q. And who are they?**

6 A. It's the Hudson family interest there. They're
7 listed on there and all of their --

8 **Q. And are there any contingencies on that deal?**

9 A. Just working through title right now, title
10 curative.

11 **Q. But you've signed a purchase -- a binding**
12 **purchase and sale agreement to acquire such interest?**

13 A. We have not. Nope.

14 **Q. You indicated that as a result of your**
15 **negotiations, you did pick up a couple of packages of**
16 **acreage. What were those?**

17 A. There were several small pieces in the area in
18 that unit.

19 **Q. Could you identify who they are based on the**
20 **exhibit?**

21 A. We picked up a package from Marathon --
22 sorry -- from Matador and a company called Jalapeno.

23 **Q. And what was the interest acquired and what**
24 **particular lands that are part of the proposed**
25 **development unit?**

1 A. It was interest in the west half of 28 and all
2 of -- all of Section 28.

3 **Q. And what was the percentage working interest**
4 **you acquired?**

5 A. I don't remember off the top of my head, but
6 total to date, we're at 34 percent in that unit.

7 **Q. Could you give me an estimate of what -- what**
8 **the percentage you acquired from those parties?**

9 A. In the -- in the section or in the lease?

10 **Q. In the lease.**

11 A. I think it was approximately -- one was 14
12 percent, and the other one was in the -- in the section,
13 and the other one was -- I don't know -- four or five,
14 somewhere in there.

15 **Q. Isn't it true that when Ascent proposed its**
16 **Anvil development area in March of 2018 that it was**
17 **actively marketing its acreage that was included in the**
18 **Taco development acreage trying to sell it?**

19 A. No.

20 **Q. When did you put that acreage on the market?**

21 A. I don't think that was until June, I believe,
22 2018.

23 **Q. And how long did you continue to market**
24 **Ascent's interest in the Taco development area?**

25 A. I think it was about a month process.

1 Q. So since July of 2018, you've not attempted to
2 sell the interest owned by Ascent within the Anvil
3 development area?

4 A. We are always looking to maximum our acreage,
5 maximum the value of our position, so I can't say that.
6 I can't confirm that.

7 Q. Do you currently have any negotiations --
8 active negotiations to sell any of your interest in the
9 --

10 A. No.

11 Q. -- Anvil development area?

12 A. No.

13 Q. When was the last time you had any discussion
14 with somebody concerning the potential sale of your
15 interest?

16 A. I think when we were working out our -- we've
17 talked with numerous companies who have interest in this
18 area.

19 Q. And my question was: When was the last time
20 you had discussions about the potential sale of your
21 interest in the Anvil development area?

22 A. I don't know. Within the last year.

23 Q. In 2019?

24 A. In 2019.

25 Q. Have you had any since June of 2019?

1 A. Possibly, yeah. Possibly.

2 Q. How many horizontal wells has Ascent drilled in
3 the Texas portion of the Permian Basin?

4 A. Zero.

5 Q. How many laterals over a mile has Ascent
6 drilled in other producing areas of the country?

7 A. Zero.

8 Q. Have you undertaken any analysis of the
9 drilling of the wells that have been proposed by Ascent
10 to assess the potential well collision with Apache's
11 wells that might be drilled in Section 28 from the
12 Golden well pad?

13 A. As the land manager?

14 Q. Yes.

15 A. I personally have not.

16 Q. Has anybody from Ascent undertaken --

17 A. Yes.

18 Q. -- any collision risk assessment?

19 A. Yes.

20 Q. Who was that?

21 A. We had a VP of drilling, who worked with Apache
22 over the course of -- probably back in April -- April,
23 May of 2018.

24 Q. If you turn to Exhibit 9, which is the well map
25 that shows the horizontal wells in the area surrounding

1 the proposed development areas --

2 A. Yup.

3 Q. -- you indicated that there were wells drilled
4 both north-south and east-west; is that correct?

5 A. That's correct.

6 Q. Isn't it true that the vast majority of the
7 wells shown on Exhibit 9 have been drilled east-west
8 rather than north-south?

9 A. Looks pretty similar. I don't know that you
10 can say vast majority.

11 Q. Have you attempted to calculate the number of
12 wells that have been north-south versus east-west?

13 A. Yeah. And we can show that in some future
14 slides.

15 Q. Have you broken it down by the -- by date as to
16 when the particular well orientation of the wells were
17 drilled?

18 A. I'm sure someone in our company has. Yes.

19 Q. When does Ascent plan to drill its Purple Frog
20 State wells?

21 A. So Ascent's Purple Frog State wells are
22 one-mile wells drilling north-south in the east half of
23 Section 32. We have active permits on that right now.
24 I think we have close to 10 to 15 permits on there right
25 now. We are currently drilling our, obviously, first

1 five-well pad in Lea County right now, with plans to
2 keep that rig continuing, so plans within, you know, the
3 next year or two.

4 **Q. What is Ascent's drilling plan if it were**
5 **granted the request to be the operator of its Anvil**
6 **development area? When will the Anvil wells be**
7 **developed in your schedule?**

8 A. Once we get approved permits, and I'm not sure
9 how long that will take.

10 **Q. You've not contracted a rig to drill those**
11 **wells?**

12 A. To drill the Anvil wells?

13 **Q. Yes.**

14 A. We have a -- we have a contract with a rig
15 company right now.

16 **Q. But not for those particular wells?**

17 A. No.

18 **Q. Or they've not been included within the scope**
19 **of that contract as of yet?**

20 A. No.

21 **Q. Is Ascent's federal lease NMNM0164757 in the**
22 **northwest quarter of the northwest quarter of Section 28**
23 **still held by production?**

24 A. It's in a communitization agreement covering
25 the west half.

1 **Q. Are you aware that OCD records reflect that the**
2 **only communitized well in that lease has not produced**
3 **since 2017?**

4 A. I believe that we've just turned that well back
5 on production last month. Two months ago we have
6 restored production on that well.

7 **Q. So for a two-year period, it didn't produce?**

8 A. When we acquired this lease, that well was not
9 producing. Yes. So within the year we have owned that
10 lease, we have gotten that well back in production.

11 **Q. Have you had any problems with a frozen**
12 **wellhead that was leaking in your Upper Gas Fee Com #1**
13 **well that went unrepaired for an extended period of time**
14 **earlier this year?**

15 A. We are aware of some operations out there, and
16 we did a workover on that well and brought it back into
17 production.

18 MR. DeBRINE: No further questions.

19 EXAMINER JONES: Mr. Larson?

20 MR. LARSON: No questions.

21 EXAMINER JONES: Mr. Padilla?

22 MR. PADILLA: None.

23 EXAMINER JONES: Mr. Moellenberg?

24 MR. MOELLENBERG: No questions.

25 EXAMINER JONES: Cross? Any questions?

1 EXAMINER COSS: No questions.

2 CROSS-EXAMINATION

3 BY EXAMINER JONES:

4 Q. Is it marked, the parties that you intend to
5 pool, on your Exhibit A?

6 A. Pages 5 and 6.

7 Q. Sometimes -- sometimes people come and they
8 yellow-out the pooled interests. Are those all -- all
9 those interests intended to be pooled?

10 A. Yes. Those are all the interests on pages 5
11 and 6.

12 Q. And they're working interest?

13 A. Those are working interests. Correct.

14 Q. Okay. So the nature of the lands in your --
15 your JOA -- proposed JOA, what does it -- does it
16 include the west half of these two sections?

17 A. The JOA that we have sent out covered the whole
18 west half of Sections 28 and 33.

19 Q. Okay. And inside that, is it all federal
20 lands?

21 A. It's all federal lands.

22 Q. How many federal leases?

23 A. There are actually just two federal leases.

24 Q. Just one in each section?

25 A. It's actually -- it's one lease covering all

1 of -- except the northwest-northwest of 28. That 40
2 acres is its own lease.

3 **Q. The northwest-northwest?**

4 A. Yeah. The northwest-northwest of 28 is its own
5 lease or it's a separate lease number.

6 **Q. Okay. So who has the title -- who has -- who**
7 **is the lessee of record? I don't know what the**
8 **federal -- if they say the lessee of record or what they**
9 **say, but --**

10 MR. BRUCE: Record title owner.

11 THE WITNESS: Record title, operating
12 rights.

13 **Q. (BY EXAMINER JONES) Record title owner.**

14 **Are you the record title owner?**

15 A. We are the operating rights owner. We have
16 some record title, but we're mostly majority operating
17 rights owners for specific depths.

18 **Q. So as far as both leases go, you're the record**
19 **title?**

20 A. Yes. Correct. Correct.

21 **Q. You're not the record title, but you have the**
22 **operating rights?**

23 A. Correct. Yeah.

24 **Q. And those were filed with the --**

25 A. With the BLM, yup.

1 **Q. -- with the BLM on their form?**

2 A. Correct, and filed of record in Lea County as
3 well -- I mean in Eddy County. Sorry.

4 **Q. But the big lease that covers most of this --**

5 A. Uh-huh.

6 **Q. -- is split up into assignments or --**

7 A. Yeah. There are some -- that lease has been
8 heavily -- I shouldn't say -- it's been pretty severed.
9 That lease covers about, I think, four different
10 sections, and each section has kind of its own chain of
11 title.

12 **Q. Okay. Okay. So you're working with the**
13 **Hudsons, you said?**

14 A. The Hudson group, yeah, et al.

15 **Q. They're not listed here?**

16 A. Yeah. Sorry. The Hudson group, that's Delmar
17 Lewis Living Trust. That's Lindy's Living Trust, Moore
18 & Shelton, Javelina Partners, Zorro Partners, Ard Energy
19 Group and Josephine T. Hudson Testamentary Trust.

20 **Q. So you're working with Ard Energy?**

21 A. Yes.

22 **Q. But you expect to obtain --**

23 A. We're waiting on some curative -- some title
24 curative matters to make -- to get marketable title.

25 **Q. Without the Hudson acreage, how much would you**

1 **have?**

2 A. Right now we have 34 percent in that unit.

3 Q. Okay. But -- but it would go up to 84 percent?

4 A. Correct.

5 Q. Okay. So you're not -- you're not moving to
6 **pool the east half-west half? This whole matter is west**
7 **half-west half?**

8 MR. BRUCE: Correct.

9 THE WITNESS: Yes. The wells that we
10 propose are just in the west half-west half.

11 Q. **(BY EXAMINER JONES) Okay. And there are three**
12 **Bone Spring and --**

13 A. We've got three Bone Spring and two Wolfcamp.
14 Correct.

15 Q. **Two Wolfcamp.**

16 **And the Wolfcamps are Wolfcamp A?**

17 A. A and XY. They're two different landing
18 targets.

19 Q. Okay. We'll talk about that later.

20 A. Okay.

21 Q. **But the Bone Spring, do you know what zone?**

22 A. We have our 401H targeting the 1st Bone. Our
23 501H is targeting the 2nd Bone Spring, and our 601H is
24 targeting the 3rd Bone.

25 Q. **Okay. So you're going to cover all three?**

1 A. Correct.

2 Q. Let's see here. And no wells will be
3 nonstandard locations?

4 A. No. Nope.

5 Q. Okay. What about the -- just to throw a random
6 question in here about the water disposal. Do you work
7 on the water disposal agreements? Do you take care of
8 how you're going to get rid of your water?

9 A. Yeah. We have a contract with -- an
10 infrastructure contract, a gathering contract, with a
11 company, so they're going to be working on water
12 disposal, plus freshwater delivery, take away both oil
13 and gas. So we've got those infrastructure agreements
14 in place already.

15 Q. Okay. You don't see a problem with that?

16 A. Not right now.

17 Q. Okay. Now, potash and well siting, you listed
18 on here a two-mile notification area; is that correct?

19 A. Right. Yup.

20 Q. But you didn't list it two miles north -- is it
21 two miles from the well site?

22 A. It's two miles from the well site. Correct.

23 Q. And is that just in the Secretary's potash
24 area?

25 A. That is. Yup. That's part of the process of

1 creating a development area.

2 Q. Okay. And you mentioned well siting of your --
3 you've already got the wells sited?

4 A. So we've got -- yeah. Before -- before you can
5 propose a development area, you have to have drill
6 islands -- specific drill islands. So we went out there
7 prior -- prior to March 13th of '18, we went out there
8 with the BLM, had an on-site and actually staked those
9 well locations. So those -- those are fully approved.

10 Q. Would it be one big pad to drill all five
11 wells?

12 A. Yes, it would. Yup. So we've got two sites
13 for future development on the -- on the east half-west
14 half. We've got another -- a second drill island to
15 develop that at a future date.

16 Q. Okay. So you've done a lot of legwork?

17 A. Yes, we have.

18 Q. And the wells are into the BLM for approval,
19 but they're not approved yet?

20 A. We have not filed the APDs yet. We're waiting
21 for, obviously, the right to pool.

22 Q. Okay. Okay.

23 A. And before -- you know, we do have -- in our
24 Purple Frog lease, which is the east half of Section 32,
25 we have -- I think we have 15 permits there already, and

1 that's on state lands. And so we have no drill island
2 issues there.

3 **Q. Okay. Why west half-west half before east**
4 **half-west half?**

5 A. It was just kind of the first -- the first
6 development plan for that area, obviously, you know,
7 using our Section 22 -- Section 32 wells as well, so
8 kind of codevelop them together, our leases, our lease
9 position there.

10 **Q. So Apache is really not in your wells at all;**
11 **is that correct?**

12 A. They're not in any of our -- yeah.

13 **Q. Does it depend on how the Hudson ownership**
14 **plays out? Would Apache end up with some ownership in**
15 **your wells? Probably not, huh?**

16 A. I don't think so.

17 **Q. Because you're not aware of any.**

18 A. Yeah. I'm unaware of them acquiring any
19 interest, and through our recent title checks, they
20 don't own anything in Section 28 at all or 33.

21 **Q. Okay. So basically the whole issue of Apache**
22 **here is Apache's proposed wells, but not yours, right?**

23 A. Correct.

24 **Q. Okay.**

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CROSS-EXAMINATION

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BY EXAMINER COSS:

Q. What is the reasoning behind going north to south instead of east to west? Is that a geologic or a land issue?

A. I think that's a -- that's just kind of what the company prefers. We can develop -- we think north-south orientation works great. We have existing drill islands to do that, and it's conforming with the existing wells and units already out there that the BLM has already established. So there are options to probably do either. We feel that north-south is the best orientation, and with proof of XTO out there in this area and -- what map is that?

MR. BRUCE: Page 9.

THE WITNESS: On page 9, you've got two huge XTO development pads out there that are drilling north-south. So being the largest operator in the basin I think justifies that north-south is -- to fully maximize recovery of reserves out here.

RE-CROSS EXAMINATION

BY EXAMINER JONES:

Q. Do you have your com agreement already done with BLM?

A. No, we don't. No.

1 Q. Is it in to them?

2 A. Yeah. We have not applied for it yet.

3 Q. Okay. You mentioned earlier that east-west
4 would strand more acreage.

5 A. Yup.

6 Q. Can you explain more about that?

7 A. Yeah, absolutely. Well, we have a map that
8 Alex Yancey will be showing and going through the actual
9 visual of it. But, essentially, we think with an
10 east-west development there, it possibly strands acreage
11 in the area, so prevents wells from getting drilled or
12 leases from getting developed.

13 Q. Okay. And as far as your two witnesses, I
14 understand the geologist, but you said another person
15 was an owner of the company?

16 A. Our chief operating officer, yeah.

17 Q. Chief -- CEO.

18 A. CEO -- COO.

19 Q. I guess -- okay.

20 EXAMINER JONES: I'll pass the witness.

21 Mr. Brancard, any questions?

22 CROSS-EXAMINATION

23 BY EXAMINER BRANCARD:

24 Q. Looking at page 9, on Section 32, those are
25 proposed wells?

1 A. Those are -- they are approved permits that we
2 have.

3 Q. Okay. But not drilled?

4 A. They're not drilled. Correct.

5 Q. And so those are just -- those are stand-ups
6 that are just going a mile?

7 A. That's correct.

8 Q. So if you were -- if Ascent was approved -- oh,
9 sorry -- if Apache was approved, you'd be left with the
10 potential of doing a mile-and-a-half instead of two
11 miles; is that correct?

12 A. Yeah. Yeah. Yes.

13 EXAMINER JONES: Unless you did an
14 overlapping spacing unit, which nobody seems to want to
15 do that. But it's allowed in the rules.

16 Any follow-up, since you only have two
17 witnesses?

18 MR. BRUCE: Yeah.

19 REDIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Mr. Zink, insofar as other interest owners, if
22 you come to terms with them, will you notify the
23 Division that they are no longer subject to a pooling
24 order?

25 A. Yes.

1 Q. And I forget the name of the well that
2 Mr. DeBrine raised, said it hadn't been producing since
3 2017. That's federal acreage, right?

4 A. That is federal acreage.

5 Q. So as such, a well on federal acreage, if it
6 terminates production even for one year, two years, five
7 years, ten years, it doesn't automatically terminate?

8 A. That's correct.

9 Q. The BLM has to send out a notice to bring back
10 a well on production and --

11 MR. DeBRINE: I'll object. Calls for a
12 legal conclusion.

13 Q. (BY MR. BRUCE) And you mentioned APDs. Until
14 you get a development area, the BLM wouldn't approve an
15 APD; is that correct?

16 A. That's correct.

17 Q. And finally on page 9 of Exhibit A, when you're
18 look at that, just to clarify, the -- are the red wells
19 drilled wells and the purple proposed?

20 A. Yes. For the most part, yes. The big -- the
21 big two miles there in I think 19 -- or in Township 19
22 South, 30 East, Sections -- what is it -- 15, 22, 27,
23 34, I think most of those wells have been drilled by
24 XTO.

25 Q. Okay.

1 A. Yup. Yup. That's -- yup. Those are emailed
2 and updated, I think, regularly, you know, every --
3 twice a year, three times a year.

4 **Q. Is there any other surface reason for not --**
5 **for locating the wells where they're at? In other**
6 **words, is there restricted wildlife areas or anything**
7 **like that?**

8 A. I mean, just specifically to that area, it's
9 right off the county road right there, so it's easy
10 access to those -- to those units -- or to the well pads
11 --

12 **Q. Okay.**

13 A. -- so not a lot of surface disturbance because
14 it's right off the main road, so it's minimal surface
15 disturbance using those well pads.

16 EXAMINER JONES: Okay. If that's it --

17 MR. BRUCE: No other questions for this
18 witness.

19 EXAMINER JONES: Thank you, Mr. Zink.

20 THE WITNESS: Thank you.

21 ALEX YANCEY,

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

24

25

1 DIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Would you please state your name and city of
4 residence for the examiner?

5 A. Alex Yancey, Denver, Colorado.

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

7 A. I work for Ascent Energy, LLC as the VP of
8 engineering.

9 Q. Have you previously testified before the
10 Division?

11 A. I have not.

12 Q. Would you please summarize your educational and
13 employment background?

14 A. Yes. I have a petroleum engineering degree
15 from Colorado School of Mines, which I obtained in 2001.
16 I started my career with BP working Alaskan North Slope
17 operations for seven years. After that, I moved to
18 Denver where I worked for Encana in various basins and
19 different roles there all in engineering capacities. I
20 then moved to Australia for two years, worked for a
21 company called Santos and worked Australian onshore
22 operations there. And the last four years, I've been
23 back in Denver working engineering operations for the
24 petroleum engineering company.

25 Q. And are you familiar with the engineering

1 **matters related to Ascent's applications?**

2 A. Yes, I am.

3 **Q. And have you prepared a couple of exhibits --**

4 A. Yes, I have.

5 **Q. -- for presentation?**

6 MR. BRUCE: Mr. Examiner, I tender

7 Mr. Yancey as an expert petroleum engineer.

8 EXAMINER JONES: How was Perth?

9 THE WITNESS: I actually lived in Adelaide.

10 EXAMINER JONES: Oh.

11 THE WITNESS: I didn't make out to Perth,
12 but Adelaide is quite nice.

13 EXAMINER JONES: Any questions?

14 MR. DeBRINE: If I could voir dire the
15 witness.

16 VOIR DIRE EXAMINATION

17 BY MR. DeBRINE:

18 **Q. Yes. Mr. Yancey, do you have any experience**
19 **drilling horizontal wells in the New Mexico Permian**
20 **Basin?**

21 A. We're actively drilling horizontal wells right
22 now in the Permian Basin.

23 **Q. And those are the ones that were mentioned by**
24 **Mr. Zink that are the first wells being drilled by**
25 **Ascent in New Mexico?**

1 A. That's correct.

2 **Q. Prior to that, had you ever drilled a**
3 **horizontal well in the Permian Basin or overseen its**
4 **drilling?**

5 A. I have not.

6 MR. DeBRINE: We would object to Mr. Yancey
7 offering expert opinions with regard to horizontal
8 drilling of wells in the -- preferred orientation of
9 wells in the Permian Basin given his lack of experience
10 in the basin.

11 VOIR DIRE EXAMINATION

12 BY EXAMINER JONES:

13 **Q. Mr. Yancey, are you a reservoir engineer, or**
14 **are you --**

15 A. Reservoir engineer, yes.

16 **Q. Okay. How about drilling experience? You got**
17 **drilling experience, too?**

18 A. Only periphery through the work experience and
19 being part of oil and gas companies, so being a part of
20 development teams, but I'm not an expert drilling
21 engineer.

22 CONTINUED DIRECT EXAMINATION

23 BY MR. BRUCE:

24 **Q. Mr. Yancey, as part of your job wherever it has**
25 **been, have you always reviewed data to determine**

1 **wellbore capabilities and issues like that?**

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, he's got almost
4 20 years' experience as a reservoir engineer.

5 CONTINUED VOIR DIRE EXAMINATION

6 BY EXAMINER JONES:

7 **Q. Mr. Yancey, do you know what a dipole sonic is**
8 **and a formation microscanner and the reason for those**
9 **logs?**

10 A. Yes.

11 EXAMINER JONES: Okay. He's so qualified.

12 CONTINUED DIRECT EXAMINATION

13 BY MR. BRUCE:

14 **Q. Let's start with your Exhibit D, Mr. Yancey.**
15 **What does the first page show?**

16 A. This is a review of the 2nd Bone wells drilled
17 in the area, and the blue dots are the wells with
18 east-west orientation. The green dots are the wells
19 with the north-south orientation. There are 72 wells in
20 this area, so I did an examination of the productivity
21 of these wells.

22 **Q. Are the 2nd Bone Spring wells most numerous in**
23 **this immediate area?**

24 A. Yes. And so I thought it was a good data set
25 to use.

1 **Q. Okay. And you studied, and what did that show?**
2 **And move on to page 2.**

3 A. Yes. If you'll follow over there, the blue bar
4 is the east-west wells and their normalized six-month
5 cum production, so there is no interpretation with that
6 compared to the green bar, the north-south orientation.
7 And you can see there is statistically almost no
8 difference between the wells after first months of
9 production.

10 **Q. So if people talk about fracture orientation,**
11 **et cetera, doesn't actual production give a good**
12 **indication of whether or not wellbore orientation is**
13 **significant?**

14 A. I think it would give a great indication.

15 **Q. And what does page 3 show?**

16 A. Page 3 shows our Anvil DA and then the
17 proximity to XTO's drilling and completion operations.
18 As you can see, just north of us, they've drilled and
19 are in the process of completing their eight Bubble
20 wells and eight Buttercup wells. And then they've
21 proposed the Blossom DA, which is very close to us, and
22 all of these wells, all 24 of them, have north-south
23 orientation.

24 **Q. How many wells overall is XTO planning on**
25 **drilling in a north-south orientation in this area?**

1 A. There are 24 wells that we know of.

2 **Q. And XTO has quite a bit of acreage there?**

3 A. They do. They have about 50 rigs running in
4 this area.

5 **Q. What is Exhibit 4 -- I mean page 4 of Exhibit**
6 **D?**

7 A. Page 4 is a list of the 72 wells that I
8 examined with their relevant data set and just showing
9 their -- their production dates just for reference of
10 the data.

11 **Q. Now, in looking at that page 3 or any of the**
12 **planned acreage, there are a lot of one-mile and a lot**
13 **of two-mile wells; is that correct?**

14 A. Yes.

15 **Q. Are there any two-and-a-half-mile wells in this**
16 **area?**

17 A. Not that I'm aware of.

18 **Q. And finally, let's move on to pages 5 and 6 of**
19 **Exhibit D. What do they show?**

20 A. Page 5 shows the optimal development plan with
21 the Anvil DA. So you can see with the other operators
22 and using existing drill islands that all the acreage in
23 this nine-township area can be developed, and it leaves
24 no stranded acreage.

25 **Q. And that's drilling all the wells as**

1 north-south wells or south-north wells, whatever; is
2 that correct?

3 A. Yes.

4 Q. What is page 6?

5 A. Page 6 is -- if you use the Apache proposal,
6 their wells slice through this area, and then it strands
7 acreage through there. So the black boxes, you would
8 not be able to develop those acres under the existing
9 drill islands that are in place right now, so it would
10 go undeveloped.

11 Q. And what would be the effect of that?

12 A. There would be, obviously, waste. And then I
13 did some calculations for the U.S. Government for the
14 federal land through here, so approximately \$182 million
15 in lost royalty to the U.S. Government.

16 Q. Would -- could that negate any alleged cost
17 benefits of two-and-a-half-mile laterals?

18 A. I would think 182 would dwarf any of that.
19 Yes.

20 Q. And that's just, again, the royalty interest?

21 A. That's correct.

22 Q. In looking at pages 5 and 6, and especially
23 page 5 here, does Apache have the ability to develop its
24 acreage in another fashion than east-west wells without
25 adversely affecting Ascent?

1 A. Yes. They can concurrently develop their
2 acreage fully with existing drill islands, and there
3 would be no impact to us.

4 **Q. Next is Exhibit D-1. What does that show,**
5 **Mr. Yancey?**

6 A. We did just a comparison on the competing
7 development plan factors, and this is just the criteria
8 that we were looking at. So geological evidence, we
9 said that there was a push on there. There would not be
10 significant argument either way on that.

11 Our development plan is in favor of us. We
12 maximize resource extraction through here and eliminate
13 waste. Comparison risk and negotiation we said was
14 negligible on there. Prudent operator and prevent
15 waste, I think our plan soundly demonstrates that as far
16 as it does not strand any acreage and it maximizes
17 development through the current and existing drill
18 islands. And then cost estimates not -- are negligible
19 here. And for ownership interest, we have a high
20 working interest within our area, and Apache does not
21 own any interest in ours. So --

22 **Q. And were those factors taken from a fairly**
23 **recent Division order concerning counterpooling**
24 **applications?**

25 A. Yes.

1 Q. And that was in a battle, shall we say, between
2 Ascent and Centennial?

3 A. That's correct.

4 MR. BRUCE: Mr. Examiner, that's Order
5 R-14847, where those factors came from.

6 Q. (BY MR. BRUCE) Now, Mr. Yancy, when Ascent is
7 developing a prospect, do you work in association with
8 the geologist at Ascent?

9 A. Very closely, yes.

10 Q. And in looking at this prospect from an
11 engineering standpoint, will each quarter-quarter
12 section in the well units be productive, in your
13 opinion?

14 A. Yes.

15 Q. And do you believe horizontal drilling is the
16 maximum way to develop the reservoir?

17 A. Yes.

18 Q. And just for the record, were Exhibits E
19 through H the exhibits prepared by Mr. Metz for this
20 hearing?

21 A. Yes.

22 Q. Okay. Were Exhibits D and D-1 prepared by you
23 or under your supervision?

24 A. Yes.

25 Q. And in your opinion, is the granting of

1 **Ascent's applications in the interest of conservation**
2 **and the prevention of waste?**

3 A. Yes.

4 MR. BRUCE: Mr. Examiner, I move the
5 admission of Exhibits D and D-1.

6 I have submitted the geological exhibits.
7 I don't have anyone to verify them, but I'm just giving
8 them to the Division for what they're worth. I really
9 doubt there is much geologic difference just in the
10 basic isopach and structure, et cetera.

11 EXAMINER JONES: No objections to D and
12 D-1?

13 MR. DeBRINE: No, Mr. Examiner.

14 EXAMINER JONES: Any objections?

15 MR. LARSON: (Indicating.)

16 MR. PADILLA: No.

17 MR. MOELLENBERG: No.

18 MR. DeBRINE: Just to clarify, we have no
19 objection. The witnesses testify that there are no
20 geologic differences with regard to the different areas,
21 so we don't -- to accommodate the inability of the
22 witness to testify, we don't have any objection to the
23 Division considering those exhibits.

24 EXAMINER JONES: Exhibits D and D-1 are
25 admitted.

1 (Ascent Energy, LLC Exhibits D and D-1 are
2 offered and admitted into evidence.)

3 EXAMINER JONES: As far as E through H, are
4 you submitting those?

5 MR. BRUCE: I would submit them. If you
6 would like just a quick affidavit from the geologist
7 just verifying that he did prepare them, I could give
8 that.

9 EXAMINER JONES: Are the other attorneys
10 opposing an affidavit subsequent to the hearing from the
11 geologist?

12 MR. BRUCE: All he would confirm -- he
13 would say that "I prepared these."

14 EXAMINER JONES: He would just say, "I
15 prepared the exhibits."

16 MR. DeBRINE: Yeah. I think the witness
17 has already authenticated the exhibits as being prepared
18 by him, so I don't think that we need anything further.

19 EXAMINER JONES: Okay. E, F, G, H. Okay.
20 We've got the 1st Bone Spring, the 2nd Bone Spring and
21 the 3rd Bone Spring and the Wolfcamp.

22 Exhibits E, F, G, H are admitted.

23 (Ascent Energy, LLC Exhibits E, F, G and H
24 are offered and admitted into evidence.)

25 EXAMINER JONES: Pass the witness?

1 MR. BRUCE: Pass the witness.

2 MR. DeBRINE: Mr. Examiner, could we have a
3 brief recess so I can consider the exhibits with our --

4 EXAMINER JONES: Yes.

5 (Recess, 10:16 a.m. to 10:30 a.m.)

6 EXAMINER JONES: Let's go back on the
7 record, Mr. DeBrine.

8 CROSS-EXAMINATION

9 BY MR. DeBRINE:

10 Q. Yes. Mr. Yancy, you indicated in your
11 testimony that you have not been involved in drilling
12 any horizontal wells in the Permian Basin -- any part of
13 the Permian Basin, whether in New Mexico or Texas, other
14 than the wells that are currently being drilled by
15 Ascent; is that right?

16 A. That's correct.

17 Q. And where are those wells located that are
18 currently being drilled?

19 A. In Lea County.

20 Q. Where in Lea County?

21 A. The two pad and 21 -- I don't remember exactly.
22 I'm sorry. The township and range is slipping my mind.

23 Q. Do you know the length of the laterals for
24 these wells?

25 A. 7,500 feet.

1 Q. And how are they oriented? East-west or
2 north-south?

3 A. North-south.

4 Q. And looking at your Exhibit D, I'm just trying
5 to gain an understanding of what it's designed to
6 represent. You show wells in Section 32. Are those
7 wells that have actually been drilled, or are those
8 proposed wells?

9 A. Those are the wells that we have APDs for.

10 Q. And so Ascent is proposing to drill north-south
11 wells in the west -- or the east half of Section 32; is
12 that correct?

13 A. Yes, the Purple Frog.

14 Q. And those are the Purple Frog wells?

15 What are the wells in the west half of 32?

16 A. Those are Matador's HEYCO wells.

17 Q. Do you know what the production history of
18 those wells looks like?

19 A. Specific volume?

20 Q. Yes.

21 A. No.

22 Q. You didn't look to see whether those wells were
23 productive in determining whether you were going to
24 drill offset wells?

25 A. I did look at those.

1 **Q. And are those wells considered very poor**
2 **producers?**

3 A. Yes.

4 **Q. So why are you planning on drilling offset**
5 **wells off poor producers for your other wells?**

6 A. There's good wells and poor wells throughout
7 this whole area. What we did was we looked at the
8 larger area, and, on average, there are good wells north
9 and south. And we're being consistent with what other
10 operators, including Exxon, are doing in the area.

11 **Q. But it is true that in Section 32 there are no**
12 **good producers in the HEYCO wells?**

13 A. There are two producers, and neither one of
14 them were good.

15 **Q. In looking at your study of wells that are**
16 **shown on Exhibit D, which indicates the production**
17 **information from wells oriented in an east-west,**
18 **north-south orientation, did you consider the size of**
19 **completion associated with those wells in analyzing your**
20 **data and trying to normalize it?**

21 A. No. We normalized on lateral length.

22 **Q. The completion side would be a considerable**
23 **factor in determining the productivity of the well.**
24 **Wouldn't you agree?**

25 A. It would contribute.

1 Q. You wouldn't agree that it's a considerable
2 factor in determining the productivity of a well, the
3 size of the completion?

4 A. There are many contribution factors in that
5 that would be relevant.

6 Q. And it would be a significant factor, the size
7 of the completion?

8 A. Not in isolation.

9 Q. What are the other factors?

10 A. The fluid type that you use. The holes as far
11 as the perforations would probably also be contributing
12 factors.

13 Q. And you didn't analyze any of those factors.
14 You just looked at gross production for the time period;
15 is that correct?

16 A. That's correct.

17 Q. And you don't know what completion techniques
18 or the size of the completion that XTO was using for the
19 wells that are shown on your Exhibit 3 -- on page 3 of
20 Exhibit D?

21 A. They have not completed those wells. They have
22 drilled those wells, and they are in the process of
23 doing that and that information is not public yet.

24 Q. And those wells are located approximately five
25 miles north of the Anvil development area?

1 A. The proposed Blossom DA is about a mile away.

2 Q. I notice that you didn't indicate any other XTO
3 wells on your map shown on page 3 of Exhibit D. Isn't
4 it true that XTO has permitted and plans on drilling
5 wells in a west-to-east orientation from the drill pads
6 that are shown on the -- from the section line in
7 Section 30 offsetting the Apache proposed drilling
8 islands?

9 A. I'm not aware of those proposals.

10 Q. You haven't investigated it?

11 A. No, I have not.

12 Q. And in looking at page 5 of your optimal
13 development plan, you have not considered any
14 limitations on the surface or whether there are existing
15 drill pads that could be located to develop the area
16 shown in a different fashion; is that correct?

17 A. We looked at using existing drill islands. We
18 figured that eliminated waste the most by just using
19 what the current plan was versus having to go back and
20 create new drilling islands.

21 Q. And that's a continuing process, isn't it,
22 operators proposing new drilling islands and then
23 getting them approved all the time?

24 A. Yes.

25 Q. And as you indicated in your earlier testimony,

1 the BLM publishes the updates with regard to the
2 drilling islands at least three times a year?

3 A. Yes.

4 Q. And there are no limitations on drilling
5 islands other than giving notice and everybody agrees
6 that's a good place to access resources from the potash
7 area?

8 A. Correct.

9 Q. In looking at your map showing the stranded
10 acreage in black, again that is just using existing
11 drill islands and not considering whether other drill
12 lands might be approved in order to access the other
13 resources shown in that area?

14 A. Yes. Under the current plan, this is how it
15 looked, so we figured it would be a waste of government
16 resources to go back in, create new islands when there
17 is a backlog of work being done.

18 Q. But that's being done all the time. They'll
19 look at new drill islands and proposals are made. And
20 everybody agrees that that might be a better -- and
21 that's the whole purpose of the process under the
22 Secretary's order, to determine what's the best location
23 you can access resources and develop the maximum amount
24 of resources without adversely impacting the potash; is
25 that correct?

1 A. Well, this area has already been done, and so
2 it felt like a rework to go back and redo it.

3 **Q. When you say it's been done, every single drill**
4 **island for potential proposed wells in this area has**
5 **already been approved?**

6 A. Our existing drill islands that we're
7 indicating here are approved.

8 **Q. Okay. And the bracket [sic] islands that**
9 **Apache is proposing for its Taco 28-30 development plan**
10 **has also been approved; is that correct?**

11 A. I'm not sure if they are or not.

12 **Q. What order do you plan on drilling the wells**
13 **that are the subject of your applications?**

14 A. We're working with that development plan. We
15 would likely drill the deepest well first and collect
16 geologic data and logs through that and then move up and
17 drill the shallower locations.

18 **Q. Which is the deepest well?**

19 A. The Wolfcamp.

20 **Q. What's the well number?**

21 A. It's the 701.

22 **Q. And how many wells do you plan on drilling at a**
23 **time?**

24 A. We'd only have one rig drilling one well at a
25 time.

1 Q. Do you have room on your pads to drill all the
2 Wolfcamp and Bone Spring wells you've proposed?

3 A. We haven't -- we haven't built the pad yet.

4 Q. When you drill wells in the future into other
5 formations or zone, will you have to temporarily abandon
6 any producing wells in order to drill those wells?

7 A. We'll look at seeing if there is -- if there
8 are any offset producing wells or if we will develop --
9 codevelop all the wells together. And if so, then you
10 wouldn't have to temporarily abandon those, but we would
11 notify if there were any in the radius of concern.

12 Q. And I'm not talking about offset for completion
13 purposes. I'm talking about if you already have your
14 producing Wolfcamp well, are you going to have to
15 temporarily abandon that during the time you're going to
16 be drilling the subsequent Bone Spring wells?

17 A. No.

18 Q. And why not?

19 A. The well will just be drilled and cased. There
20 won't be a producing well yet.

21 Q. Have you undertaken any study with regard to
22 the potential for well collision in drilling your wells
23 if Apache drills its wells into Section 29 from the
24 existing Golden Lane drill pad in Section 28?

25 A. Have I looked at the anticollision reports from

1 that?

2 Q. No. Did you analyze -- personally analyze the
3 potential for collision between Apache's wells and
4 Ascent's wells if the two are drilled in Section 28, as
5 you are proposing they should be?

6 A. No. I have not personally done that work.

7 Q. What completion designs are you planning for
8 the Wolfcamp and Bone Spring wells that are the subject
9 of your applications?

10 A. We would have slick-water hydraulic fracturing
11 with about 125 to 150 foot per cluster spacing through
12 here and about 2,000 pounds per lateral foot. It's
13 consistent with many other operators.

14 Q. What artificial lift are you planning for these
15 wells?

16 A. We would likely start with gas lift and then
17 move on after that.

18 Q. Tell me how many wells are you currently
19 operating that use artificial lift techniques that
20 you're proposing for these wells?

21 A. How many use gas lift? Is that what you're
22 asking?

23 Q. Yes.

24 A. We don't have any that are operating under gas
25 lift right now.

1 Q. Does Ascent plan to obtain any 3D seismic over
2 the area to better understand the structure for
3 geosteering these wells while they're drilling?

4 A. Yes. And we have purchased 3D seismic for the
5 pad that we're currently drilling.

6 Q. But you haven't shared any of that data as part
7 of your presentation here today?

8 A. That's for the wells that we're drilling in Lea
9 County and not for here.

10 Q. Okay. But you don't have any for your Anvil
11 development area?

12 A. Correct.

13 Q. What's the impact of offset depletion when you
14 drill the east half of the west half of Section 28?
15 Have you analyzed that?

16 A. I've not quantified that.

17 Q. Has Ascent discussed or formed any partnership
18 with any operators in the area to reduce waste or its
19 surface fingerprint when drilling its Anvil wells?

20 A. We share drill islands per the order.

21 Q. And who are you sharing your drill islands
22 with?

23 A. Well, that's just in -- in general, that's the
24 rule, that you have to share drill islands.

25 Q. But you haven't had any discussions with

1 operators with regard to potential plans to share other
2 facilities like frac ponds or anything else to minimize
3 costs or to minimize the footprint associated with
4 drilling your wells and their wells that might be
5 drilled from the common drilling islands?

6 A. Not that I'm aware of.

7 Q. Has Ascent collaborated with the BLM or any
8 surface owners to make improvements or modifications in
9 the area to gain their support for its proposed Anvil
10 plan?

11 A. We did on-sites with the BLM.

12 Q. But not -- you haven't any discussions with the
13 BLM with regard to any surface improvements in the Anvil
14 development area?

15 A. Can you elaborate on surface improvements?

16 Q. Well, whether to approve the surface -- the
17 grazing leases, movement of fences, anything to
18 accommodate any impact that the development might have
19 on the use of the surface by any surface-grazing owner?

20 A. We would be using pipeline to haul away the
21 produced oil, produced gas, produced water to minimize
22 any surface disturbance. And we're currently doing that
23 with our operations in Lea County and that minimizes any
24 surface disturbance and the impact.

25 Q. But you haven't had any negotiations with

1 surface owners with regard to the surface-use agreement,
2 with regard to any facilities you might be locating on
3 the surface?

4 A. Not that I'm aware of.

5 MR. DeBRINE: No further questions.

6 EXAMINER JONES: Does Mewbourne or EOG have
7 questions?

8 MR. PADILLA: No.

9 MR. LARSON: No questions.

10 MR. MOELLENBERG: No questions.

11 EXAMINER COSS: No questions at this point.

12 EXAMINER JONES: Okay. Thank you.

13 You asked most of my questions.

14 CROSS-EXAMINATION

15 BY EXAMINER JONES:

16 Q. Do you intend to drill toe up or toe down, or
17 do you -- have you made that determination yet?

18 A. We would be drilling from the south to the
19 north. And I'm not sure as far as which way the
20 structure dips through here. I think it's outside, you
21 know, of my area of expertise, but I think it's pretty
22 flat through here.

23 Q. Okay. I see the exhibits from Mr. Metz has
24 some of that information on it.

25 But you didn't submit a drill -- a plan --

1 directional survey as part of your exhibits in this
2 case? Mr. Bruce does that most usually.

3 MR. BRUCE: No.

4 Q. (BY EXAMINER JONES) Surface facilities, are you
5 in on that discussion?

6 A. Yes.

7 Q. Okay. So you would build surface facilities
8 capable of five wells?

9 A. And probably beyond. So we would have a
10 central production facility to minimize the fingerprint
11 through here. And like I mentioned, we would have
12 pipeline capacity going back to -- for midstream on all
13 of those, and it eliminates truck traffic significantly.

14 Q. Okay. Do you expect the Wolfcamp to -- I mean,
15 can you talk about the oil-water-gas for the Wolfcamp
16 versus the Bone Spring or -- in other words, do you
17 expect a lot more water in the Wolfcamp or --

18 A. From what I've seen, there's a fair bit of
19 variation out here, but two to three barrels of water
20 for every barrel of oil produced, and that's for the
21 2nds, 3rds and Wolfcamps.

22 Q. Okay. That's pretty low. Not that much water
23 compared to down on the state line, it seems. It seems
24 like it's a lot higher.

25 As far as well recovery goes -- you're a

1 **reservoir engineer, so what can you tell us**
2 **approximately and how you come up with it?**

3 A. The process that we use, we look at the offset
4 wells, and we do look at other operators and find wells
5 that are similar in the area as far as where they've
6 been landed and their techniques used for drilling and
7 completions. And we try to use a statistical approach
8 on that and looking at averages and P50s from -- the
9 IP30 for the wells are and then how they produce through
10 time and then make extrapolations from that.

11 Q. Okay. So you use kind of a geometric mean or a
12 Swanson's mean or something?

13 A. P50, normally, yes.

14 Q. P50.

15 A. Yes.

16 Q. So basically analogy is I'm hearing you say.
17 You use an analogy. So there is no volumetric
18 calculations or pressure-depletion calculations that you
19 do?

20 A. Correct.

21 Q. Internally, you don't gather any pressure data
22 for your wells?

23 A. We will. That data is not normally public
24 record, so it's hard to define that data.

25 Q. What about -- you're listing three zones in the

1 Bone Spring and one in the Wolfcamp, right, the Wolfcamp
2 A? So which of those four would you -- if you only had
3 one to drill, which one would you drill?

4 A. It would probably be a tie between the 2nd or
5 3rd Bone Spring.

6 Q. I noticed on your analogy that you listed on
7 your exhibits showed the 2nd Bone Spring is the most
8 commonly drilled area in this area?

9 A. Yes. Yeah. And so I think we would just --
10 being that we're a smaller company, you know, just look
11 to see what other people have been drilling out here and
12 go with the horizon that's been heavily drilled.

13 Q. What do you think about well density as far as
14 the -- some companies have the practice of drilling some
15 wells close together and then fracking them almost
16 simultaneously and producing them simultaneously and
17 trying to optimize the stress -- the initial stress to
18 get their fracs off. What's your thoughts on all that?

19 A. I think codevelopment for the 3rd Bone and the
20 Wolf -- Wolfcamp is important as far as there is not
21 significant frac barriers between those two.

22 Q. Okay.

23 A. I'd have to look specifically for this area but
24 speaking from where our current development is.

25 Q. Okay. But as far as well density goes, you're

1 just one well per -- per 1,320 feet laterally, is what
2 you're looking at, right?

3 A. Yes. Density would be like four --

4 Q. Four per section?

5 A. Yeah.

6 Q. Four per section.

7 Are you -- as far as the stress direction
8 and optimal drilling direction out here, you showed
9 analogy, but has there been any -- have you looked at
10 any actual -- actual data on that, like any kind of
11 logging or -- image logging or dipole sonics or anything
12 like that for vertical wells to see --

13 A. Our geologist, Mr. Metz, has looked at that,
14 and yeah, he could speak to that.

15 Q. But as an engineer, you would be the sonic guy,
16 right? You would be the one looking at the sonic data?

17 A. I hadn't looked at sonic data through here.

18 Q. Okay. So you don't have any available. So
19 basically we're stuck with -- most of the wells are
20 drilled certain directions, and your analysis shows
21 either direction is okay?

22 A. Yes. From a production point of view that --
23 and geologic data is always interpretive, and so I went
24 with what's -- you know, let's look at inarguable facts,
25 and so let's look at the actual production, and then the

1 fact that XTO's offsetting this and still drilling
2 north-south, if they had preferred orientation for
3 whatever they want and, as was pointed out, dynamic. So
4 they could have changed if they wanted to do, but they
5 preferred north-south.

6 CROSS-EXAMINATION

7 BY EXAMINER COSS:

8 Q. So I'm curious, as pointed out, that the
9 western half of Section 32 there has wells running north
10 to south that aren't great producers. Have your well
11 designs addressed the reasons or have you kind of,
12 within your company, speculated as to why those might be
13 bad producers or done anything to improve your well
14 design?

15 A. We -- we looked at the public data through
16 there that was available and couldn't find any
17 significant issue with that, but there is a lot that's
18 not always included, as far as if they had drilling
19 problems, if there were problems with the completion or,
20 you know, any number of other problems. They could have
21 had surface takeaway problems, midstream problems.
22 There is a lot flaring that happens out here which
23 chokes back production, so there are a lot of problems
24 that are unidentifiable from outside perspective. But
25 we have not found a reason, to answer your question.

1 **Q.** **Okay. I was also curious. This will be your**
2 **first well -- horizontal well within the Permian Basin,**
3 **but I assume that your company has experience drilling**
4 **lateral wells in other basins. What might those basins**
5 **be or where?**

6 A. So just to be clear, these will not be the
7 first wells drilled in the basin. The other ones are in
8 Lea County.

9 **Q.** **Oh. Oh.**

10 A. Yes. And Ascent's been together for three
11 years, and we've -- and my experience, I've worked many
12 basins across the world. And then our current drilling
13 engineer, she has been working in the Permian Basin for
14 eight years for Ascent, and so she has significant
15 experience drilling here.

16 **Q.** **Okay. So like in Colorado, there are no wells,**
17 **or Oklahoma, that Ascent has drilled?**

18 A. Not as Ascent, but as the individuals who put
19 Ascent together, we've drilled wells all over the
20 continental U.S.

21 **Q.** **I see.**

22 EXAMINER COSS: Those were my questions.

23 RE CROSS EXAMINATION

24 BY EXAMINER JONES:

25 **Q.** **Yeah. The 2,000 pounds per foot is higher than**

1 I expected, because we had big testimony a year or so
2 ago about, you know, 1. -- 1,300 versus 1,500. So does
3 that mean that the sand density is going up as time goes
4 on here?

5 A. It depends on who you talk to.

6 Q. Okay.

7 A. I think it would -- 2,000 -- it's more
8 consistent with results, so you have the results with
9 the higher proppant pounds per foot.

10 Q. Do you design the completion or who in your
11 company or who -- who would you consult with to design
12 the completion?

13 A. We have another gentleman, a VP of completions,
14 and he does the actual design.

15 Q. Okay.

16 EXAMINER JONES: Mr. Brancard?

17 EXAMINER BRANCARD: I have nothing.

18 EXAMINER JONES: Any other questions for
19 the witness?

20 MR. BRUCE: Just one.

21 REDIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. If you look at your Exhibit D, page 4,
24 Mr. Yancy, would you say 72 wells is what you looked at
25 out here in this immediate area?

1 A. Yeah.

2 Q. A lot of them are fairly relatively old, more
3 than five years old -- five or more years old going back
4 to eight or nine years old; is that correct?

5 A. Yes.

6 Q. And even the more -- the newest ones on here --
7 Matador's HEYCO State well is right at the bottom of
8 that list -- they're over two years old already?

9 A. Correct.

10 Q. During that time, the past two years, hasn't
11 horizontal drilling and completion technology been
12 improving all the time?

13 A. Yes.

14 Q. And, of course, you're not going to use what
15 they used in 2013, are you?

16 A. No. No. We would try to use the most modern
17 analogous techniques.

18 Q. Thank you.

19 MR. DeBRINE: Just one follow-up question.

20 CROSS-EXAMINATION

21 BY MR. DeBRINE:

22 Q. Isn't it true that Ascent acquired acreage from
23 Matador in Section 33?

24 A. Yeah. I believe Mr. Zink testified to that.

25 Q. And did you have any conversations with them as

1 part of that acquisition as to why their offsetting
2 wells were poor?

3 A. I didn't have any conversations with them.

4 Q. But that is certainly something that Ascent
5 would want to talk to Matador about to learn more about
6 their wells and determine the cause of their lack of
7 productivity?

8 A. Theoretically, yes.

9 MR. DeBRINE: No further questions.

10 EXAMINER JONES: Okay. I guess we hurried
11 you up. You only have two witnesses, so --

12 EXAMINER BRANCARD: So, Mr. Bruce --

13 MR. BRUCE: I'm finished presenting my
14 case.

15 EXAMINER BRANCARD: You had two other
16 witnesses, but you're okay going forward with just two
17 witnesses today?

18 MR. BRUCE: Yeah. I might call one of the
19 witnesses back for a little rebuttal after seeing what
20 Apache has to say.

21 EXAMINER JONES: Okay. Mr. DeBrine, are
22 you ready to present?

23 MR. DeBRINE: Yes.

24 We'd like to call as our first witness Laci
25 Stretcher.

1 EXAMINER BRANCARD: So, Mr. DeBrine, I
2 guess I was confused by your opening statement. What
3 exactly are you asking the Division for in this hearing?

4 MR. DeBRINE: We are not asking for an
5 order pooling the uncommitted interests that were
6 identified -- for the wells that are identified in our
7 application because we don't believe that the pooling
8 issue is ripe for decision.

9 Partly we agree with Mr. Padilla, that the
10 issue concerning the approval of a development area
11 within the potash area is a decision for the BLM. The
12 BLM has essentially punted and said, "Okay. Go forward,
13 present evidence to the Division, and then we'll make a
14 decision ultimately on what the approved development
15 area will be." But based on the discussions that we had
16 with working interest owners when we proposed the wells,
17 you know, they were willing to commit either to a JOA or
18 sell interest, and the testimony will bear this out.

19 But they felt that pooling was inappropriate until they
20 knew that one plan or the other was going to be in place
21 to whether they should commit to one plan or the other.

22 And that's a problem that you have with
23 competing development areas like this. It's really not
24 ripe. You can't really make an intelligent decision if
25 you're going to participate in one or the other until

1 you know which one is going to be in place, and then
2 you'd want to participate and drill wells based on the
3 results that you think one operator might get versus the
4 other, whether it's economic to -- to pay your share of
5 well costs or just go nonconsent.

6 And so we didn't think the issue of
7 compulsory pooling was ripe at this time, and so that's
8 why what we're just asking the Division to do is
9 consider the technical evidence to determine what is the
10 best development plan based on the orientation of the
11 wells, whether it's two-and-a-half-mile laterals that
12 are proposed in the Taco 28 development plan or the
13 north-south well orientation that's been proposed by
14 Ascent.

15 And we're prepared to present testimony
16 with regard to the efficiencies and the ability of
17 Apache to drill and whether it should be selected as the
18 operator for its proposed Taco development plan, which
19 we believe has a superior ability to actually implement
20 the development plan and achieve the greatest EUR at the
21 least cost. It's going to benefit both Ascent and
22 Apache, as the evidence will show.

23 EXAMINER BRANCARD: I'm confused,
24 Mr. Hearing Examiner. Does the Division normally
25 approve development plans in isolation? I mean, I'm

1 confused what the authority of the Division is here.

2 EXAMINER JONES: We -- I was waiting to see
3 what they were going to say. But if -- Apache's wells
4 would basically truncate the proposed -- is the way I
5 look at it -- the proposed Ascent wells, so Ascent's
6 wells can only be drilled one-and-a-half miles, but they
7 could still be approved.

8 Or are you saying that -- I guess that's
9 going to be coming out in the testimony here. But as to
10 whether, you know, Apache's plan is approved, then that
11 would actually affect Ascent.

12 MR. DeBRINE: Yes, it would.

13 EXAMINER JONES: So you are opposed to
14 Ascent's --

15 MR. DeBRINE: We are opposed to Ascent's
16 plan for those reasons. And the planned approach by
17 Apache will essentially result in Ascent's wells being
18 truncated to one-and-a-half miles because there is a
19 risk of well collision, and we believe it will result in
20 waste if Ascent's plan is adopted versus the plan that's
21 been planned by Apache for east-west laterals.

22 EXAMINER JONES: We've had -- we've had
23 proposals to bring development plans up here before, and
24 I don't think it's ever really happened, but this is the
25 first thing I've seen.

1 MR. BRUCE: I think -- I agree with
2 Mr. Padilla, that development areas are totally within
3 the purview of the BLM, and this is all federal land.
4 And I don't think -- I know the Division has never
5 approved a development area, and I don't think it's
6 anything the Division has any authority over. And
7 since -- they've said they're not pooling anything. The
8 only company here with a concrete application is Ascent,
9 and I would ask that their objections be -- to Ascent's
10 plan be overruled and that Ascent's applications be
11 granted.

12 EXAMINER BRANCARD: Mr. Padilla, what was
13 the basis for your motion to dismiss? I'm sorry. I
14 haven't read it.

15 MR. PADILLA: The basis of the motion was
16 jurisdictional. Ultimately -- well, here you're faced
17 with two development plans, and EOG is faced with two
18 development plans, the east-west proposal advanced by
19 Apache, the north-south advanced by Ascent. And EOG has
20 very limited acreage but still limited acreage. They're
21 looking to see which development plan is going to strand
22 less of their acreage that's not included in either of
23 the north-south proposal or the east-west proposal. EOG
24 believes that some of their acreage is going to get
25 stranded.

1 But the problem -- the main problem is that
2 you can have all the discussion, you can go back and
3 forth here, and come up with some decision, whether it's
4 approval of the development plan proposed by Apache or
5 the compulsory pooling application that specifies a
6 spacing unit under Ascent. And compulsory pooling
7 obviously is within the jurisdiction of the OCD.

8 But the main thing is that because of the
9 potash area, the BLM is ultimately going to decide,
10 based on potash and based on the recommendation by the
11 OCD probably -- I don't think they're going to ignore
12 the OCD's decision. But their concern is that they
13 can't jump to either side or support one or the other
14 the way things are given that the BLM ultimately will
15 make a decision and approve the APDs whether they're
16 Apache's or Ascent's.

17 My experience has been OCD decisions are
18 basically followed by the BLM, but by the same token,
19 they could say, "No, we don't agree." Based on the
20 Secretary's order, they ultimately have jurisdiction
21 over anything, and they could bypass the OCD on this
22 issue. And I haven't seen anything that really says
23 that the BLM wants the OCD to make the decision.
24 There's nothing there that I've seen in these cases that
25 say we're ultimately going to go by what the OCD

1 determines.

2 MR. DeBRINE: And if I could just speak to
3 that quickly. The Division clearly has the approval
4 [sic] to establish spacing units for the wells that have
5 been proposed by Apache. They're two-and-a-half-mile
6 wells. We've prepared C-102s. That's going to be part
7 of our presentation and was part of our application and
8 ask the Division to approve the spacing units for the
9 wells. And so the orientation issue is presented and
10 within the Division's jurisdiction just based on that
11 alone.

12 The issue with regard to pooling -- I mean,
13 ultimately, the BLM isn't bound by a compulsory order of
14 the Division either. They can honor it or not. And
15 there's -- there's recorded decisions out of the
16 District of Wyoming that the BLM isn't bound by a
17 pooling order either. They can disregard it and say,
18 "No. We don't want to permit these federal wells that
19 way. You've got -- you've got to do it a different
20 way." It's ultimately their call with regard to federal
21 lands.

22 The spacing units that have been proposed
23 by Apache for its wells, it's not all federal acreage.
24 It's also state acreage. And so the -- so the Division
25 clearly has the authority to approve spacing units

1 encompassing the state acreage as part of Apache's
2 proposals for its Taco 28-30 development area. So I
3 don't think the question of jurisdiction is -- is a --
4 is a real one.

5 The testimony's going to be that the
6 parties tried to work through the collaborative process
7 provided in the Secretary's order. They were unable to
8 reach agreement, and so the BLM told the parties to come
9 to the Division and present at hearing technical
10 evidence to determine what's the best development area.
11 And they have indicated they're going to go along with
12 that, and I don't think there is any question that they
13 will. Is it within their authority to disregard it?
14 Sure, just like it is a pooling order or other orders
15 that the Division might enter with regard to federal
16 acreage, but clearly this is something within the
17 purview of the jurisdiction, to approve the spacing
18 units that are encompassed within Apache's Taco 28-30
19 development area. And we're prepared to present
20 evidence that it's the superior plan and the Division
21 ought to adopt it.

22 And really the point in question is: Is it
23 really ripe for decision? Until the different working
24 interest owners really know which plan to -- what plans
25 to jump into, should they participate in one well or the

1 other? Until we know what the -- what the plan is going
2 to be, we really can't make an intelligent decision, if
3 you're a working interest owner, as to which plan you
4 want to participate in.

5 And the testimony is going to show that
6 Apache -- even though Ascent says they have a deal
7 working with the Hudson group, we're going to provide
8 the Division with a letter of support from the Hudson
9 group saying they support Apache's development plan.

10 EXAMINER JONES: We did have another case
11 that involved east-west versus north-south, but the
12 east-west was not proposed as a unit. In this case it
13 is. They're actually asking for approval of a
14 horizontal spacing unit. But we do have another one. I
15 don't remember the number.

16 MR. BRUCE: Well, you know, the thing is
17 under the pooling statute, if there are uncommitted
18 interests, which there certainly are, in order to form a
19 well unit, you have to force pool them, and they're not
20 here force pooling anybody.

21 Obviously, Ascent doesn't agree with
22 Apache's proposal. And if -- and it has -- it has
23 preliminary agreements to acquire the Hudson family
24 interest. Obviously, if Apache wants to move forward,
25 they're going to have to force pool. And, of course,

1 one of the things is -- I won't say it's premature to
2 force pool at this point because -- and my landman may
3 well talk about this if the hearing goes on -- it's a
4 long process when you're dealing with federal acreage.
5 It's a longer process when you're dealing with the
6 potash area. And then it can be a long process when
7 there are opposed forced poolings.

8 And, you know, Apache's making a point
9 about Ascent not having many wells drilled yet, and
10 there's been prior testimony by Ascent that it is
11 developing its prospects slowly, getting development
12 areas going, getting forced poolings going, getting all
13 the facilities contracted for, and that's a long
14 process. And that's why it has filed these forced
15 pooling applications because it needs to move forward.

16 Even if the Division reached a decision
17 today, there will no doubt be an appeal to the
18 Commission, and then you go on down the line. It's a
19 long process. And Ascent needs to move on down the
20 road. It started drilling. It wants to drill more.
21 But without a concrete application in front of you, I
22 don't know why we're hearing Apache's case.

23 EXAMINER BRANCARD: Apache, did you enter
24 an appearance in the Ascent case?

25 MR. DeBRINE: We did in opposition to

1 theirs. And we believe our case is ripe for decision,
2 too, with respect to request to approve the -- at least
3 the configuration of the spacing units that have been
4 proposed for its Bone Spring and Wolfcamp wells as a
5 part of the application, and we think the Division ought
6 to approve the configuration of the spacing units
7 because -- there are some important decisions that need
8 to be made.

9 The testimony is going to show that there
10 is a substantial risk of well collision. Ascent is an
11 operator who has never done this before, and they're
12 planning on drilling wells into Apache's laterals that
13 will be drilled.

14 MR. BRUCE: That is incorrect. Apache is
15 drilling wells into Ascent's acreage.

16 MR. DeBRINE: Well, the testimony is going
17 to bear it out one way or the other. We don't know what
18 the state is going to be with regard to the wells. If
19 the Anvil plan is approved, Apache's going to be forced
20 to be drilled -- trying to access its resources from
21 either the existing well pad or trying to get at it from
22 another well.

23 There's going to be testimony that there
24 are substantial risks associated with the Anvil
25 development plan that the Division ought to avoid, and

1 that is a substantial factor to be considered as part of
2 the decision for the Division today. And those issues
3 need to be considered in determining whether the Anvil
4 application should be approved or whether the competing
5 application of Apache should be approved.

6 The BLM has indicated it's going to defer
7 with regard to any future proceedings. That's always
8 the case. Somebody can appeal to the Commission.
9 Somebody can appeal to the district court. There is no
10 hurry here.

11 What we heard in testimony is that Ascent
12 was actively trying to shop this acreage and has even
13 had recent discussions trying to sell it. We think the
14 whole reason for its hurry-up to try and get this thing
15 done is that they were trying to show they had
16 established units to sell, to flip those to somebody
17 else because they really don't have the experience to
18 develop it.

19 MR. BRUCE: That's --

20 MR. DeBRINE: They're trying to develop
21 other acreage, but we don't have any assurance at all
22 that they have -- that they're actually going to develop
23 this anytime soon. There is no reason to -- to rush.
24 This ought to be a carefully considered issue,
25 considering all the evidence, as to what is the best

1 plan, who should be the operator designated for the
2 area, and that's something within the purview of the
3 Division.

4 MR. BRUCE: Then why did Apache oppose a
5 continuance if there is no rush?

6 We'll gladly continue the hearing right
7 now, Ascent would. If there is no rush, why spend
8 another five, six hours doing in this?

9 MR. DeBRINE: Well, the rush is that -- and
10 the motion for continuance was already ruled upon. And
11 it was very clear. Ascent had already obtained a
12 continuance. This has been pending. The parties have
13 been prepared -- and Apache is ready, and the evidence
14 will show that it's ready to drill. It believes its
15 permits would be granted very quickly, and it has the
16 ability and wants to drill this acreage.

17 EXAMINER BRANCARD: Mr. DeBrine, if you
18 block Ascent today, you will still have to come back to
19 hearing again to get a compulsory pooling order,
20 correct?

21 MR. DeBRINE: Assuming that we can't get
22 agreement by all the interest owners in the spacing
23 units for Apache's well. We believe that Ascent would
24 be collaterally estopped from today's proceedings to
25 contest any -- any pooling by -- by Apache.

1 MR. BRUCE: Oh, I doubt that.

2 EXAMINER BRANCARD: Well, there are a lot
3 of reasons to oppose a compulsory pooling order other
4 than a competing application.

5 MR. BRUCE: I am sorry if you're not
6 presenting a pooling application today. Then Ascent
7 certainly has the right to come back and contest the
8 forced pooling on just a ground of operatorship because
9 they probably have a greater interest than Apache. So
10 there are plenty of reasons to contest a forced pooling.
11 We're wasting our time here today.

12 MR. DeBRINE: And we're not wasting your
13 time. I mean, we're prepared. And that was the reason
14 the motion for continuance was denied by the Division,
15 is Apache was prepared. You know, we had -- we had
16 commitments to be here. We brought a bunch of people
17 here today to testify. We accommodated Ascent's request
18 to admit the geological evidence without its geologist,
19 and we don't think that there needs to be any further
20 delay. We're here to present our case, and it ought to
21 be heard by the Division. If Mr. Bruce wants to ask for
22 additional time to come back and bring an additional
23 witness at some further time, I'd have to confer with my
24 client, but we probably wouldn't be opposed to a brief
25 continuance for that effect.

1 But a lot of work went into trying to find
2 the special hearing date. Two weeks ago, Marlene
3 contacted the parities and said, "Are you ready?"
4 Everybody said they were ready. That's why we're here
5 today, because everybody represented to the Division
6 that they were ready to go, and that's why we're here.
7 That's why we shouldn't continue.

8 (Mr. Moellenberg exits the room, 11:15
9 a.m.)

10 MR. BRUCE: Both parties have gotten
11 various continuances. Ascent first filed its
12 applications almost 11 months ago, and these cases have
13 been continued and continued again by both sides.

14 EXAMINER JONES: The C-102 just requires
15 you to say how you're going to consolidate the acreage.
16 It doesn't say that you've already -- I don't think it
17 says you already have it done yet. So they're asking
18 for a horizontal spacing unit.

19 EXAMINER BRANCARD: Yeah, but this is a
20 standard horizontal spacing unit.

21 MR. BRUCE: Yeah. All it requires is the
22 filing of an APD and a C-108. So why are we here?

23 EXAMINER BRANCARD: You don't go to hearing
24 for a standard horizontal spacing unit.

25 I mean, I'm fine with going ahead and

1 hearing the witnesses, getting this done. And if there
2 is additional time that Ascent needs -- I mean, clearly
3 we have the Ascent application to go forward with today.

4 I'm concerned about the status of the
5 Apache application in part because it was publicly
6 noticed as the compulsory pooling application, and yet
7 we're not doing a compulsory pooling application
8 apparently. So -- but we can deal with that afterwards.

9 But, I mean, Ascent has an application
10 before us and they're willing to go forward, and I think
11 we can hear the opposition to it.

12 I mean, how this all plays out -- you know,
13 our ability to look at competing development areas
14 versus competing compulsory pooling, that's a difficult
15 question, the factors that Mr. Bruce referred to in an
16 order about our competing compulsory pooling, not
17 competing development areas. So this is a different
18 issue.

19 So, I mean, I'm fine, Mr. Hearing Examiner,
20 if you want to go ahead to hear these witnesses today
21 and go forward with these cases.

22 EXAMINER JONES: One of the questions is
23 whether approval of the Apache's spacing unit would
24 preclude -- would actually set the tone of how wells are
25 drilled in this area, would they all be east-west. In

1 other words, would it prevent Ascent from drilling a
2 mile-and-a-half well, or would it --

3 Obviously, you're opposed to approval of
4 this? Your client is opposed to it?

5 MR. BRUCE: Yes.

6 EXAMINER JONES: Okay. But that would come
7 out if we went ahead.

8 You know, we talked about this in the
9 horizontal well rule, as to whether -- because once you
10 set -- in one section, if you set spacing north-south,
11 all of a sudden you've kind of set it for that section.
12 And if it would be more prudent to drill east-west,
13 well, then -- we didn't really establish legally who
14 would determine that. But if it's the landowner or --
15 you know, it would be OCD with some waste issues. So I
16 don't know. It's a big question.

17 MR. DeBRINE: Yeah. And we're prepared to
18 present the case that there would be substantial waste
19 associated with the approval of Ascent's application,
20 and that is a primary issue. There are well-collision
21 issues, and there are issues as to whether they're a
22 competent operator to follow through with its
23 development plan.

24 EXAMINER JONES: It's a legal --

25 EXAMINER BRANCARD: Again, it's up to you.

1 My only question is whether Mr. Bruce really --

2 I mean, we asked you whether you wanted a
3 continuance, but I guess you had requested one and it
4 was denied. And so the only question --

5 EXAMINER JONES: It was denied because --

6 MR. BRUCE: It was -- it was timely filed
7 as opposed to some of my continuance applications
8 (laughter).

9 EXAMINER JONES: Are you being harmed by
10 your witnesses -- Mr. Metz not being here?

11 MR. BRUCE: Well, I suppose that remains to
12 be seen. You know, we think we have a good case, but if
13 you guys are going to hear the Apache witnesses, then
14 let's make the call at that time.

15 EXAMINER JONES: Do you want to go ahead?

16 EXAMINER BRANCARD: We can go ahead.

17 EXAMINER JONES: Let's go ahead.

18 You've (indicating) already been sworn in.

19 MR. DeBRINE: Thank you, Mr. Examiner.

20 LACI L. STRETCHER,

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

23 DIRECT EXAMINATION

24 BY MR. DeBRINE:

25 Q. Could you please state your name?

1 A. Laci Stretcher.

2 Q. Who do you work for and in what capacity,
3 Ms. Stretcher?

4 A. I work for Apache Corporation, and I'm a senior
5 landman.

6 Q. What are your responsibilities as senior
7 landman for Apache?

8 A. I help Apache develop its minerals and
9 leasehold in New Mexico and Texas.

10 Q. Have you previously testified before the
11 Division?

12 A. Yes.

13 Q. In those proceedings, were your credentials
14 accepted by the examiner and made a matter of record in
15 those proceedings?

16 A. Yes.

17 Q. Does your area of responsibility with Apache
18 include the area of Eddy County in New Mexico and the
19 potash area that's the subject of Apache's application?

20 A. Yes.

21 Q. Are you familiar with the applications filed by
22 Apache in Case Numbers 20171 and 20202 and the
23 applications filed by Ascent in Case Number 16481 and
24 16482?

25 A. Yes.

1 **Q. Are you familiar with the status of the lands**
2 **that are subject of these applications?**

3 A. Yes.

4 MR. DeBRINE: We would tender the witness
5 as an expert in petroleum land matters.

6 EXAMINER JONES: Any objections?

7 MR. BRUCE: No objection.

8 EXAMINER JONES: No objections?

9 MR. PADILLA: None.

10 **Q. (BY MR. DeBRINE) We've had a very lengthy**
11 **discussion about what Apache is seeking through its**
12 **applications, but if you could -- Ms. Stretcher, could**
13 **please briefly explain to the examiners what Apache is**
14 **seeking through its applications and opposing Ascent's**
15 **applications here today?**

16 A. We are seeking to be designated as party of the
17 Taco 28-30 development area. These conversations
18 started in March, April of 2018. We've met with BLM.
19 There's been numerous emails back and forth. Jim Rutley
20 specifically said -- and we'll introduce that into
21 evidence later -- that this was the venue that would
22 settle this type of conflict. So that's why we're here
23 today. BLM has not given us a decision on who would be
24 the operator. They specifically said we needed to come
25 before the Division to make that call.

1 **Q. You mentioned Jim Rutley. Who is Mr. Rutley?**

2 A. He's the geologist at the Carlsbad field office
3 for the BLM, and I think he's referred to as the potash
4 guy.

5 **Q. And what is your understanding of his role with
6 regard to approval of potash development areas?**

7 A. All things potash go through Jim. He helps
8 operators facilitate the drill islands within the potash
9 area, makes sure that the notification process is as per
10 the BLM rules, and then he's also part of the -- sort of
11 mediation that happens between operators when there is a
12 protest within a development area. And he was part of
13 this particular process, of both the Taco and Anvil
14 development areas.

15 **Q. And in its application that was noticed by
16 Apache, did it -- did the notice include a statement
17 that Apache was asking the Division to approve its Taco
18 28-30 development plan?**

19 A. Yes.

20 **Q. It also included notice that it was requesting
21 an order pooling any uncommitted interests for the
22 proposed horizontal spacing units for the Bone Spring
23 and Wolfcamp wells that Apache had proposed to working
24 interest owners in the north half of Sections 28 and 29
25 and the northeast quarter of Section 30, but you're not**

1 **yet asking for a compulsory pooling order?**

2 A. That's correct.

3 **Q. Could you explain why?**

4 A. Originally we were seeking compulsory pooling.
5 We received numerous phone calls from working interest
6 owners that said, "What's going on here? You've got
7 Ascent's Anvil and Apache's Taco, and they intersect.
8 How am I supposed to decide who to make a deal with, who
9 to commit my interest to?" And so several parties -- I
10 think Jalapeno actually filed a brief in this case. I
11 know EOG -- I also spoke with their landman, and they
12 had questions. "Why are you compulsory pooling us? We
13 don't know what's going on yet." And those were
14 conversations that were had back in December of 2018.

15 So each time I've spoken with those
16 parties, I've said, "Don't worry. We've got to figure
17 out the DA part first, and then you'll have a chance to
18 be -- you know, participate in the wells or not, and
19 then we'll go through the compulsory pooling process."
20 I said it didn't make sense for the Division to hear
21 Ascent's compulsory pooling case and then us, you know,
22 months later and those parties be compulsory pooled
23 before someone has made a decision about the operator
24 and the development area.

25 So it seemed like it was fair. You know,

1 we had -- I think several people filed letters to the
2 Division regarding this case, so you can check those
3 out. They were probably in the December, January time
4 frame, but it was partners specifically saying, "We
5 haven't had enough time to look this over. We don't
6 know what's going on here." And so that's -- that's why
7 we wanted to get this in front of the Division today.
8 It seems -- just like Earl said. It seems like the
9 compulsory pooling issue is not ripe yet. If you
10 approve our development plan, how we have it, where
11 Ascent's laterals are shortened and ours are
12 two-and-a-half miles, then it would be a different
13 approval process for all of the parties involved.

14 **Q. And that was the direction given to you by**
15 **Mr. Rutley as to how to proceed?**

16 A. Regarding -- regarding coming to the Division?

17 **Q. Yes.**

18 A. Oh, yes. And that's been -- when we had our
19 first meeting with the BLM in June, Ascent was there,
20 too. This is the last resort. No one wants to be here
21 because it means that we weren't able to work something
22 out with the other party. And we'll go into the
23 negotiations that have been back and forth. But there
24 was never a question of if we continued having
25 negotiations fail, that we would end up in front of the

1 Division because the BLM specifically said if we can't
2 work something out with the parties, it goes to the
3 Division.

4 **Q. Ms. Stretcher, could you turn to what's been**
5 **marked as Exhibit L2 and explain to the examiners what**
6 **that map is designed to show?**

7 A. So this is our initial plan for the Taco 29
8 wells. What this shows -- and I have to admit that
9 there is an error on this first slide, so I want to
10 correct it before we continue. That square in Section
11 28 is around the Emperor well. That is Ascent's well.
12 It should be moved just slightly to the southwest, and
13 that's going to be the Golden Lane well. That's the one
14 that I'm going to talk about.

15 The particular leases that are involved in
16 the Taco 29 plan, Section 29, the yellow that you see on
17 the map, that's 100 percent Apache. There's actually a
18 JOA that covers the north half of that section, and we
19 have about 96 percent working interest.

20 OXY is the other working interest owner in
21 Section 30. They're in the northeast quarter. There
22 are multiple working interest owners that are part of
23 that north half JOA, including the Hudson entities, and
24 we'll get into that in a little bit. But we figured we
25 would probably have to compulsory pooling just due to

1 the number of working interest owners that are in this
2 particular development plan.

3 The leases are both state leases here. The
4 yellow is a newer state lease that has a 1/6 royalty.
5 The remaining parts that are in that green outline, it's
6 another state lease. It's an older lease.

7 Our lease, the one in yellow, is only HBP'd
8 by our Golden Lane well. That's a Morrow producer that
9 was drilled 2005 by Edge. It was drilled directionally.
10 That was prior to the Secretary's order. So we have a
11 well pad that's right there, and it's drilled
12 directionally into Section 29.

13 One of the reasons that OXY was excited
14 about this particular plan when we first reached out is
15 that their acreage hasn't been developed, and they were
16 excited about a way that we could come in and access
17 that.

18 MR. PADILLA: Mr. Examiner --
19 Earl, do you have exhibits?

20 MR. DeBRINE: I think I do. Yeah.

21 MR. LARSON: Another set?

22 MR. DeBRINE: Oh, boy.

23 **Q. (BY MR. DeBRINE) Actually, Ms. Stretcher, I**
24 **skipped an exhibit. Could you turn to L-1, which is the**
25 **proximity map?**

1 A. So this one -- unfortunately, it looks like the
2 potash boundary did not print out very well. But if you
3 sort of look closely, you can see there is a little bit
4 of a grayer area in the middle, and that's the potash
5 boundary. The acreage that is in red is Apache's
6 proposed Taco 28-30 development area. The area in green
7 is Ascent's Anvil development area. And just to give
8 you an idea of where this is in relation to Eddy County,
9 Carlsbad is off to the southwest and Loving is due
10 south. It's just off the map here to the south.

11 **Q. With regard to the initial plan that's shown on**
12 **Exhibit L2, since that plan was first proposed, has**
13 **Apache conducted an engineering study to determine**
14 **whether it's feasible to drill the wells that are shown**
15 **on that plan using the Golden Lane well pad?**

16 A. Yes, we have.

17 **Q. How long has Apache been evaluating this**
18 **prospect for development of other formations other than**
19 **the Morrow?**

20 A. I started looking at it in March of 2018, and
21 then the team took a look starting in April 2018.

22 **Q. Apache's proposed Taco 28-30 development area**
23 **is within the potash area of Eddy County where there are**
24 **special procedures established by the BLM for**
25 **development. If you could turn to Exhibit L-3, which is**

1 **an email from the BLM explaining the process, and just**
2 **walk the examiners what that process consists of under**
3 **the Secretary's order.**

4 A. So as an operator, if you would like to drill
5 within the potash area, you send out a letter. It's
6 called your Development Area Notification, and it goes
7 out to all parties that are in those wells and all
8 offset operators that are within a two-mile radius. And
9 it also goes to the potash operators that might be
10 nearby. After -- during that 30-day notification
11 period, anyone that's been noticed can then send a
12 letter to the BLM and say, "Hey, I want to collaborate,"
13 or "I have a protest of this particular development
14 area."

15 And then you can read through Jim's email
16 here, but basically what the BLM does is they bring
17 everybody into their office, sit down, talk about the
18 technical details, talk about the land situation to
19 figure out if there is any way some sort of compromise
20 can be made. And then if you read -- it's the
21 second-to-the-last sentence there -- it says, "If there
22 is still no resolution, the protest goes before the
23 NMOCD. Until recently, we've not any meetings progress
24 to that point, but in the last six months, I believe
25 three, maybe four have gone to hearing." So that's --

1 that's where this came from, why we're here in front of
2 you today.

3 **Q. Were Apache's development plans for its acreage**
4 **in Section 29 already underway when you received notice**
5 **of Ascent's proposed development area?**

6 A. Yes.

7 **Q. What were Apache's concerns when it received**
8 **Ascent's proposed Anvil development area proposal?**

9 A. Collision issues. Immediately when you see
10 perpendicular drill plans, you know there's -- in the
11 same formation, that there might be an issue.

12 **Q. If you could turn to Exhibit L-4, does that**
13 **illustrate the concerns you talked about?**

14 A. Yes. So this again shows -- and this side is
15 actually correct. I mentioned a second ago the box
16 around the Golden Lane well was actually on the Emperor
17 well instead. But on this one, it's correct.

18 You can see our proposed wells. We're
19 leaving the Golden Lane pad drill to drill into Sections
20 29 and 30, and you can see Ascent's wells coming from
21 the south and then crossing ours in the northwest
22 quarter of Section 28. We looked up Ascent. At that
23 time they had not drilled any wells. We were concerned
24 about that. I think as of the -- I think earlier this
25 week when I looked on the NMOCD website, it said that

1 Ascent had drilled four wells. And I don't know. It
2 just said the spud date and Ascent as operator. So
3 that's what they have drilled in 2019.

4 So once we figured out there was a
5 collision issue and we weren't sure about Ascent, we
6 went ahead and requested collaboration with Ascent and
7 the BLM on March 3rd -- I'm sorry -- April 3rd.

8 **Q. If you could turn to Exhibit L-5, is that the**
9 **letter requesting corroboration through the BLM process?**

10 A. Yes. And this just explains what I showed on
11 the map before. If you flip to the second page there, I
12 just explained to Jim at the BLM that there are
13 competing proposals here and that our well trajectory
14 would be in direct conflict with Ascent's Anvil wells,
15 and I had hoped that we could collaborate on this back
16 in April of 2018 and find something that worked for both
17 parties.

18 **Q. And what did Apache try and do to work with**
19 **Ascent and the BLM to try to resolve the conflict?**

20 A. Lots of conversations. We met in June of 2018
21 to walk through what potential options were. We talked
22 about if there was a way to drill both at the same time,
23 and ultimately our drilling engineer said no. And
24 you'll hear why from someone who knows way more than I
25 do about that. So then we talked about Ascent maybe

1 shortening their laterals in the west half of the west
2 half -- I'm sorry -- the west half of the northwest
3 quarter so that we wouldn't be competing anymore. We
4 would still be drilling ours from that Golden Lane well
5 pad. They would just have shorter ones in that
6 particular part. That was our original idea.

7 **Q. And what was Ascent's response to all of**
8 **Apache's proposals?**

9 A. They rejected those.

10 **Q. If you could turn to Exhibit L-6, which is your**
11 **formal protest letter, I believe, and tell the examiners**
12 **what that represents.**

13 A. This is a much longer letter. It explains the
14 efforts that we have gone to with Ascent at that point.
15 We thought that if we asked them to shorten their
16 laterals in the west half of the northwest quarter,
17 although that would leave their lateral shorter, they
18 could still participate in our wells there. So we
19 thought that they're not developing it, but we would
20 still recover that acreage through our drilling from the
21 Golden Lane well pad.

22 So we talked about them participating. We
23 talked about Apache just outright acquiring that 80
24 acres, because that was a solution. And then there is
25 references to a trade in this. We didn't really know

1 what that would look like yet, but we wanted to open up
2 conversations for that.

3 I also mention in here that -- we had
4 received Ascent's marketing package at that point. So
5 this was dated May 23rd. We had seen their marketing
6 package that covered multiple lands across Eddy and Lea
7 Counties. And it seemed like what they were doing is
8 picking out places within the potash and preparing them
9 for development and then to sell that package. And so
10 my comments to Jim in this email are that I feel like
11 we're not across the table from another operator. We're
12 across the table from someone who wants to sell that
13 acreage to someone else. And so I felt like we were
14 going to have an uphill battle trying to do something
15 with them due to that. Again, that was in May of 2018.

16 **Q. Did you have further meetings with Ascent and**
17 **the BLM after you sent this letter to try and reach an**
18 **agreement -- a solution that would work for everybody?**

19 A. Yes. That was the meeting in June at the
20 Carlsbad field office.

21 **Q. And throughout this time, was Apache's**
22 **technical team continuing to evaluate the prospect and**
23 **determine the optimal development plan for Apache's**
24 **acreage and other acreage in the area?**

25 A. Yes. We continued to do additional analysis in

1 this particular area, try to make sure that as we
2 continue to move forward, that we're doing it in the
3 most efficient way.

4 **Q. As a result of that work, did Apache formulate**
5 **what's referred to as the Taco 28-30 Development Plan**
6 **that it's asking the Division to approve?**

7 A. Yes.

8 **Q. Is that shown on Exhibit L-7?**

9 A. It is.

10 **Q. If you could, just please walk the examiners**
11 **through Exhibit L-7.**

12 A. Okay. So, again, we originally had talked
13 about going off of that Golden Lane well pad and then
14 drilling into Sections 29 and 30. This plan starts us
15 in Section 28. And the idea didn't just come from our
16 team. It also came from Jim Rutley at the BLM. Around
17 the same time, he had gone out -- if you look at this
18 particular graph, all the little blue squares are drill
19 islands that had been approved by BLM. And not all of
20 them are ours. I think Ascent presented another map
21 that's from the BLM website that shows some of those
22 drill islands.

23 But if you look in the northeast quarter of
24 Section 28, there are those blue squares, and those were
25 actually originally staked by XTO. And their plan is to

1 start just across the section line in 27 and drill -- I
2 don't know how long -- laterals, but let's just say
3 two-mile laterals, going east. And Jim said, "We could
4 probably get you some drill islands just across the
5 section line in Section 28 so you can capture that
6 northeast quarter of Section 28."

7 So if you think back to our original plan,
8 going off of Golden Lane, and Ascent's plan, the acreage
9 in the northeast of 28 would have been stranded. And so
10 Jim liked that idea. It's federal acreage, and we could
11 drill across, capture Section 28, the entire north half,
12 drill across all of Section 29 and then hit OXY's
13 acreage in the northeast of Section 30.

14 Another reason for that move, besides it
15 just being recommended and the drilling efficiencies --
16 again, I'm not the drill person, so you can hear some
17 technical info about that in a little bit -- but we were
18 also limited on ever expanding the Golden Lane well pad.
19 That's where we had that Morrow producer that was
20 drilled back in 2005. The BLM allowed us to go out and
21 stake those wells, but we could never expand it past
22 that size because there is a playa right to the eastern
23 border of it. And it's kind of hard to see on this map
24 and I apologize for that, but if you look where the
25 yellow dot is, you'll see some white. And that is the

1 well pad and also the -- I don't know if you can see the
2 playa on this. It's probably not zoomed in enough. But
3 there is an active playa, and there is a raptor's nest
4 right in the playa area. And so BLM was like hard line,
5 "You can't go past this."

6 There was also a transmission line that
7 bordered the northeastern part. Ascent's well, the
8 Emperor, it's in the same -- that's a Strawn producer --
9 the transmission line ran right across that particular
10 area. So we were hemmed in by, you know, environmental
11 things and then you've got an electrical line that's in
12 that same place.

13 So when we staked those wells, Aaron, the
14 biologist for the BLM, said, "This is it. If you're
15 going to develop from the Golden Lane pad, you can do it
16 with this many wells, and that's it." And Mindy and
17 Mike will get into the prospective formations that are
18 here. So we've talked about -- we'll talk about 2nd,
19 3rd Bone Spring, and we'll talk about Wolfcamp. So
20 there are other things that we might want to go back in
21 the future and capture that, but we wouldn't be able to
22 off of the Golden Lane. We will be able to go in and
23 add additional wells on well pads in Section 28.

24 So we're not just thinking about this plan.
25 We're thinking about the future here and making sure

1 that we're maximizing development.

2 And as part of that, after we -- I mention
3 here on this particular slide that we had a second
4 meeting planned with Ascent in October. And I
5 personally met with Lee at the NMOGA annual meeting, and
6 we just talked about, you know, is that really a good
7 use of our time, because we'd kind of reached an impasse
8 at that point. They wanted to drill their two miles.
9 We wanted to drill our two-and-a-half miles. So we
10 ended up canceling that meeting. I was under the
11 impression that we all understood that we were coming
12 before the Division at that time.

13 And then I also talk about here the
14 development area notifications that came out, and we'll
15 cover that here in just a second.

16 **Q. And so on Exhibit L-7, all of those squares**
17 **that are shown on the section lines going down, 28 and**
18 **33, those were approved drill islands by the BLM?**

19 A. Right. This shapefile -- or KMZ is probably
20 from the BLM.

21 **Q. Those obviously don't contemplate drilling**
22 **wells with a north-south orientation from those pads?**

23 A. Not -- not the ones going down Section 28, no.

24 **Q. If you could turn to Exhibit L-8, which is the**
25 **notice sent to the working interest owners concerning**

1 **the development plan and go into detail of that with the**
2 **examiner.**

3 A. Yes. This is just a standard development area
4 notification. It's pretty self-explanatory. It talks
5 about, you know, what formations we want to drill, where
6 we want to drill them. We have our notice list that's
7 on the very last page -- well, it looks like there are
8 two. We may have to submit that subsequently. There is
9 a notice list that we attached to the back that shows
10 everyone who we sent the DA notification to.

11 Earl, does your exhibit have --

12 **Q. No. I don't believe we included that as an**
13 **exhibit, the list of --**

14 A. Okay. But the BLM does specify that we had to
15 have the notification list, and that was included when
16 we mailed this out. I think this is dated October 23rd.

17 **Q. Since sending out that notice, what has Apache**
18 **done to prepare its prospect for development if the plan**
19 **is approved, if you could turn to Exhibit L-9, which I**
20 **believe talks about those issues?**

21 A. Well, we've staked the wells. That happened in
22 November of 2019. We sent out well proposals and AFEs
23 to partners on the 2nd Bone Spring, 3rd Bone Spring and
24 the Wolfcamp.

25 During that time, again, the technical team

1 is continuing their evaluation. We want to make sure
2 that we're drilling the best wells possible. We talk
3 about facilities here, where the flowlines were going to
4 go, SWD. We already have gas and oil contracts out
5 there because of our existing Golden Lane well, so that
6 wasn't an issue.

7 And then, of course, there were also
8 negotiations -- it's not really negotiations quite yet,
9 but people who were interested in doing deals with us,
10 but because of competing development areas, I said,
11 "Hold off. We probably do want to do something with you
12 but not yet. We want to make sure that we have this
13 interest -- or that we have operatorship of the Taco
14 28-30." And we also -- there is a grazing lessee that's
15 out there that has a fence that is sort of where our
16 well pads are, and we discussed with him. His name is
17 Garth Grizzly. We talked about how we were going to
18 re-route his fence and make sure that -- it wasn't -- it
19 didn't run directly across our well pads, but it was in
20 such a way that everybody agreed it needed to be moved
21 somewhere better for the cows.

22 And then there is also a recreational trail
23 that's out here. The BLM has a rec trail for like
24 motorcycles and ATVs and horses. And that also -- the
25 rec trail specialist wanted us to move it. She didn't

1 want the trail too close to our well pads. So that's
2 another thing we worked with the BLM on, as far as
3 making sure that we could accommodate the BLM and make
4 sure that the rec trail wasn't impacted by our
5 development.

6 We also had a contract -- or we haven't
7 signed a contract, I don't think, yet with Solaris, our
8 SWD person, but we're already out in the area, and so
9 we've got something there.

10 We've also had a knowledge share with OXY.
11 OXY is an operator in and around us. And we thought, as
12 another big partner in these wells, that they would be a
13 good operator to discuss, you know, what they're seeing
14 and compare it with what we're seeing so we're drilling
15 the best wells here.

16 **Q. If you could turn to Exhibit L-10, does that**
17 **accurately summarize the investment by Apache in**
18 **developing its Taco 28-30 development area?**

19 A. Yes.

20 **Q. Could you describe that for the examiners, the**
21 **total investment by Apache?**

22 A. We've spent over \$120,000 on title money. This
23 particular area was pretty hairy on the title front. We
24 spent about 242 field hours on location review with the
25 BLM, and those hours include the original attempt to use

1 the Golden Lane well pad, and then subsequently, you
2 know, staking those wells in the northeast quarter of
3 Section 28. So lots of time out there with the
4 operations folks to make sure these wells work for us.

5 About 94 of my -- 94 hours of my time has
6 been spent on preparing this for development. That
7 includes reviewing the title, preparing the well
8 proposals, and that also includes preparing for this
9 particular hearing. 154 technical hours, so that comes
10 from geological, reservoir, drilling, production,
11 facility. Each of those groups -- to get to this point,
12 where we're about to submit permits, there is a lot of
13 work that goes into it, and we really want this prospect
14 to be a slam dunk for us.

15 If you look, there are not a lot of
16 surrounding wells, so we feel like if we drill these, it
17 could be a really great opportunity for Apache. And so
18 we've spent the time to justify our development plan to
19 management, and they approve.

20 And then last I want to just mention that
21 at least three parties reached out to us and said, "Hey,
22 we're interested in selling our acreage to you or maybe
23 doing a trade." And all three of those have said, "No.
24 We're going to wait, see what happens with this hearing
25 before we end up with any acreage." I mean, the last

1 thing we want to do is have non-op acreage in Section 28
2 with Ascent drilling north-south. We would want to
3 develop our acreage in Section 29.

4 **Q. If you could turn to Exhibit L-11, which is a**
5 **tract map, and explain what is shown there to the**
6 **examiners.**

7 A. So this is not a full list of all of the
8 owners. I tried to include anyone who is part of the
9 case, so Ascent, OXY, EOG, Jalapeno. There is also --
10 any party that supports Apache, so people that actually
11 submitted their letters or a brief or anything like
12 that, I included all of those. If you look at Section
13 28, the northeast quarter of that is 50 percent OXY, 14
14 percent Ascent. The northwest quarter of Section 28 is
15 actually two federal leases, but the reason you're
16 seeing it all pooled is because there is a pre-existing
17 JOA that brings all of that interest together. That's
18 where Ascent has a large position of 68 percent. EOG is
19 there with 7 percent. If you skip on over to the north
20 half of Section 29, you're looking at Apache at 96
21 percent, as the largest working owner, and a bunch of
22 smaller ones there. And then over in the northeast
23 quarter of Section 30 is OXY with 100 percent working
24 interest.

25 **Q. If you could turn to the next exhibit, L-12,**

1 **which is a further delineation of the ownership.**

2 A. Right. So this map shows the ownership,
3 whether it's state or federal. Again, all federal in
4 Section 28, and then Sections 29 and 30 are both state
5 leases. If you look at the, like, darker black box
6 there, it lists the ownership across our development
7 area. So Apache has 38 percent working interest; OXY
8 with 30; Ascent, 16.4, and then there are subsequent
9 parties. I'll just mention, Jalapeno has 1.2 and EOG
10 with 2.4, since both of those were parties in this case.

11 **Q. Has Apache staked the wells and prepared C-102s**
12 **and prepared its APDs for filing already?**

13 A. We have prepared our C-102s and staked the
14 wells. We have not filed permits yet. We want to wait
15 and see what the Division -- like how they grant this
16 particular case, what happens, who gets operatorship of
17 each area, and then we will move forward with submitting
18 those permits. Federal permits are about \$10,000
19 apiece. You really want to know that you've got the
20 acreage ready before you submit those.

21 **Q. If you could turn to Exhibit L-13, is that the**
22 **C-102s that Apache has prepared for its Bone Spring and**
23 **Wolfcamp wells --**

24 A. Yes.

25 **Q. -- that were described in its applications?**

1 A. Yes. This is the full packet. Really the only
2 think of note is it just lists all of our wells there,
3 so 1st and 2nd -- 2nd and 3rd Bone Spring, Wolfcamp
4 wells. And, again, this is just to show the examiners
5 that we've done it. We're ready to go. This isn't just
6 us showing up today. We are ready to drill these wells.

7 The thing of note in this exhibit would be
8 the last five pages, and those are the layout of our
9 facility and flowlines that would give us access to the
10 development area. So it's, again, just showing that
11 we're ready to go here.

12 **Q. Did you send out well proposals to the working**
13 **interest owners in the proposed Taco development --**
14 **28-30 development area --**

15 A. Yes.

16 **Q. -- for the wells described in the C-102s in**
17 **Exhibit L-13?**

18 A. Yes.

19 **Q. If you could turn to L-14, is that the**
20 **well-proposal --**

21 A. Yes.

22 **Q. -- letter that was sent out to the working**
23 **interest owners?**

24 A. Yes. So this -- this well proposal, this is
25 actually Ascent's -- I think this is their older

1 address, though, 1125 17th.

2 That's the older address?

3 MR. YANCEY: That's the current one.

4 THE WITNESS: Oh, it's the current one.

5 Excellent.

6 Sorry. I just wanted to make sure I didn't
7 give you the wrong address in my exhibit.

8 So this particular well proposal shows two
9 2nd Bone Spring wells, three 3rd Bone Spring wells and
10 three Wolfcamp wells. The AFEs that are listed in this
11 well proposal are for all eight of those wells. We also
12 include a map. If you look at the Exhibit A in that
13 well proposal -- these are the actual -- this is the
14 layout from our surveyors. So if you want a really nice
15 view of what we're looking at, the wells that are in
16 this proposal, this is it. It also shows our facility
17 pad. So that's just -- if you're wanting a full view --
18 some of these maps are landman drawings. This is not.
19 This is a pretty good product from our surveyors.

20 And then Exhibit B to that well proposal is
21 all of the working interest owners that were -- that are
22 in the wells.

23 **Q. (BY MR. DeBRINE) Are the costs that are in the**
24 **AFE consistent with those charged by other operators for**
25 **drilling, completing and equipping wells drilled to**

1 **similar lengths and depths?**

2 A. Yes. We had 100 percent, 300 percent
3 nonconsent penalty and then a drilling and producing
4 rate of 7,000 and 700.

5 **Q. And what has been the response of the interest**
6 **owners after you sent out the well-proposal letters?**

7 A. A positive response. A lot of these partners,
8 especially those in 29 and 30 -- this is acreage that
9 hasn't been drilled in years, and so they're excited
10 about finally getting something out of that acreage.

11 As far as the Section 28 owners -- you
12 know, the northeast quarter is not Ascent, so that's
13 another group of people that are -- including OXY with
14 50 percent, that are excited about the ability to
15 develop their acreage. We got phone calls about the
16 northwest quarter, and that's where the conflict -- the
17 operator conflict comes into play. But, you know,
18 people wanting to know: I've got two proposals. What
19 am I supposed to be doing here? But well received.
20 Again, I think ultimately we'll probably have to do
21 compulsory pooling just due to the number of parties
22 that are here.

23 **Q. Did any of the interest owners express in**
24 **writing their support for Apache's proposal, if you**
25 **could turn to Exhibit L-15?**

1 A. Yes. So we'll just go through them. We have
2 support from Ard Energy. And most of these owners have
3 working interests in multiple tracts so not just one
4 piece. So Ard Energy; Centennial, LLC; Worrall
5 Investment -- let's see here -- the Josephine T. Hudson
6 Testamentary Trust; Javelina Partners; Lindy's Living
7 Trust; Moran Shelton, Zorro Partners. The last one here
8 is OXY's prehearing statement that provides their
9 support. So if you add up all this interest and
10 Apache's, that's almost 80 percent of the working
11 interests in the Taco development area providing support
12 here of Apache's plan.

13 **Q. Did your investigation of title determine if**
14 **Mewbourne owned an interest in Section 28?**

15 A. I have not seen an assignment from any of these
16 entities into Mewbourne.

17 **Q. Do you know who Ascent acquired some of its**
18 **acreage from in Sections 28 and 33?**

19 A. I knew for sure of Matador.

20 **Q. Did you have any discussions with Matador as to**
21 **whether they agreed with Apache that the area should be**
22 **developed with east-west laterals as opposed to Ascent's**
23 **plan of north-south laterals?**

24 A. Yes, I did.

25 **Q. If you could turn to Exhibit L-16, is that the**

1 **discussion you had with Matador?**

2 A. It is, yes.

3 **Q. And if you could just read that into the**
4 **record, the statement by Matador.**

5 A. So it's dated June 20th. It says, "Laci, thank
6 you for reaching out regarding the proposed and
7 protested Anvil development area. Matador wishes to see
8 east-west development in this area as opposed to
9 Ascent's proposed north-south development."

10 And, again, Matador is the operator of the
11 HEYCO wells that are just to the southwest of these two
12 competing DAs, and so they were originally in Ascent's
13 acreage and now they would have been in Apache's Taco
14 acreage. I believe they actually have an override in
15 the northwest quarter of Section 28 that they carved out
16 from their transaction with Ascent. But this was
17 another operator that supported east-west development.
18 OXY was an operator that supported east-west development
19 as well.

20 **Q. And you talked about the HEYCO wells that are**
21 **adjacent to Ascent's acreage. What does production with**
22 **those wells look like?**

23 A. My understanding, from a landman perspective,
24 was not good, but I'll let some of the other technical
25 folks give some more information on that. I don't want

1 to answer it.

2 Q. If you could turn to Exhibit L-17 and does that
3 accurately summarize the attempts by Apache to try and
4 reach agreement with Ascent to resolve the conflict?
5 And if you could just walk the examiners through those
6 efforts.

7 A. So we had the meeting with the BLM in June of
8 2018. You know, I mentioned we had a second meeting
9 scheduled in October that we ended up canceling because
10 we didn't think it was going to be fruitful. There was
11 a teleconference with Ascent in May of 2018, three
12 in-person meetings. They've come to Midland twice. I
13 met with them in their Denver office once.

14 We offered to buy -- I'm sorry. Ascent
15 offered to buy our acreage in this particular -- in the
16 north half of Section 29. We thought that their offer
17 was too low. Subsequently, later on down the road, we
18 kind of pitched the idea: What if -- what if we offered
19 for your acreage? What would that look like? And what
20 they kind of had, ballpark only, was about
21 two-and-a-half times their original offer to us. So
22 that obviously did not work for Apache.

23 We really have tried, numerous emails back
24 and forth with trade ideas. We've had some non-op
25 interests that we pitched to them, some minerals for

1 leasing purposes, but then they would participate in
2 someone else's wells. We've done -- we actually didn't
3 do a shapefile swap, but we did like a map exchange. We
4 really exhausted our efforts here to try to find some
5 sort of solution.

6 **Q. If you could turn to Exhibit L-18 and explain**
7 **to the examiners why you believe that Ascent's**
8 **application should be denied and that Apache's**
9 **application and request for approval of its proposed**
10 **Taco 28-30 development area should be approved.**

11 A. So Apache has a proven track record in
12 New Mexico. Over the past ten years, we've drilled 873
13 wells. We do have experience in the Delaware Basin and
14 the potash area. In the last two years, we've drilled
15 35 horizontal Delaware Basin wells. We've drilled two
16 development areas within the potash, so we're familiar
17 with some of the things that you need to do there.

18 We feel like this solution is a compromise
19 between the two parties. We feel like this is in the
20 spirit of the Secretary's order. Again, this is a plan
21 that the BLM liked, because it doesn't say, "Ascent, you
22 can't go drill your wells." It just says, "Please drill
23 them only a mile and a half and then participate with
24 your other acreage in our wells that are going to be
25 coming from the northeast quarter of Section 28." So

1 from our perspective, we feel like it's a compromise
2 between the two operators.

3 OXY and Apache also have the risk of being
4 stranded here, and we'll talk about well orientation.
5 The other witnesses will talk about that. Again, I'm
6 not the person to discuss the technical aspects of well
7 orientation. But both OXY and Apache feel like we would
8 we would have our acreage stranded if Ascent drills
9 their wells and we're not able to develop from the east
10 to the west.

11 And just to explain something that's on
12 these maps here. I know there are a lot of squiggles
13 here, but the red line that you're seeing on the map is
14 the quarter-mile buffer from the potash area, and then
15 the blue is the half-mile buffer. And what that means
16 is your surface location, as far as your drilling down,
17 the deeper you go, the further outside of potash you
18 have to be. So here we're talking about Wolfcamp wells.
19 We have to be outside of that half-mile buffer. So when
20 we talk about developing our wells east-west, there is
21 really not a way to pick up our acreage in 29 or, in
22 OXY's case, in the northeast quarter of Section 30 but
23 for outside of that buffer, which those are the drill
24 islands that we have staked there in Section 28.

25 We would develop these wells as soon as

1 possible. We really have checked all the boxes besides
2 obviously being granted operator and also submitting our
3 permits. Like I've mentioned, we've done SWD. One
4 other thing that we've done is -- I mentioned XTO has
5 wells that are going to go off of the same area right
6 here going east. We'll be sharing a frac pit with XTO.
7 That's the plan. So we won't have two different
8 operators with two different frac pits out there. We're
9 only going to use one. So we're looking for those kind
10 of synergies with other operators because if we can
11 reduce our footprint, then that's the plan.

12 And then the last point is, again, that if
13 you combine all of the letters of support, plus Apache's
14 interest, that's over 79 percent of the working interest
15 owners that are going to be in the Taco 28-30, and
16 almost all of those are also ones that are going to be
17 in Ascent's Anvil wells. So it's not just parties that
18 are -- you know, I mentioned OXY is in Section 30, but
19 you'll see, if you look at the ownership map, that there
20 are a lot of things that are repeated ownershipwise.

21 **Q. If you could turn to Exhibit 19, is that my**
22 **Affidavit of Notice indicating that notice was provided**
23 **of Apache's application?**

24 A. Yes.

25 **Q. Were all the parties that own an interest in**

1 Apache's proposed spacing units for its wells within the
2 Taco development area notified of this hearing?

3 A. Yes.

4 Q. Were Exhibits L-1 through L-18 prepared by you
5 or under your supervision or compiled from Apache's
6 business records --

7 A. Yes.

8 Q. -- or kept as part of a regularly conducted
9 business activity?

10 A. Yes.

11 Q. Based on your study of the lands involved in
12 these applications, your knowledge, training and
13 experience in petroleum land matters, is the granting of
14 Apache's application and the denial of Ascent's
15 application in the interest of conservation, the
16 prevention of waste?

17 A. Yes.

18 MR. DeBRINE: We would ask that Exhibits
19 L-1 through L-18 be admitted.

20 MR. BRUCE: No objection.

21 MR. LARSON: No objection.

22 MR. PADILLA: None.

23 EXAMINER JONES: L-1 through L-18?

24 MR. DeBRINE: L-1 through L-18.

25 EXAMINER JONES: Are admitted.

1 MR. DeBRINE: And we'd also ask that
2 Exhibit L-19, which is my affidavit, be admitted.

3 EXAMINER JONES: Any objection to the
4 notice affidavit?

5 MR. LARSON: (Indicating.)

6 MR. PADILLA: (Indicating.)

7 (Apache Corporation Exhibits L-1 through
8 L-19 are offered and admitted into
9 evidence.)

10 EXAMINER JONES: Okay. Mr. Bruce, are you
11 prepared right now to cross-examine, or would you rather
12 wait?

13 MR. BRUCE: Well, I'm prepared, but I have
14 a couple of dogs floating around my office that need to
15 be watered, and I would prefer to let them out.

16 EXAMINER JONES: It's 12:00 noon. How long
17 for lunch? Anybody got a preference?

18 MR. BRUCE: I'd like at least an hour and a
19 quarter because I've got to file a couple of things with
20 the Division, too.

21 MR. DeBRINE: We've got a big group so it
22 might take long. An hour and a half, I think, would be
23 good.

24 EXAMINER JONES: 1:30.

25 MR. DeBRINE: I think we're going to get

1 done today, so that's not an issue. It was scheduled
2 two days.

3 EXAMINER BRANCARD: I will be back later,
4 maybe with potash people.

5 EXAMINER JONES: If you see Mr. Rutley --
6 (laughter).

7 (Recess, 12:04 p.m. to 1:59 p.m.)

8 EXAMINER JONES: Let's go back on the
9 record, and this is cross-examination by Mr. Bruce.

10 CROSS-EXAMINATION

11 BY MR. BRUCE:

12 Q. I noted some stuff here, but Apache's acreage
13 is mainly in Section 29, the northeast quarter and the
14 east half-northwest quarter; is that correct?

15 A. It's actually the entire north half of Section
16 29.

17 Q. Okay.

18 A. Yeah. We have contractual interests in the
19 west half of the northwest quarter.

20 Q. Okay. So it's a lease plus a contractual
21 interest?

22 A. Uh-huh. Yes.

23 Q. How long has Apache owned those interests?

24 A. We acquired Edge in 2010.

25 Q. And why did it wait until December 2018 before

1 **it proposed the well?**

2 A. I don't really have a good answer for that. We
3 went through a project where we looked at any acreage
4 that we considered orphaned acreage, so it's acreage
5 that is just some kind of out there. And this was
6 identified. And as we took a closer look and realized
7 that we had, you know, depths that are traditionally
8 drilled in the Delaware Basin like the Bone Spring and
9 Wolfcamp rights, it quickly came to management's
10 attention, and then a lot of money started funneling
11 towards the project for development purposes.

12 **Q. But the proposal for development only happened**
13 **after Ascent gave Apache notice of its Anvil development**
14 **plan; is that correct?**

15 A. We had the on-site scheduled with the BLM
16 before we received notice from Ascent of its development
17 area.

18 **Q. Now, you said that Apache has not applied for**
19 **APDs yet?**

20 A. That's correct.

21 **Q. Now, does Apache own any working interest in**
22 **every quarter-quarter section in these well units?**

23 A. We own in the north half of Section 29.

24 **Q. Are you aware of the OCD rule that they don't**
25 **want you applying for an APD unless and until you secure**

1 **an interest in every quarter-quarter section whether by**
2 **JOA or by force pooling?**

3 A. I'm aware that this is the potash area and that
4 in order to access your acreage, you normally have to do
5 a drill island. It may not be directly adjacent to your
6 acreage, but that's where the collaboration process
7 comes into play.

8 **Q. Well, I'm not asking about the potash area**
9 **because that's more of a BLM deal. I'm asking about Oil**
10 **Conservation Division rules.**

11 A. I'm not aware of what you're talking about.
12 No.

13 **Q. In looking at your -- I don't have the exhibit**
14 **numbers, but the AFEs, there's really not much**
15 **difference between the Ascent AFEs and the Apache AFEs,**
16 **is there?**

17 A. I'm not sure -- I know during Ascent's
18 testimony, Lee mentioned that they had sent updated
19 numbers. One of the partners -- so we never received
20 the AFEs from Ascent because we're not in Ascent's -- or
21 in the Anvil development area. One of the partners that
22 did receive them emailed them to us. I don't recall if
23 those were the new numbers that Lee testified to today
24 or if they were the old ones, so I don't want to
25 confuse --

1 Q. Well, if you want, I could show you Ascent's
2 Exhibit A, pages 10 through 19, which are AFEs dated
3 August 16, 2019. And could you compare those well
4 costs --

5 A. Sure.

6 Q. -- with Apache's and see if there is any
7 significant difference? And I mean -- by significant, I
8 mean 10 or 20 percent difference.

9 A. So I'm going to look at the 2nd Bone Spring
10 AFE. You see it's the first one here.

11 Q. Sure. Yeah, whatever. Yeah, that's fine.

12 A. I want to do apples to apples.

13 Q. That's fine.

14 MR. DeBRINE: And, Mr. Examiner, I have a
15 motion to make. I didn't realize, in the testimony of
16 the land manager, that they had just submitted new AFEs
17 last week on August 16th. I believe under New Mexico
18 law that if you submit an AFE to your partners, that the
19 prior election is -- that you may have elected is not --
20 so I don't think this case, Ascent's case, is ripe to
21 consider compulsory pooling if the working interest
22 owners would have an opportunity to consider whether to
23 participate in the proposed spacing units under the
24 terms of a new AFE.

25 MR. BRUCE: Mr. Examiner, I think that's a

1 misrepresentation. They simply updated the APD -- the
2 AFEs so that there was a current well cost. Obviously,
3 they sent out, -- by the landman's own testimony, they
4 sent out proposal letters and AFEs in July of 2018, and
5 they are simply updating them so people have a current
6 statement. And under a pooling order, whoever is named
7 operator has to send AFEs out to an interest owner, and
8 you would obviously use the most current AFE. An AFE is
9 an estimate. It's not something written in stone. And
10 all I'm asking: Are the well costs similar? That's a
11 pretty easy question to answer.

12 EXAMINER BRANCARD: I'll go with
13 Mr. Bruce's comments.

14 EXAMINER JONES: Yeah. Go ahead and try to
15 answer as best you can.

16 THE WITNESS: Okay. Okay.

17 So I'm just looking at the 2nd Bone Spring
18 AFE from Ascent, and it looks like the grand total
19 9,354,100. And then Apache's AFE -- this is for the
20 202, specifically, also a 2nd Bone well -- is
21 \$10,637,009. Just a note, Ascent's wells are two miles
22 and ours are two miles.

23 Q. (BY MR. BRUCE) Okay. And it's hard to gauge
24 that, but they're not significantly different, would you
25 say?

1 A. No, numbers are not. If you want to go deeper
2 into the AFE costs, maybe the others --

3 **Q. Sure. Somebody else.**

4 A. Yeah, because I don't really understand what a
5 lot of the categories mean.

6 **Q. Thank you.**

7 A. Uh-huh.

8 **Q. And this is something that another witness**
9 **could probably answer more, but you have stated that**
10 **Apache believes that longer horizontal wellbores are**
11 **better; is that correct? That's Apache's -- whether**
12 **it's your opinion or the engineer or the geologist, is**
13 **that a fair statement?**

14 A. From an economics perspective, that's the
15 general thought.

16 **Q. Okay. But your compromise position is to**
17 **maximize Apache's wellbore length and minimize Ascent's**
18 **wellbore length, isn't it?**

19 A. Ascent's working interest would still be
20 developed in the north half of Section --

21 **Q. I'm not saying that. I'm not saying that.**

22 **You're asking Ascent to minimize its well**
23 **length for its proposed wells?**

24 A. Yes. That's the compromise we've suggested.

25 **Q. And you testified -- and I believe it because**

1 I've been in this business a long time -- how much time
2 and effort goes into drilling a well, preparing to drill
3 it, and I'm impressed by the title costs. I've seen
4 much higher costs, but I'm impressed by that.

5 But virtually every company that is going
6 to drill and develop wells in this area has spent
7 similar time, hasn't it, similar amounts of money and
8 time?

9 A. I would say from the title perspective, no.
10 This one was much hairier than what we've seen before.

11 Q. Well -- and probably not for your 240 acres,
12 correct, because you already own that interest?

13 A. So I mentioned we have interest in the west
14 half of the northwest quarter, contractual interest, so
15 it was a very interesting title situation there.

16 Q. And that's just -- I probably shouldn't use
17 this word -- a virtue of being an oil and gas operator,
18 isn't it? You have to find out who owns what?

19 A. Oh, I agree.

20 Q. But insofar as Section 28, the north half of
21 28, there are about ten owners. So that is not a
22 difficult title opinion to reach?

23 A. Anytime you deal with the Hudson entities --

24 Q. Well, touche. I'll agree with you there.

25 A. It's -- you know. It's all over the place.

1 They've put it in different trusts, cross-conveyed.

2 Q. I've represented them. I understand.

3 Now -- and I do want to verify. From what
4 I understood from your exhibits, Apache does not at this
5 point own a working interest in the north half of
6 Section 28?

7 A. That's correct. Yes.

8 Q. So you could say, just from that standpoint --
9 forget the drilling of wells -- you're not affected by
10 Ascent's application?

11 A. I can't say that at this point. I mean, we've
12 been dealing with this for a year and a half. We've had
13 working interest owners in 28 that wanted to do deals
14 with us, and we didn't do them because we weren't sure
15 if we were going to be operator.

16 Q. And getting back to the Hudsons, that's a
17 family that has a long --

18 A. Yes.

19 Q. -- complicated and not always friendly history?
20 Shall we put it that way?

21 A. I don't know the whole story like you do, I
22 bet, but --

23 Q. I do (laughter).

24 This is something that Mr. DeBrine and I
25 argued about, but insofar as drilling, Apache states

1 that it really wants to get this prospect going. But,
2 first of all, assuming you win your case, then you have
3 to apply for APDs.

4 A. Yes.

5 Q. What is the current timing on getting approval
6 of an APD from the BLM down in Carlsbad?

7 A. We've seen it as quick as four months, and
8 we've seen it as long as eight months.

9 Q. Okay. So nothing is going to happen fast. I
10 mean, it's not like filing on state or fee land,
11 correct --

12 A. Correct. Yes.

13 Q. -- where you can get an APD in two days?

14 A. That's correct. It's a different processing
15 time.

16 And can I just follow up on that real quick
17 just to clear it up, because I know it came out in Lee's
18 testimony, too. But whenever you file a permit in the
19 potash area, you file it within the AFMSS system, if
20 it's in potash, it immediately gets red-flagged. So
21 right now even if both parties had already submitted
22 permits, it would sit in their system until the
23 development area has been approved. So I just want to
24 clean that up. Neither party has filed for their
25 permits yet, but until the development area situation is

1 resolved, no permits will be approved.

2 Q. Does Apache at this point have a final title
3 opinion -- drilling title opinion on these lands?

4 A. Can you repeat the question?

5 Q. Do you have a drilling title opinion from an
6 attorney on all of the lands in your proposed
7 development area?

8 A. Yes, we do.

9 Q. Just out of curiosity, who did it? I'm not
10 going to ask what's in it.

11 A. We use Masurek & Holliday out of San Antonio.

12 Q. Now, what about -- for your proposal, what type
13 of surface disturbance -- new surface disturbance does
14 Apache see having to occur drilling on the east edge of
15 Section 28?

16 A. Sorry. I'm trying to find the slide that has
17 an aerial view for you. All right. If you look at
18 Exhibit L-7, this map, which is on several of the
19 slides --

20 Q. Hold on just a second.

21 Okay.

22 A. -- I believe that will be a new well pad
23 drilled on the east -- the northeast quarter of Section
24 28. Both of those drill islands would be new. XTO,
25 again, is right across the section line there in 27.

1 **Q. And will you have to build access roads there**
2 **from Section 31? I mean -- excuse me -- Highway 31 or**
3 **whatever it is. I can't tell if that's a highway number**
4 **or what. If you go down into the southeast corner,**
5 **there's a state highway there, or is it a federal**
6 **highway?**

7 A. You know, I think it might be better to ask one
8 of the technical folks this particular question. I
9 don't want to give you bad information about road
10 access.

11 I can tell you that on the back five pages
12 of our C-102 exhibit -- that's Exhibit L-13 -- that's
13 where you can see the layout and where the rights-of-way
14 would be, but I prefer not answering where the road's
15 coming from just in case I give bad information.

16 **Q. Okay. So looking at that -- okay. So it's**
17 **Highway 62. You're going to have to drill about a**
18 **mile -- or build a mile-and-three-quarters of additional**
19 **road? Does that appear reasonable? If you don't know,**
20 **that's fine.**

21 A. Yeah. I'm not the surface landman. I don't
22 think I'm the best person to answer that question.
23 Whatever we've got on our C-102s and in our exhibits, I
24 mean, that's what the team has agreed to do.

25 **Q. What other fac- -- and if you don't know --**

1 **what other facilities are you going to have to build**
2 **there?**

3 A. We'll for sure have a facility pad that's off
4 of the very southern well pad. And Mindy Goldsmith is
5 our reservoir engineer, and she actually has a better --
6 I think she probably has a better map of our frac pond
7 that is located further south, and that's the one where
8 we're going to collaborate with XTO.

9 Q. **In looking at your Exhibit L-7, there are**
10 **additional drill islands along the south lines of**
11 **Sections 29 and 30, correct.**

12 A. Yes.

13 Q. **And those could be used to drill two-mile and,**
14 **looking at the basic well location in that area, even**
15 **three-mile laterals to the north; isn't that correct?**

16 A. If the well orientation was north-south, then
17 yes. That was something that immediately -- when we
18 contacted Ascent, that was their first suggestion, why
19 don't we go off of the south pads, and that's something
20 that we researched and will have further testimony on,
21 the southern pads and well orientation.

22 Q. **I think I'm done, but I have to ask one**
23 **question. Was it comfortable flying up here on the**
24 **company plane?**

25 **(Laughter.)**

1 A. I just put it out of my mind after we do it
2 because the next Southwest flight is so different.

3 **Q. You're in the cattle-car section at Southwest?**

4 A. I don't think there is anything but a cattle
5 car on Southwest.

6 (Laughter.)

7 MR. BRUCE: I'm finished, Mr. Examiner.

8 EXAMINER JONES: Any other questions?

9 MR. LARSON: No questions.

10 MR. MOELLENBERG: (Indicating.)

11 MR. PADILLA: I don't have any.

12 EXAMINER JONES: Mr. Coss?

13 EXAMINER COSS: I might have some questions
14 after you shoot off yours. I'll pass at this point.

15 EXAMINER JONES: I was hoping it would be
16 the opposite (laughter).

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 **Q. You know, one of the big issues here is -- is**
20 **Ascent has an exhibit that shows that all lands are able**
21 **to be developed if wells are drilled north-south. Did**
22 **you look at that? It's Exhibit D Number 5.**

23 A. I don't have a copy of that exhibit. No.

24 **Q. And they also have an exhibit that shows what**
25 **happens if you drill east-west, the next one -- that**

1 **next one.**

2 A. Uh-huh.

3 **Q. So can you talk about that and say whether you**
4 **agree with those or not?**

5 A. Well, I think the idea here is that these are
6 not -- what you're seeing on the map, not all of them
7 are wells that have actually been drilled or wells that
8 have been permitted. So it's just -- Apache could do
9 the same thing, right? We could look at all the drill
10 islands and say: It should all be east-west, and if I
11 put all these sticks on a map, look, now there's
12 stranded acreage over here or -- but we don't live in a
13 vacuum. So there are drill islands that weren't
14 approved a year ago that are now on this map. In fact,
15 while we're sitting in here talking, the BLM may have
16 additional drill islands in this particular area. You
17 may have parties come that are just preparing prospects
18 to drill, that don't actually plan to drill. So you
19 could go out and stake a drill island and never drill on
20 it.

21 And so the idea is you really need to look
22 at what's out there right now and who is ready to drill
23 what's out there, what's approved. We're ready to drill
24 these east wells -- east-west wells. We think, again,
25 that it's the correct orientation, and we'll get into

1 the technical information of that. But I would just
2 say -- I mean, I agree. When you look at this map,
3 well, why are we even sitting in here. Obviously, we're
4 wasting time. But if you just put sticks on a map, you
5 can tell whatever story you want. And it's really about
6 operators that are ready to go, ready to drill this
7 acreage.

8 And I would also just go back to the
9 conversations that we've had with the BLM and them also
10 being pleased with our plan. They feel like this is a
11 compromise, where all of it gets developed. As of right
12 now, with Ascent's current plan, the northeast quarter
13 of Section 28, which EOG has an interest in that
14 particular tract, that would not be drilled at this
15 point in time. So, again, I'm just saying take this map
16 with a grain of salt given that there is not -- all of
17 these wells are not actually drilled at this point in
18 time.

19 **Q. Okay. Your applications -- your company's**
20 **applications say that you're going to do compulsory**
21 **pooling, approval of a spacing unit and a potash area**
22 **development area, and then there was notice provided to**
23 **everyone. I noticed the potash companies lost theirs.**
24 **But they were listed on the newspaper notice anyway.**
25 **But there was notice provided, so everybody is -- all of**

1 these people are assuming that they either sign on or
2 they're going to get compulsory pooled, is that correct,
3 or have you talked to them and told them that you're
4 withdrawing the compulsory pooling portion of this
5 application?

6 A. So when we originally filed that application, I
7 got some very hot phone calls from partners that said,
8 "Hey, we don't want to be compulsory pooled whenever --
9 you know, we've got a well proposal from Ascent. Now
10 we've got something from Apache. You know, we'd like to
11 do a deal with you." So to me, if you put yourself in
12 the shoes of the small non-ops, they want to know what's
13 going on here. They want to know who the operator will
14 be, if the lands that they are going to submit to either
15 Ascent or to Apache. And they can't know that until the
16 development area is established. The cost of drilling
17 one and a half is different than two or two, two and a
18 half.

19 And so, I mean, OXY is here. They're
20 represented. You've got all the letters that are in
21 here. And I feel like if we showed up today and said,
22 "We're also going to compulsory pool," then I would have
23 lied to a lot of our partners, which is a really bad
24 plan because we want -- we want them to participate with
25 us. And I -- I do feel like there was some excitement

1 about the two-and-a-half-mile idea, capturing that
2 acreage, especially OXY's in the northwest quarter of
3 30. And, again, not a lot of developments out here so
4 you're finally -- you know, especially the overriding
5 royalty owners are excited to hear from us, too.

6 Q. And they are -- they're in on your well no
7 matter what, right, because that's what Mr. Zink said,
8 that they --

9 A. Ascent would be part of -- yes. There are --

10 Q. No. I meant the overrides. The overrides are
11 poolable according to the instruments that created the
12 overrides?

13 A. Yes. That's correct. Yes.

14 Q. And the Hudson group -- Ascent's interest
15 apparently would change from 34 to 84 percent if the
16 Hudson Group comes in. Are you negotiating with the
17 Hudson group also, or do you agree with the same Hudson
18 group of people or --

19 A. I think the Hudson group letters that are in
20 our exhibits are a pretty strong indication of where
21 they would like to dedicate their acreage, which is with
22 Apache's Taco development area. I don't know -- I don't
23 know. I don't want to speak to Lee's negotiations with
24 that group, how far down the road they are or what they
25 look like. But I would just redirect you to if you

1 combine all of the parties' interest that said they were
2 interested in supporting Apache, plus ours, it's about
3 80 percent.

4 **Q. 80 percent and a two-and-a-half-mile well?**

5 A. That's correct. And most of those parties are
6 also in -- in the Anvil development area.

7 **Q. Okay. Okay.**

8 EXAMINER JONES: I'll pass questions on to
9 the rest of these folks here.

10 Mr. Coss?

11 CROSS-EXAMINATION

12 BY EXAMINER COSS:

13 **Q. I guess I'm still -- can you explain for me**
14 **again Apache's interest in the north half of Section 28?**

15 A. Sure.

16 **Q. You currently aren't listed -- how that section**
17 **of the deal will be worked out.**

18 A. Can you tell me which exhibit that is you're
19 looking at?

20 **Q. That's L-11.**

21 A. And can you repeat the question?

22 **Q. Oh. In the north half of Section 28 there, it**
23 **doesn't appear that Apache has much a working interest**
24 **than where you would acquire -- or how the top part of**
25 **Section 28 works out for Apache.**

1 A. So we have 96 percent in the north half of
2 Section 29. That's where our working interest is right
3 now. The parties that I mentioned -- we've had three
4 different ones that have reached out and said, "Hey,
5 we're interested in doing some kind of deal" -- those
6 are across the north half of Section 28. But I said no
7 to doing a deal because we didn't want to end up in a
8 scenario where we come to hearing and then we have, you
9 know, very tiny, nine knee non-op interest in Ascent's
10 wells. And the reason for that is the well orientation,
11 and that will come in the later testimony. But yes,
12 you're correct. The only current interest Apache has is
13 that 96 percent in the north half of 29.

14 **Q. And the other -- it's sort of curiosity. Maybe**
15 **you can enlighten me. Is it always one to one kind of,**
16 **the return that you get from going longer and longer in**
17 **one of these wells? If you go a quarter -- you know, 25**
18 **percent further, your take is 25 percent better?**

19 A. The best person to ask that is Mindy, our
20 reservoir engineer. She'll be up here in just a bit.
21 She can give you a really good answer for that.

22 **Q. Okay. I'll wait to hear what she has to say.**

23 A. Uh-huh.

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CROSS-EXAMINATION

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BY EXAMINER BRANCARD:

Q. Just quickly then, I'm looking at your Exhibit L-18.

A. Yes.

Q. Okay. So you said this, and let's just get it clear for the record. There is a squiggly red line and a squiggly light blue -- thinner blue line?

A. Yes.

Q. These are potash -- these are BLM potash area lines?

A. Yes. It's the buffer zone. So the red is quarter mile, and blue is half mile.

Q. Okay. And is drilling allowed within those areas?

A. So the deeper wells, so the Wolfcamp wells and I think starting with 3rd Bone Spring -- and it kind of -- I want to say it depends on where you are, but that might be a geology question here in a little bit. But the deeper you are, the further away you need to be. So if we were just drilling 1st Bone Spring, we could probably be within that -- between the red and the blue. I don't think we can go at all within the red.

Q. The drilling, as in getting a drilling island?

A. Drill island, that's correct.

1 Q. As proposed to a lateral. Let's just leave the
2 lateral out for a second. Assume you can do the
3 laterals anywhere as long as you're below the potash,
4 but it's the drilling, right?

5 A. That's correct.

6 Q. When you're drilling through the potash, that's
7 the issue. And so what I can see here, the drilling
8 islands are all outside the blue line. So I would
9 assume your argument then is if 29 and 30 are isolated,
10 there is no ability to put a drilling island there now?

11 A. That's correct.

12 Q. Okay. But the exhibit that you have in front
13 of you from Ascent shows drilling south to north from
14 below drilling islands, correct, for 29 and 30, that you
15 have drilling islands to the south?

16 A. Oh, yes.

17 Q. So theoretically it is possible to drill south
18 to north into 30 and 29 from a drilling island?

19 A. Yes. That is correct.

20 Q. Okay. So they would not be stranded that way
21 if somebody came up with a proposal to drill south to
22 north theoretically?

23 A. If that was the right way to drill them, then
24 yes.

25 Q. Okay. So the other question I have is: Has

1 **Apache applied to the BLM for approval of a development**
2 **area?**

3 A. Yes. That is in our exhibit -- let me find
4 that one for you.

5 Earl, can you help me find it faster?

6 EXAMINER JONES: That was Rutley's letter?

7 MR. DeBRINE: Well, I don't believe it's an
8 exhibit, that correspondence to the BLM. It was just
9 put in as evidence as notice to the working interest
10 owners concerning the proposed development area.

11 THE WITNESS: Oh. L-8 is the development
12 area notice.

13 Q. (BY EXAMINER BRANCARD) Okay. So this is a
14 notice to everybody that Apache has applied to the BLM
15 for approval of a development area?

16 A. That's correct. This also goes to the BLM.

17 Q. Right.

18 So -- and you're saying that BLM's response
19 to this application is?

20 A. We're on hold until the development area
21 conflict between Apache and Ascent is resolved.

22 EXAMINER JONES: And which exhibit was that
23 because that was Rutley's letter?

24 THE WITNESS: So that was -- so that's L-3.
25 And this is the email from Jim Rutley to me that

1 explains the 30-day notice period, and within that 30
2 days, that's where you protest. So Ascent did theirs.
3 We protested. We filed ours. They protested us. So
4 nothing happens with those permits until this is
5 resolved.

6 Q. (BY EXAMINER BRANCARD) I'm sorry. "This"
7 being?

8 A. The conflict of the development areas.

9 Q. Right.

10 Which is before the BLM. This is a
11 conflict before the BLM. How did it end up here?
12 That's what I want to know.

13 A. So if you read further in your email, in the
14 email that's in front of you, this where he walks
15 through the process. So he talks about 30-day notice.
16 He talks about the parties coming together to try to
17 collaborate. And then in the second-to-the-last
18 sentence of that middle paragraph, he says, "If still no
19 resolution, the protest goes before OCD. Until
20 recently, we have not had any of the meetings progress
21 to that point, but in the last six months, I believe at
22 least three, maybe four have gone to hearing." And if
23 you needed --

24 EXAMINER BRANCARD: So essentially what we
25 have here is a BLM official refusing to make a decision

1 on an application that is before the BLM and suddenly
2 somehow morphing that application into an application
3 before a state agency. That's what it looks like to me.

4 MR. BRUCE: I would agree with you,
5 Mr. Examiner.

6 EXAMINER BRANCARD: Okay. We'll try to
7 resolve this here.

8 MR. DeBRINE: Mr. Examiner, just so I can
9 speak to the issue. We had a prehearing conference with
10 Mr. Brooks, who was the Division's counsel, back in
11 January. These issues were argued and fleshed out
12 there, and it was agreed and the ruling was that the
13 issue was ripe for decision because the BLM had told the
14 parties to go to the Division to get a decision with
15 regard to the competing development areas. And so we
16 proceeded in accordance with the ruling by the hearing
17 examiner at the hearing conference. And, you know, we
18 could have amended applications to do things
19 differently, but we were on a path that the Division had
20 blessed at that point.

21 And I know you're coming to this hearing
22 fresh, without having the benefit of participating in
23 that hearing, but we think it was very clear that the
24 BLM told the parties to come to the Division because it
25 has a process, an adversary process, in which witnesses

1 can testify, evidence can be presented, and you can get
2 a decision from the Division that they will recognize
3 and apply as part of the process under the Secretary's
4 order. And that's why we're here. And that's what
5 we've been told to do, and we think it's -- we think
6 it's appropriate. We think the Division, back in
7 January, told us that we ought to be doing this. That's
8 why we're here.

9 EXAMINER BRANCARD: And I appreciate that,
10 Mr. DeBrine, because I've looked through some of the
11 transcripts for this case, and I've seen how many
12 different hearing examiners you've had to appear before.
13 I think there were five in one meeting, none of whom are
14 here today.

15 Was EOG's motion to dismiss denied at that
16 meeting, Mr. Padilla?

17 MR. BRUCE: Yes.

18 MR. PADILLA: I don't think it was denied,
19 but the decision was made to have a hearing, to go ahead
20 with the hearing. I -- I never got anything in writing
21 or any verbal declaration that the motion was denied.
22 The decision was made to go forward with hearing.

23 MR. BRUCE: Mr. Examiner, I would simply
24 say that was at a point where Apache was still pressing
25 forced pooling, and they're not doing that now.

1 EXAMINER BRANCARD: Well, let's continue.

2 EXAMINER JONES: Okay. I have one more
3 question.

4 MR. DeBRINE: If I could just add, the
5 motion was definitely denied. I mean, we can talk to
6 Mike and get confirmation. I don't know if there was an
7 email confirmation sent out, but it was argued.
8 Everybody was here, counsel for OXY and counsel for
9 Mewbourne. Everybody was there. And the motion was
10 deliberated on by the legal examiner and the technical
11 examiner, and the motion was denied. And Ascent also
12 had a motion to dismiss with respect to the notice of
13 Apache's application, and it withdrew that motion in
14 advance of the hearing.

15 MR. BRUCE: Mr. Examiner, that was based on
16 the fact that I believe at least one of Apache's pooling
17 applications was filed either immediately before or at
18 the same time as they sent out well-proposal letters.
19 And that was a violation of Division Order R-13165, and
20 that's why I moved to dismiss. I later withdrew that
21 because, of course, another five or six months had
22 passed, and I just said, "Well, let bygones be bygones."
23 But now they're not seeking to force pool.

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RECROSS EXAMINATION

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BY EXAMINER JONES:

Q. Finally, the drill island that you're on now, that's -- that's -- that's it? You're not -- you're not going to move back to the middle to drill island because you can't drill a Wolfcamp there anyway?

A. Well, we can drill the Wolfcamp. We just can't expand past what we've currently staked out there.

Q. Right, which means that you turn -- well, anyway, the question I had was: You said something earlier about XTO also going to use your drill island to go east?

A. So we have twin drill islands. So if this is the section line (indicating), we've got XTO going this way, and we're going that way, and then we're sharing the frac pond that's a little bit further south.

Q. So XTO is happy with east-west wells there?

A. Yes.

Q. And they're going to share that drill -- you're going to expand it just a tiny bit, the drill island, you said?

A. So the drill islands where we proposed the Taco 28-30 wells are going to be brand-new drill islands, so each operator will have their own. And it really will hug that section line. What we're sharing is the frac

1 pond.

2 Q. Yeah, yeah, frac pond.

3 But that drill island is going to be
4 used -- dually used. I assume a lot of these drill
5 islands are dually used, but --

6 A. Yes.

7 Q. -- XTO, are they supporting you in this venture
8 at all?

9 A. So they didn't send a letter of support, but
10 they were out on the on-site for the staking of that
11 island, and they had no issues with it because it is
12 across into Section 28, which, as I said, we're not
13 trying to get into their Section 27.

14 Q. So their surface people are okay?

15 A. Yes. There are no issues on that front.

16 CROSS-EXAMINATION

17 BY EXAMINER COSS:

18 Q. And how is the produced water going to be
19 removed?

20 A. So we have an agreement with Solaris on other
21 wells, and so the idea would be that we would use them
22 here. We've been in conversations with them. I think
23 maybe one of the other witnesses can actually confirm if
24 we've dedicated this acreage. I'm not super clear on
25 how an SWD contract works since I'm the mineral person,

1 but --

2 RE CROSS EXAMINATION

3 BY EXAMINER JONES:

4 Q. So basically you're not comfortable right now
5 saying this is a compulsory pooling application because
6 you don't know exactly who you would be pooling; is that
7 correct?

8 A. We know who the parties are, but we've told
9 them that we are not compulsory pooling today.

10 Q. Oh, okay. So basically they have -- you kind
11 of retracted the proposal letter sort of?

12 A. Right.

13 We sent it out. You know, it would have
14 been great for you to have the competing development
15 areas, Ascent, Apache, and both compulsory pooling cases
16 at the same time. I think that would have been ideal.
17 But like I said, several of the non-op partners that are
18 in these wells called and said, you know, "We don't want
19 you to compulsory pool us until you know what's going
20 on."

21 Q. Yeah. But once you expanded the well to
22 two-and-a-half miles, that would require new proposals
23 to the people anyway; is that correct?

24 A. No. The well proposals that we sent out are
25 for the two-and-a-half-mile laterals.

1 Q. Okay.

2 A. So the parties that have a vested interest in
3 this hearing have been noticed.

4 Q. Okay.

5 MR. BRUCE: I have a follow-up question.

6 RE-CROSS EXAMINATION

7 BY MR. BRUCE:

8 Q. You say it's going to be too early to tell
9 about force pooling, but of course you realize it's
10 going to take a while for a force pooling order to come
11 out?

12 A. I think about three months is what we've seen
13 recently.

14 Oh, the smiles.

15 MR. BRUCE: Don't laugh. Don't laugh,
16 guys. Okay?

17 (Laughter.)

18 Q. (BY MR. BRUCE) And even after a forced
19 pooling -- well, even during that time period, you can
20 still negotiate with people; can you not?

21 A. During the time period between pooling and the
22 order?

23 Q. Between the hearing and an order coming out or
24 even thereafter.

25 A. Yes. You can continue to negotiate.

1 Q. And even after an order comes out, you have to
2 send out an AFE and an election letter to the people
3 that are being pooled, and they would always have the
4 offer to join in the well anyway; isn't that correct?

5 A. The 30-day balloting period? Yes.

6 Q. So you could have moved ahead with the force
7 pooling because that doesn't -- they would only -- when
8 the Division rules on it, they would know which proposal
9 was favored; isn't that correct?

10 A. I feel like you-all are giving me a really hard
11 time about this, and I'm advocating for the small
12 working interest owner who, you know, is not -- normally
13 has a say.

14 Q. I understand that. But nothing is decided on
15 this date today, so there is no pressure on this date on
16 those small working interest owners.

17 A. We could have compulsory pooled given the
18 length of time that this whole situation has taken. But
19 like I said, I spoke with partners, and they requested
20 that we not do it, and so that's where it stands.

21 EXAMINER JONES: Don't feel bad. We're
22 just trying to build a record here.

23 THE WITNESS: I know it would have been
24 easier. Trust me.

25 MR. BRUCE: Thank you.

1 EXAMINER JONES: Follow-up?

2 MR. DeBRINE: Just a little bit.

3 REDIRECT EXAMINATION

4 BY MR. DeBRINE:

5 Q. If you could turn to your Exhibit L-7 and
6 compare that to Ascent's Exhibit D, page 6, where they
7 show the stranded acreage.

8 A. Right.

9 Q. And you talked earlier about that you could
10 just draw sticks on the map anywhere to make the same
11 representation concerning whether all of the area can be
12 developed east-west or north-south, correct?

13 A. That's right.

14 Q. And, in fact, if you look at Ascent's exhibit,
15 there's already a drill island in the southeast quarter
16 of the section above, Section 33, and you could drill
17 from east to west to access what they're showing,
18 stranded acreage, in the south half -- drill
19 two-and-a-half-mile laterals to access the resources in
20 the south half of those sections, is that correct, from
21 an existing drill island that's already there?

22 A. Yes.

23 Q. And how long did it take for Apache's drill
24 islands to get approved by the BLM?

25 A. I think we proposed them and went out on

1 location with the BLM, and that period takes about a
2 month. I mean, they get approved by the BLM while
3 you're out there because they're looking at the surface,
4 making sure that there are no issues out there like the
5 playa or the raptor's nest or anything like that.

6 **Q. And just to confirm, I think I heard you**
7 **testify earlier it was actually the BLM that proposed**
8 **the orientation for the top of 28-30; is that correct?**

9 A. They proposed the solution of twinning the
10 drill islands from XTO that are on the other side in
11 Section 27, because XTO had already staked those drill
12 islands. So Rutley had been out on location and could
13 see what was just across the section line. So whenever
14 we were continuing conversations with the BLM, he said,
15 "If you wanted to drill across that section line, you
16 can probably get some islands out there, because he knew
17 the topography. So that's how that went.

18 **Q. And it would be your expectation that if XTO**
19 **needs to build an access road to access the same**
20 **location, drilling islands located in the same place,**
21 **Apache would be able to utilize that same road?**

22 A. Yes.

23 The surface guy is back there (indicating)
24 nodding vigorously.

25 Yes. That is correct.

1 EXAMINER JONES: Okay.

2 MR. DeBRINE: No further questions.

3 EXAMINER JONES: Okay. Thank you. Thank
4 you very much.

5 You have five more witnesses; is that
6 correct?

7 (Laughter.)

8 MR. DeBRINE: Just three.

9 EXAMINER JONES: Okay. Three.

10 MR. DeBRINE: Next I'd like to call Mike
11 Muncy.

12 MIKE MUNCY,
13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. DeBRINE:

17 Q. Please state your name.

18 A. Mike Muncy.

19 Q. Who do you work for, Mr. Muncy?

20 A. Apache Corporation.

21 Q. What are your responsibilities for Apache?

22 A. I evaluate subsurface data to generate drilling
23 prospects.

24 Q. And how long have you worked for them?

25 A. For seven years now.

1 Q. Have you previously testified before the
2 New Mexico Oil Conservation Division?

3 A. Yes, I have.

4 Q. Were your credentials as an expert in petroleum
5 geology accepted by the examiner in those proceedings
6 and made a matter of record?

7 A. Yes, they were.

8 Q. Are you familiar with the applications filed by
9 Apache and Ascent in these two competing cases -- these
10 four competing cases?

11 A. Yes.

12 Q. Are you familiar with the geology of the area
13 embracing the two proposed development areas?

14 A. Yes, I am.

15 Q. Have you conducted a geologic study of the area
16 as part of your work in this case?

17 A. Yes, I have.

18 MR. DeBRINE: I'd tender the witness as an
19 expert in petroleum geology.

20 MR. BRUCE: No objection.

21 EXAMINER JONES: Any objections?

22 He is so qualified.

23 Q. (BY MR. DeBRINE) Let's take a look at your
24 first exhibit, which is G-1, which has a map and a log
25 for the Golden Lane State 1Y well and tell us what is

1 **represented there.**

2 A. Sure. This is just a zoom-in of the Apache
3 Taco 28-30 development. On the right is a type log from
4 the Golden Land State 1Y directional well as indicated
5 by a star on the map. What I'm showing here is 5,500
6 feet of section with all of the potential landing zones
7 we see out there. Highlighted in green are the 1st Bone
8 Spring Sand, 2nd Bone Spring Sand, 3rd Bone Spring Sand,
9 Wolfcamp A, and those are the primary targets that we
10 intend to develop first.

11 The yellow targets are other formations
12 that have been drilled in the area and we're continuing
13 to evaluate for future potential.

14 **Q. So the principal targets that you identified**
15 **being most likely productive are -- again, are which**
16 **formations?**

17 A. The primary reservoir out here is the 2nd Bone
18 Spring Sand. That's the interval that's been drilled
19 the most. And we do see -- on the next slide, I'll show
20 you one well in the Wolfcamp, and a few are starting to
21 spring up in the 3rd Bone Spring Sand.

22 **Q. Let's turn to that exhibit, which is G-2. Can**
23 **you tell us what you're intending to represent here?**

24 A. So here is a -- a township zoom-out of the Taco
25 development area showing all horizontal wells that have

1 production, as pulled from his, in the Delaware, Bone
2 Spring and the Wolfcamp. From this list, I counted 135
3 horizontal wells. Forty of them have been in the
4 north-south orientation; 95, or 70 percent, in the
5 east-west orientation. Three have been drilled in the
6 Delaware, 130 in the Bone Spring Formation, one in the
7 Wolfcamp and one in the Penn.

8 The orange box is the Taco development
9 area. The green hash line is the potash boundary. The
10 black sticks are horizontal wells. And then on the map
11 itself, I label some of the surrounding offsets that are
12 used in the engineering analysis coming up. And when
13 the column boxes are rotated 90 degrees, that indicates
14 north-south.

15 **Q. Let's turn to the next exhibit, G-3, and what**
16 **are you representing there?**

17 A. So since we joined this team several years ago,
18 the way we conduct analysis internally is we break out
19 wells that were drilled before January 1st, 2015. We do
20 that because in 2014, oil price dropped, rig count
21 dropped, more emphasis on science and engineering,
22 geosteering into the target horizontal wells and longer
23 laterals and larger completions have seen an uptick in
24 production.

25 So on the left map, I show wells that were

1 drilled before January 2015. Of it, 35 of the 111 wells
2 shown were drilled north-south or about 31 percent. And
3 since January 1st, 2015, wells with horizontal
4 production. Twenty-four have been drilled, and only
5 five in the north-south orientation, or 25 percent. So
6 we see an overall more leaning toward east-west
7 orientation in this area.

8 **Q. If you look at Exhibit G-4, which is a Bone**
9 **Spring structure map, could you explain to the examiners**
10 **what is represented on this map?**

11 A. Uh-huh. On the right is the Golden Lane State
12 1Y type log as shown from a previous exhibit.
13 Highlighted in purple, that is the base of the 2nd Bone
14 Spring Sand or top of the 3rd Bone Spring Carb. It's a
15 good sand to carbonate marker that's correlative in the
16 area.

17 The next one is what the map on the left
18 indicates. The wells with a valve, that's the subsea
19 TVD value, and A to A prime is the location of a cross
20 section that I'll show you in an upcoming exhibit. The
21 contour interval is 100 feet. And what we see is, over
22 the Taco area and the Ascent, it's about 5,400, 5,300
23 to, you know, just slightly shallower than that. I
24 don't see any obvious structural trends that would --
25 that would hinder offset analysis for use in the

1 engineering analysis, if I can speak correctly
2 (laughter).

3 Q. So you didn't identify any structural faults,
4 pinch-outs or other geological impediments that would
5 impair or impede the drilling of horizontal wells in the
6 Taco development area proposed by Apache?

7 A. Not for the 2nd Bone Spring Sand.

8 Q. And the same is true of the Anvil wells?

9 A. That's correct.

10 Q. If you could turn to Exhibit G-5 and explain to
11 the examiners what your purpose in preparing this is and
12 what it represents.

13 A. This is a stratigraphic cross section, A to A
14 prime, going from the west to the east. It's hung on
15 the top of the 3rd Bone Spring Carb. What I wanted to
16 show was the similarity in the 2nd Bone Spring Sand over
17 all the horizontal wells in the area. So we generally
18 see as a thickness between 300 to 400 feet thick. The
19 main target interval that we target with the wells
20 nearby and that we would target in this area is
21 highlighted in the orange horizontal arrow. I show 500
22 feet above and 800 feet below. And I chose this to
23 really focus more in on the 2nd Bone Spring, as we just
24 don't have the slides to show the other landing targets.

25 On the cross section itself, I show a

1 triple combo of log package of gamma ray and resistivity
2 and neutron density.

3 Q. If you could turn to your next exhibit, G-7,
4 labeled "2nd Bone Spring Sand Gross Isochore," could you
5 tell us what you're showing here on this map and the
6 purpose of preparing it?

7 A. On the right is the type log from the Golden
8 Lane State 1Y well zoomed in to just the 2nd Bone Spring
9 Sand. On the left is the isochore map. So what I did
10 is I mapped the TVT value. Since there are a lot of
11 directional wells, I corrected it to be a vertical well
12 in thickness. And what we see across the Taco
13 development area is about -- on average, about 350-foot
14 section, and then a lot of the offsets are 360,
15 350-foot-thick sections.

16 Q. And when you say TVT value, what is that? What
17 does that stand for?

18 A. True vertical thickness.

19 Q. Okay. Your last exhibit, G-7, if you could
20 turn to it and again explain for the examiners your
21 purpose of preparing this and what it represents.

22 A. This is a hydrocarbon pore volume map of the
23 2nd Bone Spring Sand. So hydrocarbon pore volume is
24 just the sum of porosity times oil saturation times the
25 thickness. So the thickness is -- from the well logs is

1 every half foot, so that sums it up for the 2nd Bone
2 Spring Sand. We display the value in feet, so that's
3 trying to get what the oil storage is out there. And
4 what we generally see in the surrounding offsets and in
5 the Taco and Anvil development, we're about 18 to 22
6 feet of hydrocarbon pore volume.

7 Q. Based on your experience and education and the
8 geological study that you prepared for these cases, do
9 you have an opinion as to whether the drilling of
10 two-and-a-half-mile horizontal wells in the east-west
11 orientation from Section 28 to 30 will be the optimal
12 method for developing the Bone Spring and Wolfcamp
13 Formations in Section 28?

14 A. Yes, I do.

15 Q. What is that opinion?

16 A. My opinion is drilling east-west is optimal
17 based on offset production data.

18 Q. Will the drilling of wells as proposed by
19 Apache for its Taco development plan result in the
20 greatest EUR?

21 A. Yes.

22 Q. In your opinion, is the granting of Apache's
23 request to approve its Taco development area in the
24 interest of conservation, the protection of correlative
25 rights and the prevention of waste?

1 A. Yes.

2 Q. In your opinion, will Ascent's Anvil
3 development plan for the Wolfcamp and the Bone Spring
4 result in the waste of resources in Section 28?

5 A. Yes.

6 Q. In your opinion, should Ascent's application
7 for Case Numbers 16481 and 16482 be denied and Apache's
8 request for approval of its Taco development plan in
9 Case Numbers 20171 and 20202 be granted?

10 A. Yes.

11 Q. Were Exhibits G-1 through G-7 prepared by you
12 or compiled under your direction and supervision from
13 Apache's business records?

14 A. They were prepared by me.

15 MR. DeBRINE: We would move the exhibits of
16 Exhibits G-1 through G-7.

17 EXAMINER JONES: Any objection?

18 MR. BRUCE: No objection.

19 MR. PADILLA: No objection.

20 MR. DeBRINE: Pass the witness.

21 EXAMINER JONES: Exhibits G-1 through G-7
22 are admitted.

23 (Apache Corporation Exhibits G-1 through
24 G-7 are offered and admitted into
25 evidence.)

1 MR. BRUCE: Just a couple of questions.

2 CROSS-EXAMINATION

3 BY MR. BRUCE:

4 Q. Just like Mr. Yancey, you look mainly -- let me
5 take a step back. Apparently, the 2nd Bone Spring Sand
6 out here is the main target that has been developed to
7 date?

8 A. That's correct.

9 Q. Okay. And so that's a good -- a good -- if
10 you're just picking out one specific zone to look at,
11 that would be a good one to look at?

12 A. Yes.

13 Q. And from your studies and your cross sections
14 especially, it looks -- whether you're looking at
15 Ascent's development area or Apache's development area
16 or even adjoining acreage, it looks like the various
17 sands out here are uniform thickness?

18 A. They are analogous, yes.

19 Q. And they're continuous across this area?

20 A. From my observation and interpretation, yes.

21 Q. And really the only way to develop this area is
22 by horizontal drilling?

23 A. That's correct. Based on their porosity and
24 permeability and production data, it proves that
25 results.

1 **Q. And production data.**

2 MR. BRUCE: That's all I have,
3 Mr. Examiner.

4 EXAMINER JONES: Mr. Coss?

5 CROSS-EXAMINATION

6 BY EXAMINER COSS:

7 **Q. I guess I'm seeking clarification on what you**
8 **meant when you said -- what's the geologic reason that**
9 **east to west is better than north to south?**

10 A. You know, we don't have an FMI interpretation
11 of the area. We have one 13 miles away in our Palmillo
12 development. The interpretation of that is north-south.
13 We've drilled wells there. We've drilled in the South
14 Fork development ten miles to the east-northeast
15 east-west, had really good well results. So without a
16 dipole sonic or FMI on there, I can't make an
17 interpretation on SHmax, and nobody else can.
18 Basically, all the results we have are production
19 results that we can go off of.

20 **Q. But there is no reason going -- it wouldn't be**
21 **harder to keep the well in the formation going south --**

22 A. No. We'd be -- drilling east-west would be
23 more updip. Drilling north-south would be a little more
24 flat. Some production engineers believe that having
25 toe-up wellbores and the fluids drain to the heel

1 produce better. That's not my -- I don't have the
2 expertise to testify to that.

3 Q. Okay. So it's nothing geologic in the
4 depositional setting or structural what causes the
5 differences in production? It's just that the wells
6 that are east to west tend to produce better --

7 A. Yes.

8 Q. -- from your data?

9 A. Uh-huh.

10 Q. Okay. Just clarifying that for myself.

11 CROSS-EXAMINATION

12 BY EXAMINER JONES:

13 Q. Do you ever request they run chemical tracers
14 to try to see where your best areas of your well is?

15 A. In all of our developments, we have ran
16 tracers.

17 Q. Oh, you do that?

18 A. Uh-huh.

19 Q. Okay.

20 A. Yeah. And our engineer can testify to that
21 more because she's more knowledgeable.

22 Q. Okay. As far as the logs, what are the logs
23 that -- I know you're showing us these, but let's take a
24 2nd Bone Spring Sand. What would be your criteria for
25 locating a well in the 2nd Bone Spring Sand I mean as

1 **far as porosity -- like density porosity, gamma ray?**

2 A. Yeah. We like to calculate Bt. I didn't
3 include Bt on there because that's an in-house
4 interpretation. We look at Bt in the B clay. We don't
5 see a whole lot of clay in the 2nd Bone Spring Sand. We
6 try to target the higher porous intervals. And over all
7 the areas we drill, we like the seismic and do a lot of
8 geophysical attribute analysis and try to target the
9 best interval from that.

10 **Q. Okay. So -- so --**

11 A. So we try to look for high porosity, and since
12 we're dealing with Bone Spring Sand, we're actually
13 dealing with low-resistivity pay. So we actually look
14 at cutoffs of less than 20-ohm-meter resistivity --

15 **Q. Okay.**

16 A. -- and high porosity. And that's how we do a
17 quick glance in that reservoir. And as we go in to
18 further evaluate an area, we like to do geocellular
19 models with geophysical attributes.

20 **Q. Okay. What about the clays? What -- what**
21 **clays are in these sands, and which ones would kill**
22 **you -- would kill you on this prospect?**

23 A. I believe from other areas we have worked, the
24 main target interval is about less than 5 percent clay.
25 They do have illites in there, but we haven't really

1 seen an impact to any of our producing horizontal wells
2 in the 2nd Bone Spring. So we generally try to avoid
3 bad areas.

4 **Q. Would you be the one watching the well?**

5 A. We have an operations geology team that
6 geosteers the well, but the acid areas that I work, I
7 work with them, design the horizontal well plans, work
8 with the drilling engineer, work with the geophysicist
9 to try to stay in that target interval for the entire
10 well.

11 **Q. When would you put your mudloggers on?**

12 A. We usually -- believe it or not, our drilling
13 engineer likes to have mudloggers on after intermediate
14 so they can monitor. And that would be -- Jordan Evans
15 can testify to this later, but usually it's right when
16 we hit immediate intermediate, and that's right when we
17 get to the top of the Delaware Sand.

18 EXAMINER JONES: Any other questions?

19 RE-CROSS EXAMINATION

20 BY MR. BRUCE:

21 **Q. You mentioned, in response to a question, about**
22 **EURs. That's not your job description, is it, to come**
23 **up with the EURs?**

24 A. No. That's the upcoming witness.

25 **Q. And the other thing was, you know, insofar as**

1 XTO wells go, do you know or have any opinion as to why
2 XTO would drill both stand-up wells and lay-down wells
3 in the same area?

4 A. The wells to the north may be the only way --
5 possible mechanical way to access that area, but down
6 here, I bet if we were to ask their opinion, they would
7 prefer to drill east-west in this area.

8 Q. But you don't know?

9 A. I don't know.

10 Q. Thank you.

11 A. All I know is on our offset drill islands,
12 they're drilling east.

13 Q. Okay.

14 EXAMINER JONES: Okay. Thank you very
15 much.

16 MR. DeBRINE: For our next witness, I'd
17 like to call Mindy Goldsmith.

18 MS. GOLDSMITH: May I have a five-minute
19 bathroom break first?

20 EXAMINER JONES: Yes.

21 (Recess, 3:06 p.m. to 3:19 p.m.)

22 MINDY GOLDSMITH,
23 after having been previously sworn under oath, was
24 questioned and testified as follows:

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DIRECT EXAMINATION

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BY MR. DeBRINE:

Q. Could you please state your name?

A. Mindy Goldsmith.

Q. Who do you work for, Ms. Goldsmith?

A. I work for Apache Corporation.

Q. What is your position and responsibilities for Apache?

A. I'm their reservoir engineer and team lead for the New Mexico Delaware Basin.

Q. How long have you worked for Apache?

A. I've worked for Apache since 2013.

Q. Could you provide the examiners with a brief description of your educational background and experience?

A. Sure. I graduated from Texas A&M University in 2008 with a bachelor's of science degree in engineering.

Right out of school, I went to work at Encana first five years in their Plano office, and then I moved out to Midland in 2013 to go work for Apache in the Permian Basin. And I've worked Texas Delaware Basin and New Mexico Delaware Basin.

Q. And what kind of work did you do at Encana?

A. I worked the first few years in their rotational program doing different engineering roles,

1 and then the last two years, I worked as a reservoir
2 engineer.

3 Q. And did part of your work for Encana involve
4 development plans for horizontal wells?

5 A. Yes.

6 Q. And that's also true of your work for Apache?

7 A. Yes, sir.

8 Q. Has Apache used your engineering analysis for
9 drilling other wells in the Delaware Basin in
10 New Mexico?

11 A. Yes.

12 Q. Are you familiar with the applications filed by
13 Apache in these cases and the applications filed by
14 Ascent?

15 A. Yes.

16 Q. Have you conducted an engineering study to
17 determine the optimal method for drilling wells to
18 develop the resources underlying the lands in Apache's
19 Taco 28-30 development area and Ascent's Anvil
20 development area?

21 A. Yes.

22 MR. DeBRINE: We would tender the witness
23 as an expert in petroleum engineering.

24 EXAMINER JONES: Any objections?

25 MR. BRUCE: No.

1 MR. PADILLA: No.

2 MR. LARSON: No objection.

3 EXAMINER JONES: The witness is qualified
4 as proposed.

5 Q. (BY MR. DeBRINE) If you could turn to your
6 first exhibit marked as Exhibit 1. This is a map
7 showing the area of interest. Could you just walk the
8 examiners through the -- each of the features on the map
9 and what you're intending to represent here?

10 A. Sure.

11 It looks like this one (indicating).

12 EXAMINER JONES: Okay.

13 MR. DeBRINE: E-1.

14 THE WITNESS: All right. So this is an
15 aerial --

16 MR. DeBRINE: And just before we get
17 started -- before we get started, I distributed
18 substitute Exhibits E-4 and E-8, which are just the
19 8-and-a-half-by-11 sheets. And so that will be the
20 official exhibit that's going to be referred to in the
21 testimony and that we would seek to have admitted. So
22 the one in the package, which is the bigger map, you can
23 just discard that.

24 EXAMINER JONES: Okay.

25 THE WITNESS: So on Exhibit 1, this is an

1 aerial depiction of the Taco acreage (indicating). It
2 goes into what Laci was talking about earlier, where the
3 red squiggly line is the quarter-mile buffer for the
4 potash, and the blue is the half-mile buffer. And the
5 red polygon is Apache's Golden Lane well site and how we
6 would have tried to expand that to accommodate the
7 horizontal drilling there.

8 **Q. (BY MR. DeBRINE) And just to clarify, by**
9 **Apache's acreage, you mean the area shown in yellow in**
10 **the rectangle?**

11 A. That's correct. Yes.

12 As you move to the east, there are three
13 purple squares. Those are the approved drill islands
14 that we've discussed. And then the blue, the southern
15 one, is where we plan to have our central tank battery.
16 Further south of that, the large blue box, is the shared
17 frac ponds that we plan to do with XTO.

18 **Q. Is there anything else of interest that you**
19 **want to point out to the examiners on this exhibit?**

20 A. The main thing is that to access our yellow
21 acreage there -- it is inside of the potash, so we have
22 to be outside of our actual acreage to surface position
23 to be able to drain that acreage.

24 **Q. Can you just briefly explain for the examiner**
25 **why Apache is proposing to drill its wells with an**

1 east-to-west orientation from the bracket drill island
2 shown on this map?

3 A. Yes. So we'll show you in a second, but
4 east-west orientation is proven to develop the best well
5 results in this area. These locations allow us to
6 access that acreage from it. And really there are some
7 issues with not drilling from our existing Golden Lane
8 pad because Ascent has proposals that would cross that,
9 and we would be crossing well paths. So even though we
10 would be trying to drain just what's in our acreage
11 right here initially with that, we would be crossing
12 wellbores, and that's very dangerous for in-tank [sic]
13 collision.

14 Another aspect of why we want the Golden
15 Lane right -- the Golden Lane thing wasn't working for
16 us is the expansion capabilities, we were very limited,
17 as Laci mentioned, to that spot.

18 And as Mike showed in his testimony, we
19 feel very confident in four landing zones, but there are
20 other potential landing zones out there, and we would
21 not be able to access those in the future from those
22 sites. Also, the BLM told us that if other areas want
23 to be developed and they cannot find other drilling
24 islands, where our battery would be at on that pad, they
25 would actually force us to move that battery elsewhere

1 later on if that could be the only opportunity to have a
2 drilling site. So that was a financial risk for Apache
3 to build a battery that could potentially be moved one
4 day.

5 **Q. Let's turn to your next exhibit, which is**
6 **Exhibit E-2, which is a summary of Apache's development**
7 **plans. If you could just walk the examiners through**
8 **that and explain what Apache has proposed for its Taco**
9 **28-30 development area.**

10 A. Okay. On the right-hand side is a plat showing
11 our development. It shows the three well pads that we
12 plan to drill ten wells from. We plan to develop the
13 2nd Bone Spring Sand first. That is what we feel the
14 most confident in. We also staked the 1st Bone Spring
15 Sand, the 3rd Bone Spring Sand and the Wolfcamp A.
16 Right below those well pads is the -- the rectangle
17 showing where we would put our central tank battery.

18 Part of how we planned our development out
19 here is we wanted to do sime ops [sic], which is
20 simultaneous operations. That's where you can continue
21 to produce a well while you go in and drill another
22 landing zone. We care a lot about when you go in and
23 drill a single landing zone like the 2nd Bone Spring
24 Sand, you want to drill that together. Because if you
25 drill one well and then you come back later and you

1 offset that, your frac will grow towards the depletion,
2 and you will not have as good of a well the second time
3 you come in. You will not be able to drain the same
4 amount of reserves as if you had drilled them together
5 and fracked them together. So we want to stake all the
6 wells up front for a landing zone and drill all those
7 wells for the landing zone up front. That is what we
8 plan to do for the 2nd Bone Spring.

9 Now, when we come back and drill another
10 landing zone, the 1st Bone Spring Sand or the 3rd Bone
11 Spring and -- and like Ascent was mentioning, we believe
12 the 3rd Bone Spring and Wolfcamp also needs to be
13 codeveloped together. But when we come in and drill
14 those, we actually will not have to shut in those 2nd
15 Bone Spring wells. We did a different row along the pad
16 so that the rig can still fit on that pad and be
17 drilling these other landing zones while we're producing
18 this well. So that's an economic benefit, that we don't
19 have to shut in that well while we have the drilling rig
20 back there a year or two later.

21 We also designed the central tank battery
22 to be expandable so that we're not having to build a
23 huge battery up front to accommodate all ten wells. We
24 can do it in phases, and that allows for simultaneous
25 operations. And if we need to expand it, we put room

1 there, but by doing the phrases, we don't need to build
2 it for all ten peak production. We can stagger our
3 development.

4 **Q. If you could turn to your next exhibit, E-3,**
5 **which has a further description of Apache's development**
6 **plans and explain what you're intending to represent**
7 **here on this exhibit.**

8 A. Okay. The two pictures that are shown on this
9 exhibit, the first one in the top right is -- our
10 drilling department does a lot of work just with
11 directional planning. And Jordan, our other witness,
12 can get into this in a second. But they really look at
13 the longer you drill in terms of these laterals, the
14 more of the ellipse of uncertainty you have in terms of
15 where it's at, because you're drilling, you know, a mile
16 and a half down and then you're drilling a mile, two,
17 two-and-a-half miles out. And so knowing exactly where
18 you're at, there is an ellipse of uncertainty.

19 And so we do a lot of work planning on hey,
20 where do we need to make sure where we are so we cannot,
21 you know, ever worry about colliding with ourselves or
22 colliding with our existing Golden Lane well. So that's
23 shown in the picture here as well. The top one is the
24 bird's eye view looking down at all the well pads, and
25 then the one on the bottom shows our Golden Lane well.

1 We actually modeled that three-dimension to kind of see
2 where do we need to make sure we jog around that so our
3 ellipse of uncertainty or our cone does not risk
4 intersecting that well which is holding our lease right
5 now.

6 Part also in this slide that I really want
7 to address is that Apache is running two rigs in
8 New Mexico right now, and we have plans to run two to
9 three rigs for the next three years. We make our
10 corporate plans five years out, and so we have stability
11 that we know that we're going to keep a rig out here --
12 two rigs out here and continue to develop our leases in
13 New Mexico.

14 We've also drilled over 2,700 horizontal
15 wells in the Permian Basin. We've drilled 11
16 extended-reach laterals in the past two years. None of
17 those had a sidetrack, and they were all in zone. We
18 have proven operatorship out here.

19 **Q. Has Apache done everything needed to submit its**
20 **APDs to the BLM?**

21 A. We've done what we need to prepare. We have
22 not actually submitted them. So as Laci stated earlier,
23 we've staked the wells. We've reviewed the plats. Our
24 drilling department has looked at directionals for all
25 ten wells, not just the first landing zone or the first

1 quarter of the section, but really looking at all the
2 area we're going to do. We've done that process for all
3 of them.

4 **Q. Have you also done the environmental analysis**
5 **that would need to be done to pass the BLM's EA**
6 **assessment for the APDs?**

7 A. Yes, we have. We have an environmental
8 department, and we follow all the compliance rules, and
9 we strive to be a good operator. We also try and work
10 with other operators in the area to minimize our
11 fingerprint.

12 Just some comments. With XTO offsetting us
13 directly to the east, we plan on sharing the road with
14 them, sharing the frac pond, you know, splitting the
15 cost to move the rancher's fence, you know, looking at
16 moving the rec trail to help the locals out there, just
17 being a good operator for the area where, you know,
18 companies, people, government entities that have
19 operations there want us to be an operator there, not a
20 burden.

21 **Q. If you can turn to your next exhibit, E-4,**
22 **entitled "2nd Bone Spring Sand Effects of Azimuth," and**
23 **this is the replacement exhibit that we just circulated.**
24 **If you could explain your purpose in preparing this**
25 **exhibit and what it's intended to represent.**

1 A. Sure. And just to give you-all a background on
2 why it was replaced, there were three additional wells
3 added. So that's all the difference is, if you're
4 wondering.

5 But the purposes of this exhibit, like Mike
6 talked about in his previous testimony, is we really
7 consider newer wells to have more weight and impacting
8 what we think will be production in the area. And the
9 reason for that being is completions have changed
10 drastically over the past five to ten years, where
11 people are really learning and improving in their
12 completion designs to exploit more reserves out of the
13 ground. So this analysis is done on wells that are 2015
14 to present. So they take out some of the ones that were
15 done in 2012, 2013, 2014 that have very old designs that
16 we do not feel are representative of what we expect
17 today.

18 So the plots you see here today -- first,
19 the map on the left, this is -- the yellow in the middle
20 is Apache's Taco acreage. The squiggly tan line, that
21 is the potash boundary. And then these are the wells in
22 the -- 2015 to present in the 2nd Bone Spring Sand. I
23 did the 2nd Bone Spring Sand because that is the
24 most-drilled zone in the area. There are very few well
25 results in the other landing zones to draw conclusions

1 from. And I highlight a few of the wells because I'm
2 going to talk about those further in detail. But those
3 are the horizontal wells in the area. You can see there
4 is a handful of north-south and east-west.

5 The plot of the top right side, it is cum
6 oil on the y-axis and normalized production on the
7 x-axis. So we're looking at cum oil versus time. These
8 are all normalized through a one-mile lateral, so
9 4,500-foot-lateral length. And what that means is, you
10 know, I don't want to compare production from a two-mile
11 well with a one-mile well. I want to make sure they're
12 apples to apples.

13 When you asked the question earlier: Is it
14 a one for one when we're looking at drilling longer,
15 usually an EUR, we can assume that, that the estimated
16 ultimate recovery, as long as you're able to complete
17 the well, the stages at the toe similar to the heel,
18 that you can get equal recovery if the reservoir is
19 same. So that is how Apache looks at it. And so we
20 simply actually look at analysis on an EUR per 1,000
21 feet when we're evaluating wells. So we always make
22 sure they're an apples-to-apples comparison.

23 But this plot on the top right, the red
24 wells are east-west, and the green wells are
25 north-south. And just general looking at it from your

1 eyes, you can see that the majority of the east-west
2 wells outperform the north-south wells.

3 As I mentioned before, completions is a big
4 component so I wanted to make sure that was integrated
5 into this study. I have colored on the bottom two plots
6 pounds per foot and gallons per foot. So it's cum oil
7 versus time again on both axes, and they're colored by
8 the size of their completion. So the yellow is 800
9 pounds per foot. Green is 1,400 pounds per foot. Blue
10 is 2,000 pounds per foot, and purple is 2,500 pounds per
11 foot. And I point to a few of the wells because I
12 wanted to show that there are some very obvious cases
13 where east-west and north to south, those results are
14 drastically different.

15 First, to call out Matador's HEYCO wells,
16 those are the -- the purple line on the cum oil plot,
17 they're the lowest wells. They're the worst wells in
18 the area. They are drilled north-south right next to
19 Ascent's Anvil development right next to where our Taco
20 acreage is.

21 Then you have Matador's Stebbins wells,
22 which are the best performing in the area. So that is
23 one well that is blue on the cum oil plot, the highest
24 one, and then the other one that's purple, so largest
25 completions. And they did the largest completions on

1 the HEYCO wells, and they did that same large completion
2 on the Stebbins wells. And you can see the north-south
3 ones on the map are far outperforming the -- sorry. The
4 east-west wells, the Stebbins ones, on the map are far
5 outperforming the north-south wells.

6 I also want to point out this Marathon
7 Bootlegger. That is a well that is right near those
8 Matador Stebbins wells, so in case there is any local
9 geologic effect, that well is much closer in proximity.
10 And that is also -- that is the blue well. It was
11 pumped with 2,000 pounds per foot, and that is also on
12 the low end of the production profile.

13 **Q. If you could turn to your next Exhibit, E-5,**
14 **which has the same title, "2nd Bone Spring Sand Effects**
15 **of Azimuth," and tell us what your exhibit shows here on**
16 **this exhibit.**

17 A. Okay. So from the previous plot where I had
18 had the east-west wells colored red and the north-south
19 wells colored green, what I can do is actually bin those
20 together or average those together. So I can say all of
21 the wells that were north-south in orientation, I'm
22 going to average that production rate with time, and
23 that's what's shown in green. And then the same thing
24 for the east-west. I can average them all together, and
25 that is what is shown in red. And the reason you see

1 the big dip up or down is because the number of wells
2 change with time.

3 But this is just -- you know, take a step
4 back and look at it on average. What seems to be the
5 performance of those wells in the area with modern
6 completions? And what you can see is these wells -- and
7 this is for a one-mile lateral -- you know, in that
8 first year, you're over two-and-a-half times difference
9 in your cum oil between your east-west wells and
10 north-south wells. And then when you get out to a year,
11 you're at a two-time EUR.

12 And a general rule of thumb in the industry
13 is your EUR, you can estimate it to be around three
14 times your first-year cum. It ranges from two and a
15 half to three and a half, but if we're just using kind
16 of rule-of-thumbs, rather than debating B factors and
17 all these other things in decline, you can just use it
18 as a rule of thumb. And, you know, that means at least
19 two times the amount of reserves will be exploited when
20 we drill these wells east-west versus north-south.

21 **Q. Let's take a look at your next exhibit, which**
22 **is E-6, titled "Potential Economic Influence," and what**
23 **conclusions are represented here in this exhibit?**

24 A. Okay. So what I did here is show the two
25 competing developments plans in the picture on the

1 bottom right. You have Apache drilling two-and-a-half
2 milers in the east-west direction, and then you have
3 Ascent wanting to drill two-milers in north-south
4 direction.

5 The plot on the top, this is production
6 rates normalized to a two-and-a-half-mile lateral versus
7 time. The black is all of the wells averaged together
8 in the study area. The red is the rate of all of the
9 east-west wells averaged together in the area, again
10 normalized to two-and-a-half-mile lateral. And then the
11 green is normalized to a two-and-a-half mile
12 north-south.

13 So what Apache wants to do is the red line
14 on the top box. That's drilling east-west
15 two-and-a-half milers. What Ascent wants to do is the
16 bottom plot. These are normalized to two-mile laterals,
17 what you would expect the production to be for all the
18 east-west wells averaged together and then the
19 production for all the north-south wells averaged
20 together. Those are the two expected rates that you
21 could expect using those well results from 2015 to
22 present with modern completions, what you'd expect.

23 So what that means is when Apache would
24 drill two-and-a-half milers east-west -- this is just
25 using the well results in the area -- your initial

1 production rate is 1,400 barrels a day. Your EUR would
2 be, if I used that three times first-year cum from the
3 previous plot, just over 900,000 barrels of oil.

4 Ascent, if they were to drill two-mile
5 north-south wells, their IP would be around 550 barrels
6 of oil a day, and their EUR would be around 267,000
7 barrels.

8 If you look at the difference of just that
9 160 acres that we're disputing right now, Apache would
10 drain 183,000 barrels. That would be a fifth of our
11 unit. Ascent would drain 67,000 a barrels, a fourth of
12 their two-mile laterals. That means 116,000 barrels
13 would be left behind for a single well within that unit
14 in the 2nd Bone Spring Sand. If you use \$50 oil and say
15 there is a 12-1/2 percent royalty, that's \$870,000 per
16 well left behind by drilling at the wrong azimuth.

17 **Q. As part of your study, did you consider the**
18 **benefits to both Apache and the Ascent if Apache's Taco**
19 **28-30 plan is approved?**

20 A. We did.

21 You know, as Laci mentioned, you know, we
22 feel like we can compromise where we could drill the
23 two-and-a-half-mile laterals, and they could participate
24 as non-op partners in our wellbore. And when you
25 actually look at that, you know, because we would be

1 drilling at the optimum azimuth, they would be able to
2 recover more with that and actually add more value to
3 their company by getting higher recovery in that section
4 as going non-op than if they tried to drill it
5 themselves north-south.

6 **Q. And are those results shown on Exhibit E-7?**

7 A. Yes, they are.

8 So this table right here shows -- and these
9 were just assumed numbers for simplicity. I know
10 working interest NRI -- you know, I think Ascent said
11 they were 34 percent working interest right now. But
12 assume they own 50 percent of what they want to drill
13 two-milers at. Their gross EUR would be 267,000
14 barrels. Their net reserves from that, 75 percent
15 assumed NRI, would be around \$5 million for a single
16 well.

17 If they did a one-and-a-half-mile well
18 instead, they would get 200,000 barrels gross estimated
19 recovery, net of 75, and that value is 3.75. But then
20 they would get 10 percent of Apache's wells. Apache's
21 wells would be over 900,000 barrels. They would get
22 around 69,000 barrels of that, which is \$3.4 million.

23 So overall, if they tried to develop them
24 themselves with two-mile laterals, that would be
25 \$5 million versus if they participate with Apache as a

1 non-op and then drilled mile-and-a-halfers themselves,
2 it would be 7.2 million. So they would actually gain
3 more benefit by participating with Apache in drilling it
4 the correct way than if they tried to do it themselves.

5 **Q. If you could turn to your next exhibit, which**
6 **is E-8, which is another substitute exhibit from the**
7 **package that was distributed earlier, and explain for**
8 **the examiners what this exhibit represents.**

9 A. Yes. And, again, the only difference is that
10 I, you know, added in three of the newest wells to make
11 sure it was the most up-to-date.

12 But the purpose of this exhibit is to give
13 the details of the wells which I'm using in my analysis.
14 So in the east-west, there were nine wells used. They
15 had an average completion of 1,730 pounds per foot and
16 1,409 gallons per foot. The north-south wells -- there
17 are six -- the average was almost 2,100 pounds per foot
18 and 1,448 gallons per foot. And these were all
19 normalized to 4,500-foot-lateral length. So that's just
20 to show the wells I'm using from 2015 onward, the wells
21 that are east-west are not significantly better
22 completion than the wells that were north-south. These
23 are apples-to-apples comparisons, and you're seeing
24 definite difference in results.

25 **Q. If you could turn to your next exhibit, E-9,**

1 **which is labeled "Azimuth Example 1," and what is your**
2 **study here and what are you trying to show on this**
3 **exhibit?**

4 A. So I wanted to get into just a few more
5 examples of, you know, very localized areas, you know,
6 within the study area to say, you know, was it -- could
7 geology have possibly been an impact on why some of
8 these wells performed, so I'm doing kind of more
9 specific areas.

10 So the first one, it's a map from the far
11 right. I know that they mentioned XTO is now drilling
12 north-south in the area, and XTO can do whatever they
13 want. They're welcome to as a public operator. There
14 are no production results from those wells yet, so I
15 don't know how they're going to perform. But I will
16 show you what this data shows for that area that they
17 just drilled those north-south wells in.

18 So the plot on the left is again cum oil
19 versus time normalized to a one-mile lateral. In these
20 areas, I've shown -- I've highlighted the sections
21 where, in green, the wells were drilled to the
22 north-south. In red, they were drilled east-west.
23 East-west had six wells. Of those, only one was a
24 larger completion. For the north-south wells, there are
25 eight wells, and three were larger completions. And

1 then the table shows kind of the data around, you know,
2 what those completions entailed. And you can see on the
3 plot in general more red wells are better than green
4 wells.

5 **Q. The Table 2 correlates with the red and green**
6 **which -- you're talking about?**

7 A. That's correct. Yes.

8 **Q. What is the next example in your study shown on**
9 **Exhibit E-10?**

10 A. So the next example is the same slide. All I'm
11 doing is changing that plot now to instead being all the
12 well results, I'm binning them again. So I'm averaging
13 the average well drilled east-west with the average well
14 that is drilled north-south. And you can see that the
15 average east-west well outperforms the average
16 north-south well.

17 **Q. And, again, that was true even though the**
18 **north-south wells had larger completions?**

19 A. That's correct. And I'll address that further
20 on the next exhibit.

21 **Q. Okay. Let's look at your next exhibit, E-11,**
22 **which is the next example in your study.**

23 A. So I'm going to -- within this unit, I'm going
24 to break out and compare just the smaller completions
25 against each other and just the larger completions

1 against each other. So this first -- the slide right
2 here that you're looking at in Exhibit 11 is the smaller
3 completions only. So the plot right here shows the red
4 wells are east-west. They're outperforming the
5 north-south in cum oil versus time. And these were the
6 average completions sizes for those five wells. There
7 are five that were east-west and five that were
8 north-south. They were similar in completion size, 720
9 pounds per foot, 537 gallons per foot. The north-south
10 were 779 and 643. And you can see from the table, I
11 crossed out the ones that were larger completions, so
12 I'm only showing you the wells that were smaller
13 completions here.

14 **Q. And the next exhibit, E-12, what is shown in**
15 **this exhibit?**

16 A. Exhibit E-12 is very similar to the last slide
17 except I'm now comparing the larger completions, not
18 just the smaller ones. So east-west, there is only one
19 well that had a larger completion, and that was 1,581
20 pounds per foot, 1,000 gallons per foot. North-south,
21 there were three wells with larger completions, 1,490
22 pounds per foot, 1,242 gallons per foot average. And
23 then the plot on the left shows those wells against each
24 other where the east-west well with the larger
25 completion outperforms the north-south well with the

1 larger completion. And I show on the plot again the
2 ones I marked out that were considered smaller
3 completions because I'm only comparing the larger
4 completions on these slides.

5 **Q. And your final exhibit for Azimuth Example 1 is**
6 **E-13, and could you explain what that exhibit depicts?**

7 A. Yes. So this exhibit that uses again all those
8 same wells, I'm now just averaging the performance of
9 the wells with smaller completions on the left with the
10 wells with larger completions in the plot on the right.
11 And what I want you to see here is that as the
12 completions improve and became larger, the delta and
13 performance increased. So drilling east-west mattered
14 so much more as we're able to exploit more from these
15 reservoirs with more modern completions.

16 **Q. And the graph obviously graphically shows the**
17 **difference between the two, but what are the actual**
18 **differences in production between the two in Texas, the**
19 **actual numbers shown on the graph?**

20 A. The actual -- in terms of the cum or the EUR?

21 **Q. Yes.**

22 A. It's more the -- the delta. So they appear to
23 be -- you know, the wells with smaller completions,
24 they're about 30 percent better, it looks like. And the
25 wells with larger completions, I mean, it's closer to --

1 you know, almost double.

2 Q. You also prepared exhibits for Azimuth Example
3 2, which is Exhibit E-14 and Exhibit E-15.

4 A. Yes.

5 Q. Could you walk the examiner through these two
6 exhibits?

7 A. Sure. So I wanted to address the wells that
8 were the very closest to Apache's Taco. I don't have
9 the HEYCO wells in here. Those are actually under all
10 of these lines on the plot. They're even worse than
11 that. But these were -- most of these were kind of
12 older wells. You can see the majority of the on-stream
13 dates from the table are 2014 or earlier. There are two
14 that were 2015, but most of these are older. But I just
15 wanted to show you kind of direct area how they compare.

16 So the wells that were east-west, there
17 were two larger completions, and then the wells that
18 were north-south, there were four larger completions.
19 And you can see it's kind of a mixed batch on that. I
20 want to share all the data, not just try and manipulate
21 it to show the ones I like. This is the ones that are
22 closest.

23 But what I want to do is on the next
24 exhibit -- and this is my final one -- when I remove
25 those two oldest completions, what happens is you see

1 that those are the poorer-performing wells, and then you
2 again see where the east-west, the red wells, outperform
3 the north-south wells. And we definitely see that. And
4 those are with older completions. Those wells have five
5 years of production. As mentioned in the previous
6 example, as completions get more modern and get better,
7 that delta becomes larger with time. But Apache -- we
8 firmly believe that east-west is the way to go here.

9 Q. I'd like you to now summarize your conclusions
10 from your study. Do you have an opinion as to whether
11 the drilling horizontal two-and-a-half miles with
12 east-to-west orientations proposed by Apache in its Taco
13 28-30 development plan is the most efficient method to
14 develop the lands in Section 28 and will result in the
15 greatest EUR?

16 A. I have a very strong opinion that drilling
17 east-south -- east to west is the most optimal way to
18 develop this reservoir and maximize the recovery.

19 Q. Will the wells proposed by Apache effectively
20 drain the lands comprising the Taco development area?

21 A. Yes.

22 Q. In your opinion, is Apache's Taco development
23 plan in the interest of conservation and the protection
24 of correlative rights?

25 A. Yes.

1 Q. In your opinion, will Apache's Taco development
2 plan prevent waste of resources that would be left in
3 the ground if Ascent's development plan were approved?

4 A. Yes.

5 Q. Do you also have concerns about potential well
6 collision if Apache were to -- were to drill its wells
7 from the Golden Lane well pad?

8 A. Absolutely.

9 Q. And what are those?

10 A. As -- as you are drilling, your ellipse of
11 concern -- and Jordan will get into this more, as the
12 next witness. But your ellipse of uncertainty where
13 you're at gets further as you're at the toe of your
14 wells. And they would be drilling at the toe of our
15 wells where we're trying to drill our wells from our
16 Golden Lane, and we would be crossing one another.
17 There's a lot of danger in that.

18 Q. Is Apache prepared to drill the Bone
19 Spring-Wolfcamp wells that are the subject of these
20 applications if the Division were to approve its Taco
21 development plan?

22 A. Yes.

23 Q. Were Exhibits E-1 through E-15 prepared by you
24 or compiled under your direction and supervision from
25 Apache's business records?

1 A. They were prepared by me.

2 MR. DeBRINE: We would ask that Exhibits
3 E-1 through E-15 be admitted into the record.

4 EXAMINER JONES: Any objection?

5 MR. BRUCE: No objection.

6 EXAMINER JONES: E-1 through E-15 are
7 admitted.

8 MR. DeBRINE: Pass the witness.

9 (Apache Corporation Exhibits E-1 through
10 E-15 are offered and admitted into
11 evidence.)

12 CROSS-EXAMINATION

13 BY MR. BRUCE:

14 Q. Just a point of clarification on your Exhibit
15 E-4. And if you look at the upper left-hand portion of
16 that plat there --

17 A. Uh-huh.

18 Q. -- you've got -- the yellow line is the potash
19 area, correct?

20 A. That's correct.

21 Q. And I assume the potash area is the area that
22 is -- take the Marathon Bootlegger well. It's that
23 acreage within the yellow line to the east of there?

24 A. That's correct.

25 Q. Okay. And then looking at the wells, obviously

1 when you're drilling the -- portraying the wells, the
2 bottom-hole locations are -- are the surface locations
3 denoted by a circle, or is that the bottom-hole
4 location?

5 A. That is -- so the -- the surface hole is what
6 is the circle.

7 Q. Okay.

8 A. So if you notice, just -- like in the top
9 right, notice how that well is drilled outside the
10 potash?

11 Q. Okay. That's -- that's what I was asking.
12 Thank you.

13 And then go to your Exhibit E-8, the newer
14 one. Now, if I can count correctly -- and believe it or
15 not, I used to be an engineer -- we've got 15 wells
16 here, six of which are north-south; is that correct?

17 A. That's correct.

18 Q. And you were listening to the testimony this
19 morning; were you not?

20 A. I was, sir.

21 Q. And Ascent's engineer looked at, I believe, 72
22 total wells. Would 72 total wells, insofar as
23 production goes, be more statistically relevant than 15
24 wells?

25 A. If you're doing your analysis purely on

1 statistics, a larger number would be helpful. My guess
2 is that our assumed areas of where we drew our number of
3 wells from is probably different, and our vintage from
4 completion is different.

5 Q. And Mr. Yancey included in his analysis of
6 actual production data Matador's HEYCO State wells; did
7 he not?

8 A. I assume they were part of his.

9 Q. And so he included that even though they were
10 poorer wells, and that was like two out of 24 of his
11 wells, wasn't it, or roughly -- what would one out of 12
12 would be? Eight percent -- eight-and-a-third percent?
13 And you're including those wells, two out of six, so
14 you're contributing -- when you're stacking the order
15 numbers together, you're saying that Matador's wells are
16 one-third of your database for north-south wells,
17 correct?

18 A. That's correct.

19 Q. And do you have any actual knowledge of why
20 those wells performed poorly?

21 A. Our belief is those wells performed poorly
22 because of the azimuth because they have very strong
23 completions signs [sic].

24 Q. And that's your assumption?

25 A. That is my opinion.

1 **Q. And Matador has drilled plenty of wells out in**
2 **this section of Eddy County; has it not?**

3 A. They have drilled a descent number of wells out
4 here.

5 **Q. They're one of the earlier Bone Spring and**
6 **Wolfcamp developers in this general area of southeast**
7 **New Mexico? They have drilled a lot of wells, haven't**
8 **they?**

9 A. Yes. And it was helpful to hear Laci's
10 testimony where Matador stated that they believe the
11 optimal direction is east-west out here.

12 **Q. They've drilled a lot of north-south wells,**
13 **haven't they?**

14 A. And then sold that acreage.

15 **Q. And they continue to drill north-south wells,**
16 **don't they?**

17 A. I haven't seen any permitted Matador wells in
18 this area that are north-south. I've seen them farther
19 south. They are, you know, ten miles and further south
20 but not in this direct area.

21 **Q. And why would XTO, on behalf of ExxonMobil,**
22 **drill both north-south wells and east-west wells**
23 **basically in the same area?**

24 MR. DeBRINE: Objection. Calls for
25 speculation.

1 MR. BRUCE: They've been speculating all
2 day long about east-south, north-west -- I mean
3 east-west, north-south. I think that's a fair question.
4 Why would they do it if they think that east-west is
5 better? Why is XTO drilling on these same plats in two
6 different directions?

7 MR. DeBRINE: And, again, I don't think the
8 witness can speak to XTO's intent. I mean, she can
9 speak -- I mean, there's evidence that immediately
10 adjacent to the Taco, they're drilling east-west. The
11 other wells are five miles north. It's pure speculation
12 as to why they decided to the use different orientations
13 five miles north.

14 **Q. (BY MR. BRUCE) It's funny that you should**
15 **mention the speculation because if you go to your**
16 **Exhibit E-6, your numbers insofar as EUR and initial**
17 **potential are pure speculation, aren't they?**

18 A. They're the average of the data.

19 **Q. And, again, you're not -- you're using only**
20 **one-fifth of the actual production data that Ascent is**
21 **using?**

22 A. That's correct. I pulled my data set to
23 include modern completions, which we see as way more
24 indicative of what we actually expect.

25 **Q. And if you look at Exhibit E-8, how many -- the**

1 plat on E-8, northeast -- northeast quarter -- sorry.

2 I'm always thinking of land matters.

3 On the upper east -- upper-right side, how
4 many two-and-a-half-mile laterals have been drilled in
5 that area?

6 A. I don't know the number.

7 Q. Have any wells been drilled?

8 A. I know XTO is drilling a lot of longer
9 laterals, as are some other companies. There are some
10 right now, but I don't have that information.

11 Q. And, of course, this is coming from attorneys
12 like Mr. -- not to denigrate Mr. DeBrine, but during our
13 arguments, the argument came up about the potential
14 of -- I'm using -- I'm not using the same term, but well
15 interference, worried about well collisions, about
16 how -- when -- if Ascent gets approval to drill its
17 two-mile wells into the northwest quarter of Section 28,
18 there's a bigger danger because of loss of well control,
19 if I may summarize it that way. Does that indicate that
20 the longer the wellbore, there's additional risks
21 involved in drilling those wells?

22 A. Are you referring to the mechanical risks or
23 reserves risk? What are you --

24 Q. Any type, mechanical, operational.

25 A. I think that's a more fair question for our

1 drilling manager to answer that, from the operations
2 perspective.

3 As far as from a reservoir perspective, we
4 see normally scalable production with longer laterals,
5 so it's actually more economic to be able to drill
6 longer laterals.

7 **Q. But that's absent operational -- potential**
8 **operational difficulties?**

9 A. That's correct.

10 **Q. Thank you.**

11 MR. BRUCE: I have no further questions.

12 EXAMINER JONES: Mr. Coss?

13 CROSS-EXAMINATION

14 BY EXAMINER COSS:

15 **Q. Keeping on the topic of the dangers of well**
16 **collisions, what exactly does the results -- has that**
17 **occurred? What happens if the wellbores collide -- if**
18 **the drilling collide with the --**

19 A. I think Jordan would probably be a better one
20 to answer that, but if -- I mean, I know from a
21 perspective that if you hit another operator's wellbore,
22 you just hit a \$10 million investment that's very
23 difficult to repair if you just drilled a hole in it.

24 **Q. And it's never been worked out where you decide**
25 **to try and share the formation with the wellbore? The**

1 **risk of hitting the wellbore is too great so people**
2 **don't try it?**

3 A. I think he (indicating) would be a better
4 person to address some of those, but it is a -- I mean,
5 you're talking about going a mile and a half down and
6 knowing exactly where you are, to say, "I don't want to
7 hit something that just had an ellipse of uncertainty of
8 200 feet right here," you know. So while you have --
9 you know, I think when we're talking about risk for
10 getting a well down, you'll get a well down. But do you
11 know exactly where it's at? You know, down a
12 mile-and-a-half, down two miles away, do you know
13 exactly where you're at? You have 200 feet up, down,
14 left, right where you could be at that you could pretty
15 easily hit each other and knock out the other person's
16 \$10 million investment.

17 **Q. And then so I heard a lot about the production**
18 **data for drilling east-west, as you suggest. Is there**
19 **any physical principle that would be the cause of that?**

20 A. So typically what will cause certain azimuths
21 to perform better than others is the direction of your
22 SHmax. And Mike talked about that we don't have an
23 image log in the area to understand exactly what the
24 SHmax is to say, "Hey, this is what the image log shows.
25 This is our direction of the SHmax, and this is why we

1 should drill this way."

2 We do have image logs in other areas we
3 operate, and we see very clearly this is the direction
4 of -- you know, you mentioned our Palmillo area, where
5 we see an image log that says SHmax is to the
6 north-south, which means we would need to be drilling
7 east-west perpendicular to that. And the well results
8 are very clear there. There are a couple of operators
9 who tried north-south. Their wells are just dogs
10 compared to ours.

11 You know, as you move over in the basin,
12 it's different. It rotates. So then another area in
13 Lea County, the SHmax shows it's to be more east-west,
14 so we drill our wells north-south there. So we drill
15 perpendicular to SHmax where we do have data that shows
16 the stress is that way. Unfortunately, we do not have
17 an image log here to you hand that to you and say, "This
18 is what we see."

19 **Q. Okay. Thanks. Those are all my questions for**
20 **now.**

21 **CROSS-EXAMINATION**

22 BY EXAMINER JONES:

23 **Q. There was some testimony this morning about 30**
24 **degrees off of east-west, I thought it was, about the**
25 **SHmax. Do you remember that? They were talking about**

1 **it this morning. In other words, not -- not**
2 **northwest-south -- I mean northeast-southwest but a**
3 **little bit --**

4 A. And that tends to happen. You know, you don't
5 have where in the basin it changes from going, you know,
6 directly north-south to oop, now you're east-west.
7 Like, it's a gradational change. And so understanding
8 that for the area -- you know, when looking at what
9 XTO's drilling, you know, a little bit further to the
10 east, maybe theirs is just a little bit better when you
11 get to that area. When we look at the well results
12 right here and really to -- to look at the HEYCO wells
13 right there, you know, that are right next to their
14 acreage position and they're dogs despite really strong
15 completions, landing in zone. And you go -- like, that
16 would scare me because I cannot go into my VP and
17 justify economics to say, "I want to drill these wells,"
18 because all that it shows is that we're going to lose
19 money if we get anything near those results.

20 So it is -- generally, it changes, you
21 know, slowly. It's not just immediate. But, you know,
22 most of the time, our sections -- our land sections are
23 not oriented like that so we have to pick kind of
24 east-west to north-south. And I would say that the data
25 in the area shows that east-west is right here. Is that

1 SHmax directly north-south? Probably it's, you know, a
2 slight variation of that, but east-west seems to
3 performs better.

4 Q. I wonder where -- your plots are pretty
5 convincing on the face of them, especially the
6 normalized plotting. Like, for instance, like, if you
7 do all wells that after so many months and then take
8 those numbers -- because you've got, like Mr. Bruce
9 pointed out, a limited number of wells, and if you use
10 the geometric mean instead of averaging your normalized
11 plot, it's a little bit more work, but, you know, you
12 think it would still bolster your -- the east-west
13 argument?

14 A. To me it wasn't a 5 or 10 percent difference.
15 It was pretty significant. So changing just that, you
16 know, to -- using a P50 versus a geometric mean versus
17 arithmetic mean -- when they're that far apart, I don't
18 see them coming that much closer together, in my
19 opinion.

20 Q. And the location of your battery that -- your
21 well pads have to be on that drilling island, correct?
22 I mean, they have -- in other words, you're pretty much
23 fixed on where you're going to be putting those well
24 pads, and so -- and you know where that is and you know
25 where your bottom-hole location you might want it, so

1 pretty much you've got to drill as straight a hole as
2 you can to keep the friction down and keep the highest
3 success of getting your well drilled.

4 A. Uh-huh. And we try to, generally, drill
5 straight, unless there is -- you know, like we have our
6 existing Golden Lane well, which is one of the wells we
7 are going to have to jog 100 feet and then come back
8 around it to make sure that, you know, our ellipse of
9 uncertainty, drilling that, that we don't intersect our
10 own wellbore. But in general, yes, we do just try and
11 drill straight with structure.

12 Q. So for Ascent to fracture the end of their
13 well, even if they were a little ways off from your
14 wellbore, it still might affect your well; is that
15 correct?

16 A. There will definitely be concern of, you know,
17 any sort of depletion you'd be drilling through. You
18 know, there's a lot of concerns when you're --

19 Q. Depends on who gets their well in first,
20 obviously.

21 A. Yeah.

22 Q. Okay. So -- but you've drilled a lot of wells
23 out here. So you haven't done any microseismic or
24 anything to look at your frac jobs to see where there
25 may be -- is it just showing a cluster, or can you

1 **actually see an orientation to your frac?**

2 A. Specifically in New Mexico, we haven't done
3 microseismic. We've done it in other areas in the
4 Permian Basin. We've done it in Texas, Delaware Basin,
5 and we do see a pretty clear path of generally the fracs
6 growing in the direction of the SHmax, so the fracture
7 opening up versus your SHmin. We generally see that.

8 **Q. What do you see for your economic limit on your**
9 **wells, for your ultimate recovery? You're just plotting**
10 **cumulative versus time so --**

11 A. Yeah. I was plotting cum versus time, and I
12 wasn't throwing discounted economics in with time. It
13 was just more when I showed the value loss in terms of
14 reserve, I just assumed this is overall the total
15 volume.

16 **Q. I'm sure everybody has wanted to ask this.**
17 **That first plot you showed of cumulative versus time,**
18 **there was one well that was just an extremely good well.**
19 **So --**

20 A. That is the Stebbins well, Matador's Stebbins
21 well.

22 **Q. Okay. So what's up with that well? Why was it**
23 **so good?**

24 A. It is a very strong completion drilled the
25 right way.

1 **Q. Okay. You're going to stick with that, right**
2 **(laughter)?**

3 A. So that's the well in the middle of the plot,
4 if you're looking at E-8.

5 **Q. I'm looking at, actually, E-4.**

6 A. Sorry. E-8 had all the details of the
7 completion on that.

8 **Q. Oh, I see. Okay.**

9 A. Yeah. But you can see it. It's a strong well.
10 It was completed with 2,000 pounds per foot. That's
11 also the completion size Apache's planning on our wells.

12 **Q. 2,000 pounds per foot.**

13 So how much rate -- what's your -- your --
14 **your pump rate at that, to carry that much --**

15 A. We'll typically pump over 80 barrels a minute.

16 **Q. 80 barrels a minute.**

17 A. Yeah.

18 **Q. So you're pumping it down-casing. And what**
19 **pressure do you allow yourself to go up to?**

20 A. Oh. I'm a reservoir engineer, so our
21 completion engineers typically deal with that.

22 **Q. But you're able to get that much, 2,000 pounds**
23 **per foot?**

24 A. We are, yes.

25 **Q. And is that an average pounds per foot over the**

1 length of the lateral, or is that just the length of the
2 perforated section?

3 A. So this is -- all this comes from public data.
4 And so what operators typically disclose is a total
5 volume that they pumped on that well, and I will say,
6 "Okay. And this is their perforated lateral length."
7 So I will divide that out.

8 Q. Okay. There was a controversy a minute ago
9 about whether you know XTO's -- did you talk to XTO any
10 about --

11 A. I haven't, no.

12 Q. Okay.

13 A. We have talked with other operators, though,
14 with Matador, with OXY. You know, like Laci mentioned
15 earlier, we had a knowledge-share with them where we
16 talked with their engineers, and, you know, they're
17 fully on board. As you see, they're represented here
18 today, that they believe east-west is the optimal
19 direction. And so we're -- it's not just us. People
20 who tend to operate out here plan east-west. I don't
21 know why XTO is -- their methodology.

22 CROSS-EXAMINATION

23 BY EXAMINER BRANCARD:

24 Q. I'm sure I missed this, but on E-8, you talk
25 about 15 wells as your data set. But then on E-4

1 through E-7, where you have all this cumulative data, is
2 that the same 15 wells?

3 A. That's correct, sir. Yeah.

4 Q. So all this is based -- all this stuff is
5 based on just these 15 wells?

6 A. The most modern wells in the area, yes, sir.

7 Q. Okay.

8 EXAMINER JONES: Okay. Any other
9 questions?

10 MR. DeBRINE: No further questions.

11 RE CROSS EXAMINATION

12 BY MR. BRUCE:

13 Q. What is the newest well in the area that you
14 use?

15 A. So the newest wells are actually Mewbourne's
16 wells that are -- if you look at E-4, the thing that's
17 labeled -- the well that's labeled Marathon's
18 Bootlegger, there are three wells above that. Those are
19 the Glock wells. So Marathon's Bootlegger is new and so
20 is the Glock wells by Mewbourne, and those are drilled
21 east-west. And they're hard to see on the plot, but
22 they are the ones with only about five months of
23 production.

24 And E-8 has all the well list, and they
25 also have the on-stream date, so you can see where those

1 newest wells are.

2 So the Stebbins, the Glock and the
3 Bootlegger, those are all kind of on the western side of
4 the data set.

5 MR. DeBRINE: No further questions.

6 EXAMINER JONES: Okay. Do you have any
7 more witnesses?

8 MR. DeBRINE: Just one more witness.

9 JORDAN EVANS,
10 after having been previously sworn under oath, was
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. DeBRINE:

14 Q. Would you please state your name?

15 A. Jordan Evans.

16 Q. Who do you work for, Mr. Evans?

17 A. Apache Corporation.

18 Q. And how long have you worked for Apache, and
19 what are your responsibilities currently?

20 A. I'm the drilling engineer manager, and I've
21 been there nine years.

22 Q. And could you provide the examiners with a
23 brief description of your educational background and
24 experience in the oil and gas industry?

25 A. I have a bachelor's in mechanical engineering

1 from Texas Tech.

2 In 2007, I went to work for Fasken out of
3 college as the only drilling engineer they had. I
4 followed that up with -- I was a drilling engineer at
5 BOPCO, drilling here in New Mexico, and then I've been
6 at Apache for the last nine years and various other
7 service companies during college.

8 **Q. Based on that experience, did you supervise the**
9 **drilling of wells in the Delaware Basin?**

10 A. Yes, sir.

11 **Q. And how many drilling engineers do you**
12 **supervise as Apache's --**

13 A. Five at the moment, four drilling engineers and
14 a tech at the moment. Yes.

15 **Q. And has Apache used your engineering analysis**
16 **in drilling some other wells in the Delaware and Permian**
17 **Basins in New Mexico?**

18 A. Yes, sir.

19 **Q. How many horizontal wells have you either been**
20 **the lead drilling engineer or the supervising engineer?**

21 A. Roughly 3- to 400.

22 **Q. Are you familiar with the applications filed by**
23 **Apache and the Ascent in these competing cases?**

24 A. Yes, sir.

25 **Q. Are you familiar with the drilling plans for**

1 Apache's proposed wells?

2 A. Yes, sir.

3 Q. Have you conducted a study to assess the
4 feasibility of Apache drilling its proposed Bone Spring
5 and Wolfcamp wells from the Golden Lane drilling plan
6 and the risk about collision if Ascent's allowed to
7 drill horizontal wells in Section 33 and Section 28 with
8 its Anvil plan?

9 A. Yes, sir.

10 MR. DeBRINE: I would tender the witness as
11 an expert in drilling engineering.

12 EXAMINER JONES: Objections?

13 MR. BRUCE: No objection.

14 MR. LARSON: No objection.

15 MR. PADILLA: No.

16 MR. MOELLENBERG: (Indicating.)

17 EXAMINER JONES: He is so qualified.

18 Q. (BY MR. DeBRINE) You heard the testimony from
19 Ms. Goldsmith as to why Apache determined it cannot
20 effectively utilize its Golden Lane drilling island --

21 A. Yes.

22 Q. -- in development of its reserves in Section
23 29. Could you just explain the reasons why?

24 A. Well, there's a -- there's a couple of reasons.
25 Well, first would be the surface area of the location,

1 future development. I wouldn't be able to get a rig
2 back in on that pad, and we're not allowed to expand it.
3 Also, a risk of, you know, collision with Ascent, you
4 know, drilling back to the north, which is a risk we
5 wouldn't be willing to take, for certain. If we drilled
6 from this pad, we would be in the same landing zones
7 with Ascent, and the cone of uncertainty would overlap,
8 wouldn't allow greater than a one for anticollisions.

9 **Q. If you could turn to your first exhibit, which**
10 **is marked D-1, titled "Overall Drilling Plan," could you**
11 **explain to the examiner what this map represents?**

12 A. This is an overlay of our directional plans as
13 we currently have planned. It also shows the Golden
14 Lane well, directional well, as it goes from Section 28
15 to 29. The red highlighted area is Ascent's acreage,
16 the gold being Apache's. These are drilled from the
17 right to the left on the page and just demonstrates our
18 plan from the posted BLM drilling islands in Section 28
19 across to Section 30.

20 **Q. And you talked a little bit about it. Could**
21 **you just explain in more detail what you view as the**
22 **risk of well collision between the development plans if**
23 **Ascent's allowed to drill its wells from Section 33 into**
24 **Section 28?**

25 A. Yes, sir. In the next actually two slides, it

1 shows a visual, but --

2 **Q. Let's start with that and look at those, break**
3 **it down. Let's take a look at Exhibit D-2 titled**
4 **"Directional Plan Option A - Full Kick Out."**

5 A. Yes, sir. You know, we have engineers in-house
6 due to our initial directional planning that we can use
7 for submittal to the BLM. We've planned these wells out
8 and we've done our due diligence to get to the northern
9 part of Section 29 from the Golden Lane pad. It's
10 standard for, you know, offset wells like this with a
11 kick-out and intermediate. Our max level is 10 degrees.
12 As you see from our directional plan here, it wouldn't
13 be achievable at 22 degrees. So this is not really a
14 feasible directional plan to stay out of their zone or
15 any of the Bone Spring zones and get to the north to
16 each our acreage. That's what that demonstrates on that
17 slide.

18 If you go to the next, this is the only
19 truly achievable way to get to our wells on the north
20 side of Section 29. And by doing this, we do a
21 10-degree kick-out in the intermediate zone, drop back
22 toward the kickoff point, drill a curve to the northwest
23 and then still have to do a 3-degree turn in the lateral
24 to reach our azimuth. This poses a problem because
25 we've got substantial lateral footage in the same zone

1 as Ascent's wells. And if you look at the red lines
2 going from south to north, that's a simulation of
3 Ascent's laterals in the same zone. So this also
4 doesn't seem feasible with Ascent drilling, you know, to
5 the north.

6 **Q. Let's take a look at your last exhibit, which**
7 **is entitled "Ellipse of Uncertainty."**

8 A. Yes, sir.

9 **Q. And what is that?**

10 A. This is a standard calculation used by all
11 directional companies to calculate your ellipse of
12 uncertainty at any point during a wellbore. If you look
13 on there, the horizontal, that's a diameter measurement
14 on a two-mile lateral with a tie-in gyro at surface. It
15 would be 300 horizontal foot, 160 vertical. These are
16 around within a couple of feet. And so basically it's
17 150-foot radius in any direction azimuthwise and 80
18 foot, you know, up and down in any direction when they
19 TD those two-mile laterals. But just at our kickoff
20 point, with an MWD and tie-in gyro at that point, we
21 would be at 90-foot diameter. So you can't feasibly put
22 a 300-foot and a 90-foot overlapping, you know, cone of
23 uncertainty there without risk.

24 **Q. In your opinion, is the risk of well collision**
25 **significant and should be avoided by denying Ascent's**

1 development plan?

2 A. Yes, sir.

3 Q. If Ascent's application were granted, do you
4 believe the risk of well collision is high enough so
5 that Apache would not drill all of its proposed Bone
6 Spring and Wolfcamp wells?

7 A. Yes, sir. I would recommend we did not.

8 Q. Do you have an opinion as to whether Apache's
9 plan of development is the most prudent way to proceed
10 with development of the lands of Sections 28 and 29 to
11 minimize the risk of well collision?

12 A. Yes, sir.

13 Q. Is the granting of Apache's request to approve
14 its Taco 28-30 development plan and deny Ascent's
15 applications in the interest of conservation, the
16 prevention of waste and the protection of correlative
17 rights?

18 A. Yes, sir.

19 Q. Were Exhibits D-1 through D-4 prepared by you
20 or compiled under your supervision and direction --

21 A. Yes.

22 Q. -- from Apache's business records?

23 A. Yes, sir, they were.

24 MR. DeBRINE: We would pass the witness.

25 EXAMINER JONES: Do you want to admit

1 the --

2 MR. DeBRINE: Oh, yeah. We would also ask
3 that Exhibits D-1 through D-4 be admitted into the
4 record.

5 EXAMINER JONES: DE-1 through DE-4, any
6 objections?

7 MR. BRUCE: No objection.

8 MR. PADILLA: No objection.

9 MR. LARSON: No objection.

10 EXAMINER JONES: Okay. DE-1 through DE-4
11 are admitted.

12 (Apache Corporation Exhibits DE-1 through
13 DE-4 are offered and admitted into
14 evidence.)

15 CROSS-EXAMINATION

16 BY MR. BRUCE:

17 Q. Mr. Evans, did Apache drill the Golden Lane 29
18 State 1Y well?

19 A. No, sir. I believe we acquired it. It was
20 drilled before us.

21 Q. Is that a Morrow test?

22 A. Yes, sir.

23 Q. Still producing?

24 A. Yes, sir. It's holding acreage, from my
25 understanding.

1 Q. And the 1Y designation indicates that there was
2 trouble drilling that initially so it had to be moved;
3 is that correct?

4 A. I cannot say that. No, sir. I didn't drill
5 it, so -- you're not going to get an argument from me
6 there.

7 Q. Thank you.

8 EXAMINER COSS: No questions.

9 CROSS-EXAMINATION

10 BY EXAMINER JONES:

11 Q. That Exhibit DE-4, did Texas Tech make you do
12 that kind of math?

13 A. (Laughter.)

14 (Laughter.)

15 MR. BRUCE: Or understand it.

16 THE WITNESS: I can give it back to the
17 fast-talking reservoir engineer if you want me to.

18 No, sir (laughter).

19 Q. (BY EXAMINER JONES) Okay. So what I hear you
20 saying is that -- is that you can't -- you don't have
21 confidence you can get your well drilled if you have to
22 do that many changes in direction?

23 A. No, sir. I can -- like I said, drilling from
24 the Golden Lane, if I was to do a 10-degree tangent in
25 the intermediate, build the curve still in Section 28,

1 land the curve in 28, point it to the northwest on a
2 northwest azimuth and then do a 3-degree turn into our
3 Section 29, I could achieve it, but that poses a problem
4 that we've got tons of lateral footage in Section 28
5 when they're drilling right at me in the same zone. And
6 with these cone of uncertainties, that's a major overlap
7 and a collision risk that we can't take. Even our
8 directional companies wouldn't allow that unless we
9 signed off a waiver. So it's not realistic.

10 **Q. Okay. Do you ever deal with subsurface**
11 **rights-of-way with landowners that you drill through to**
12 **get to your target?**

13 A. To some extent, yes, sir.

14 **Q. Sometimes?**

15 A. Yes, sir.

16 **Q. I'm not sure that the BLM does those kind of**
17 **things, but the State Land Office I know was talking**
18 **about it. I don't know if they ever got it done or not.**

19 **So basically you're telling me that --**
20 **you're telling us that these are mutually exclusive**
21 **proposals?**

22 A. What do you mean?

23 **Q. In other words, you can't -- you can't do one**
24 **if you do the other?**

25 A. Yes.

1 **Q. You can't do the Ascent plan if you do the**
2 **Apache plan?**

3 A. That's correct. There is no way to know where
4 they're at exactly. I couldn't -- there is no way I
5 could personally drill the Ascent wells and tell you I'm
6 not going to hit one of these wells -- you know, one of
7 our wells off the Golden Lane. I couldn't do that.
8 With corrected surveys, you can't do that.

9 **Q. Okay. Are you also a completions engineer?**

10 A. No, sir. I just put holes in the ground. No,
11 sir.

12 **Q. But you will admit that once you get out that**
13 **far -- that far down, that far out and you're trying to**
14 **pump your frac job, there's a lot of friction involved**
15 **and --**

16 A. There is.

17 **Q. -- so the longer you go, the more risk there is**
18 **in not getting your frac off?**

19 A. The two-and-a-half and three-mile laterals have
20 been fairly well established in Texas, and they haven't
21 had issues doing that. We -- we run premium pipe,
22 20-pound CY P110 with internal flush connections to
23 eliminate those risks.

24 **Q. Okay. So they can go up to higher pressures?**

25 A. Yes, sir. I believe the first one at 20 pound

1 is 12640, which puts us a touch over 10,008 percent.

2 CROSS-EXAMINATION

3 BY EXAMINER COSS:

4 Q. If Ascent were going from the same drill pad as
5 you were, they could drill their wells north to south
6 the other direction?

7 A. If they were going -- well, that's -- we can't
8 expand that pad. But let's say theoretically you could,
9 and they wanted to set their rig right next to mine and
10 drill south, they could. The issue would be they're
11 still stranding that acreage, because if they wanted the
12 acreage north of that pad, they'd have to back-build to
13 get it, which is still a collision risk with myself.
14 We'd have opposing, you know, curves, which is not a
15 good thing either.

16 EXAMINER JONES: Mr. Brancard?

17 CROSS-EXAMINATION

18 BY EXAMINER BRANCARD:

19 Q. So this assumes that the only way anybody would
20 develop in Section 29 is on an east-west well?

21 A. Firmly established. Yes, sir.

22 Q. So if you did a south-to-north well, you would
23 avoid that problem?

24 A. I'm assuming so. Yes, sir.

25 Q. So on Exhibit D-1, are those white lines all of

1 **Apache's proposed wells?**

2 A. Yes, sir. Those are an overlay of our current
3 directional plans to develop the Taco acreage.

4 **Q. So how are all those wells going to miss that**
5 **Morrow well?**

6 A. You see the slight deviation? Which we have a
7 separation factor greater than one at that point. You
8 see that slight deviation one lateral wellbore where we
9 go back to the bottom of the page?

10 **Q. Yeah.**

11 A. That's to avoid that well. So we have the
12 surveys on the Golden Lane well. We can put
13 anticollision software together, same as all your
14 directional companies do, and we can plan our
15 directional away from it. So knowing your cone of
16 uncertainty, at that point in our lateral, I know how
17 far I have to stay away because I can just keep the
18 cones from touching. It has to be in this cone. We
19 know the cone is so big, you know, for the Golden Lane
20 well. Same thing for the Morrow [sic] well. Keep the
21 cones from touching. It's a greater separation factor
22 than one, and you avoid collision.

23 **Q. So then if you drilled your Golden Lane well**
24 **first and went east and went west --**

25 A. Okay.

1 **Q. -- and then Ascent came from the south, with**
2 **that same technology you're talking about, they could**
3 **figure out how to avoid your Golden Lane well just like**
4 **you're avoiding this Morrow well?**

5 A. Well, yes. Well, to an extent, yes. If you
6 wanted to calculate and stay 300- -- 390 foot off me
7 just at kickoff point and with the separation factor
8 added of one, yes, if you want to stay that far away.
9 But -- but the other issue is, like I said, we're in the
10 same landing zone as well. So not only do you have the
11 300-horizontal-foot cone of uncertainty at two miles,
12 you also have the 160-foot elevation uncertainty.

13 **Q. But you're landing in that zone in the next**
14 **section.**

15 A. No, sir. Well, they're developing the 2nd
16 Bone, same as us, 1st Bone, 3rd Bone.

17 **Q. Yeah. But you're not -- you're not developing**
18 **in Section 29. You're developing the adjacent section.**

19 A. No, sir. The only way for me to get to that 29
20 acreage is to land in 28 from the Golden Lane pad.

21 **Q. At the edge of 29?**

22 A. That's over a 2,000-foot kick-out to the north.
23 You can't get there any other way. And you have to be
24 there prior to landing that Bone Spring at 7,800 foot.
25 So yes, sir. There is no way for me to effectively

1 drill these wells from the Golden Lane without being
2 horizontal in Section 28. I cannot do that.

3 Q. Okay.

4 EXAMINER JONES: (Indicating.)

5 RECROSS EXAMINATION

6 BY MR. BRUCE:

7 Q. The Golden Lane well, when you're looking at
8 the section line between Sections 28 and 29, what is the
9 vertical depth of the Golden Lane?

10 A. The Golden Lane well is roughly 7,400 foot on
11 the section line, so it's not a collision risk with
12 regard to Ascent. They are horizontals.

13 Q. Okay. Thank you.

14 REDIRECT EXAMINATION

15 BY MR. DeBRINE:

16 Q. Mr. Evans, you heard the testimony from
17 Ascent's drilling engineer. Do you have any confidence
18 at all that they could safely drill their two-mile
19 laterals into Section 28 without colliding with Apache's
20 well?

21 A. No, sir.

22 MR. DeBRINE: No further questions.

23 EXAMINER JONES: Okay.

24 MR. BRUCE: Could I have five minutes to
25 talk with my witnesses?

1 EXAMINER JONES: Okay.

2 (Recess, 4:26 p.m. to 4:32 p.m.)

3 EXAMINER JONES: Back on the record.

4 Both parties rest?

5 MR. BRUCE: I will not present any more
6 testimony.

7 EXAMINER JONES: Okay.

8 MR. DeBRINE: If I could just re-call
9 Ms. Goldsmith on something that Mr. Brancard brought out
10 in the cross-examination concerning developing the
11 north-south drill pad getting into Section 28.

12 EXAMINER JONES: Sure.

13 (Laughter.)

14 MR. BRUCE: A little more enthusiasm.

15 EXAMINER JONES: Okay (laughter).

16 (Laughter.)

17 MINDY GOLDSMITH,

18 after having been previously sworn under oath, was
19 re-called, questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. DeBRINE:

22 Q. Ms. Goldsmith, when Mr. Evans was testifying,
23 you heard some questions as to whether Apache could
24 develop its acreage in Section 29 by drilling
25 north-south laterals from the south with drilling

1 **islands that are already established down below there.**

2 **Did Apache evaluate the potential for doing that as part**
3 **of -- in planning for this case?**

4 A. We definitely did. That was one of the first
5 things we evaluated, could we do that, and we looked at
6 it. But as part of the area study to understand the key
7 production drivers, you know, we looked at azimuth. We
8 looked at, you know, reservoirs and geologic properties.
9 We look at completion size, all that. And when we
10 looked at the economics of what a well would look like
11 that we would drill north-south, we would not develop
12 it, and that would strand our acreage, because it would
13 not make Apache money to drill north-south and get poor
14 results north-south.

15 **Q. That's all I have.**

16 EXAMINER JONES: Okay. I don't think we
17 have any more questions.

18 Thank you very much.

19 MR. BRUCE: And, Mr. Examiner, I'd request
20 permission to submit a proposed order -- or written
21 closing rather than drone on for another 30 minutes.

22 EXAMINER JONES: Yeah.

23 MR. DeBRINE: And I talked to Mr. Bruce and
24 we agreed. That's acceptable to us.

25 EXAMINER JONES: Proposed orders sound

1 good.

2 I don't know if the other three attorneys
3 wanted to write any conclusions --

4 MR. PADILLA: I'm not sure we would.

5 EXAMINER JONES: -- stating your company's
6 position, and if you don't, that's fine.

7 MR. PADILLA: I'll ask if they want to,
8 unless you require it. If you want one, we'll obviously
9 submit something.

10 MR. MOELLENBERG: Yeah. Mr. Examiner, OXY
11 will submit one.

12 EXAMINER JONES: Okay.

13 MR. LARSON: Mr. Examiner, I'll check with
14 my client.

15 EXAMINER JONES: Okay. And we'd require
16 one from XTO also, but they're not here.

17 (Laughter.)

18 EXAMINER JONES: Okay. I guess we're
19 concluded.

20 EXAMINER BRANCARD: But just in --
21 Mr. DeBrine, in your proposed order, if you could
22 address the issue that's been raised about the authority
23 and specifically what you're asking the Commission to
24 do, whether it's simply to reject this proposal or if
25 it's to approve your proposal, and then what authority

1 do we have to approve the development plan, whatever you
2 call it.

3 MR. DeBRINE: We're happy to do that.

4 EXAMINER JONES: And please send the
5 digital exhibits.

6 EXAMINER BRANCARD: Do you want to give
7 them a deadline? Offer a deadline.

8 EXAMINER JONES: Yeah. How about -- can
9 you guys do it by the end of -- actually somewhere like
10 before the end of September. I've got a personal reason
11 for that.

12 MR. BRUCE: Yeah. Okay. How about -- what
13 is the -- how about -- the 19th is the second hearing.
14 Maybe the Monday before the 19th. The 16th? Would that
15 be okay?

16 MR. DeBRINE: To submit the proposed order?

17 MR. BRUCE: Yeah.

18 MR. DeBRINE: Yeah. That works with my
19 schedule.

20 EXAMINER BRANCARD: September 16th. Okay.

21 EXAMINER JONES: September 16th. Sounds
22 good.

23 We're taking all four cases under
24 advisement.

25 (Case Numbers 16481, 16482, 20171 and 20202

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conclude, 4:46 p.m.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 3rd day of September 2019.

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23 MARY C. HANKINS, CCR, RPR
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