

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:

CASE NOS. 22343 & 22344

APPLICATIONS OF CHEVRON U.S.A. INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NOS. 22519 & 22520

APPLICATIONS OF CIMAREX ENERGY CO.
FOR HORIZONTAL SPACING UNITS
AND FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
MARCH 18, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD: and TECHNICAL EXAMINER DYLAN ROSE-COSS on
Friday, March 18, 2022, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
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1 HEARING EXAMINER BRANCARD: All righty then. So
2 let's get to the main event. I will now call cases 22343,
3 22344, 22519, 22520. Once again, Chevron Production
4 Company.

5 MR. FELDEWERT: May it please the Examiners,
6 Michael Feldewert with the Santa Fe office of Holland & Hart
7 appearing on behalf of Chevron. With me is in-house counsel
8 for Chevron, Kerry McEniry.

9 HEARING EXAMINER BRANCARD: Can you spell that
10 name, Ms. McEniry?

11 MS. McEIRY: K-e-r-r-y, M-c capital E-n-i-r-y.

12 HEARING EXAMINER BRANCARD: Thank you. And
13 Cimarex Energy Company?

14 MR. BRUCE: Jim Bruce here for Cimarex.

15 HEARING EXAMINER BRANCARD: Do we have any other
16 entries of appearance? I have MRC Permian.

17 MR. PERKINS: Yes, Mr. Examiner, Kyle Perkins for
18 MRC Permian.

19 HEARING EXAMINER BRANCARD: Thank you. Any other
20 interested persons for cases 22343, 22344, 22519, 22520?

21 (No audible response.)

22 HEARING EXAMINER BRANCARD: All right. Hearing
23 none, I guess we should decide who goes first. Chevron has
24 the lower number here, but I think Cimarex was put at the
25 top of the pleadings because they had filed the First Bone

1 Spring application.

2 MR. BRUCE: Yeah, I would go with the Wolfcamp
3 ones Chevron filed first, so let them go first.

4 MR. FELDEWERT: If you notice when we filed
5 pleadings, Mr. Examiner, we put our cases first, so yes.

6 HEARING EXAMINER BRANCARD: Well, of course, of
7 course, Chevron.

8 MR. FELDEWERT: we are prepared to go first, yes.

9 HEARING EXAMINER BRANCARD: Okay, great.

10 So why don't we start with, if the lawyers would
11 like to start with an opening statement, and with that just
12 lay out who your witnesses are, by the way so we have a
13 sense what we'll do going forward. I know you all prefiled
14 testimony, so all we are going to do is ask questions;
15 correct? Right, Mr. Bruce?

16 MR. BRUCE: I will ask a few questions of my
17 witnesses, but I have informed them that we'll adopt the
18 testimony and maybe just highlight a few things and go about
19 it that way.

20 HEARING EXAMINER BRANCARD: Well, why don't we
21 start with Mr. Feldewert giving us a brief summary of
22 Chevron's position here today and who your witnesses are.

23 MR. FELDEWERT: Certainly, Mr. Examiner. You
24 noticed that we did file a package, we filed affidavits and
25 exhibits from four different witnesses. I'm sure that you

1 all have had a chance to look at that information. And, you
2 know, I will call each one of those witnesses to the stand
3 here today to confirm their information, and then they will
4 stand for questions.

5 Now, I'm going to try to experimenting. Can I
6 have an opportunity, Marlene, to share?

7 MS. SALVIDREZ: It's really weird because I
8 cannot change your role to a presenter. I'm not sure why
9 because everyone else I'm able to, so it's very weird.

10 (Discussion with reporter regarding sharing.)

11 MR. FELDEWERT: There we go. There we go,
12 Marlene, I think we can share now. Can you all see what I
13 put up on the screen.

14 HEARING EXAMINER BRANCARD: Yes.

15 MR. FELDEWERT: Fine, thank you.

16 So, Mr. Examiner, what you see here is what we
17 filed as Chevron Exhibit D, as in David, 2. Hope you can
18 see it now. And the reason I put --

19 HEARING EXAMINER BRANCARD: Mr. Feldewert, just
20 to be sure, these are the original exhibits you filed a week
21 ago; correct?

22 MR. FELDEWERT: Yes, sir. Yes, sir.

23 HEARING EXAMINER BRANCARD: If there is objection
24 to what you filed late yesterday, we will deal with that
25 separately.

1 MR. FELDEWERT: Okay. Got it, understood.

2 HEARING EXAMINER BRANCARD: Okay.

3 MR. FELDEWERT: And the ones we filed yesterday,
4 I imagine they would be rebuttal exhibits if we need them.
5 But with respect to this exhibit I have got here on
6 Exhibit D-2, I chose this because what you'll see is that
7 this is a nice map of what's known as Chevron as their
8 Northwest Heyhurst development area.

9 And outlined in the black dash lines that you see
10 here, it comprises six sections of land, and it's an area
11 where Chevron owns most of the working interest, and it's an
12 area that Chevron has carefully planned for some time now
13 for these six sections.

14 They have identified locations for centralized
15 facilities that will serve all six sections of land. There
16 is going to be a common corridor for infrastructure that is
17 going to serve all six sections of land, as you will have
18 seen from the next exhibit, which is D-3, this entire
19 Northwest Heyhurst development area which is comprised of
20 17, 8 -- 16, 19, 20, 21 and 30 is actually tied to a solar
21 array system to the south which is shown on Exhibit D-3.

22 It's on state trust land and it was a well
23 publicized, much publicized event that the State Land Office
24 is happy about. I'm sure the State of New Mexico is happy
25 about it because it uniquely positions Chevron to do what I

1 understand New Mexico regulatory agencies want all operators
2 to do, and that is transition as they can to development
3 using electrical power and other alternative service
4 sources, including, in this case, a large solar array.

5 So what you'll see in this case is that in
6 Sections 17 and 18 -- or 17 and 20 -- I'm sorry, which is
7 that, which is what is at issue here today is at the heart
8 of this effort, of this common development area. And what's
9 occurred here is that Cimarex owns Section 8 here to the
10 north of this Northwest Heyhurst development area.

11 And up until now Cimarex has been developing
12 their acreage in Section 8 with one-mile wells from a line
13 of well pads in the S/2 of the S/2 of Section 8. Now they
14 want to put two pads in the N/2 of the N/2 of Section 8, two
15 additional pads to drill for the three-mile wells down into
16 the heart of Chevron's Northwest Heyhurst development area.

17 So it's no surprise here Chevron opposes this.
18 And what we presented with the evidence, Exhibit 3 mainly,
19 that tracks the factors that the Division takes into account
20 when looking at these types of cases; mineral ownership in
21 the subject area, which is 17 of 20, the ability to
22 efficiently recover hydrocarbons and the risk if any
23 associated with that proposed plan, and then, you know, what
24 you call the surface impact and other factors that go into
25 that particular element.

1 With respect to ownership, Mr. Examiner, I think
2 what we presented shows that the subject area, 17 and 20, is
3 owned by Chevron. Chevron owns most of the working
4 interest, 64 percent as shown on our Exhibit A-3. That's
5 why it's central to this Northwest Heyhurst development
6 area. Cimarex owns a third of that interest, they only own
7 26 percent. So the ownership factor in the disputed acreage
8 favors Chevron as shown by the evidence that's presented and
9 there is no dispute about that.

10 The next major factor is who's got the plan that
11 will most efficiently and effectively recover hydrocarbons
12 without risking waste of the resources. That really, in
13 this case, Mr. Examiner, if you look at the information
14 that's been filed, that boils down to what is they call the
15 sands and shales in the Upper Wolfcamp interval, okay, at
16 least what we call the Wolfcamp A.

17 And there are two, there is a sand interval in
18 Wolfcamp A and below that there is a shale interval.
19 Cimarex has proposed to only drill across 8, 17 and 20 in
20 the Wolfcamp A Sands, the upper interval of the Upper
21 Wolfcamp, which is frightening because the Wolfcamp A Shale
22 which is below the sands, is what other operators in this
23 area, including Cimarex, have been targeting in the Upper
24 Wolfcamp.

25 Now, Chevron agrees that you should have four

1 wells per section in the Wolfcamp A Sand. The difference
2 here is that Chevron also believes that you need four wells
3 in the Lower Wolfcamp A Shale, the interval that's been
4 proven to be productive and targeted by other operators.

5 That four wells in each interval creates an eight
6 well per section wine rack pattern. That's how it's been
7 put together by Chevron, and Chevron intends to
8 simultaneously complete this eight well per section wine
9 rack pattern to avoid the parent-child effect, depletion
10 effect, because the evidence has shown that it tends to
11 drill infill wells later in the Upper Wolfcamp that are not
12 as effective as when you drill simultaneous completions or
13 conduct simultaneous completions.

14 Now, I've looked at Cimarex's (inaudible) they
15 filed with you and they have said that adding wells in the
16 Wolfcamp A Shale, like Chevron wants do, will yield a lower
17 rate of return to them, that they believe it has lower
18 capital efficiency -- and I think their engineer, Mr. Brad
19 Stewart summarized their position in Paragraph 12 in the
20 last sentence where he said, to summarize Pages 34 to 36
21 down to Paragraph 12, the last sentence of Mr. Stewart's
22 affidavit.

23 He said it shows that Cimarex's proposed
24 development will yield higher capital efficiency and improve
25 economic returns. That's just putting four wells in the

1 Upper Wolfcamp Sand. What's interesting is they present no
2 data, EUR recovery, estimated ultimate recovery, and other
3 information to address whether something is going to yield
4 fair capital efficiency and good returns to Cimarex that are
5 not going to cause waste.

6 Now, apparently they believe that that, they
7 don't want to do that, that major capital threshold, and
8 that's fine, okay. They can continue to develop their
9 acreage up here in Section 8 from their S/2 S/2 well pads
10 with the one-mile wells that they have already drilled there
11 in the Bone Spring because it appears that meets their
12 economic threshold.

13 But Cimarex is not entitled Mr. Examiner, to grab
14 acreage to the south in the heart of Chevron's Heyhurst
15 development area, to shadow Chevron and the other working
16 interest owners in that acreage and other mineral owners in
17 that acreage, 17 and 20, with Cimarex's economic
18 constraints.

19 Chevron, and the evidence we have presented has
20 shown why a four -- four wells per spacing both in the sand
21 and in the shale, and that's because Chevron is focused on
22 preventing waste, the best plan to get the resource out of
23 the ground, and they are not solely focused on a higher rate
24 of return or capital efficiency at the expense of the
25 reserves in the ground. So the evidence presented in that

1 factor weighs in favor of Chevron's two mile development
2 that is part of their Northwest Heyhurst development
3 strategy.

4 Finally you have the surface factor, and we
5 really kind of addressed that, Mr. Examiner, already, with
6 Exhibit D-2. This has been carefully planned, thought out,
7 six-section development area. Chevron has taken substantial
8 efforts to lower the surface (inaudible) corridors and
9 central facilities. They have lessened -- they undertook
10 steps to lessen the environmental impact by tying this to a
11 solar array where they can use electric compression, they
12 can use electrified drilling and other all attentive fuels
13 to develop this area, which is something that I understand
14 the State wants operators to do.

15 And Cimarex's desire to now drill three-mile
16 wells into this area cuts right into the heart of Chevron's
17 carefully planned development. And my only final point here
18 is that there is a commission order out there, and you are
19 familiar with it, it's Order R-21416-A -- it's R-21416-A,
20 that's between Marathon and BTA where the Commission denied
21 a similar attempt by Marathon to include acreage held by BTA
22 with Marathon acreage where Marathon could drill two mile
23 wells. The Commission note that BTA had their own plan to
24 develop their acreage.

25 And the Commission stated, and I want to quote

1 their finding, okay? Paragraph 55, they state, "If
2 Marathon's applications are denied, Marathon can drill one
3 mile laterals in it's acreage in the N/2 of Section 12."

4 Cimarex has done that in their Section 8. They
5 started the development of Section 8 with one-mile wells,
6 they can still do that.

7 The Commission said in Paragraph 56 of that
8 order, "Marathon has drilled one-mile wells in the
9 surrounding area." Cimarex has done that, too, they have
10 drilled one-mile wells in this area.

11 The Commission stated in Paragraph 57, "There is
12 no engineering or geological reason that Marathon cannot
13 complete one mile laterals on this acreage in Section 12."
14 The same thing applies here with respect to Cimarex's
15 acreage in Section 8. There is no reason here to allow
16 Cimarex to drill three-mile wells into the middle of
17 Chevron's carefully planned two mile development area which
18 is this Northwest Heyhurst development.

19 So we ask that you deny Cimarex's application and
20 that you allow Chevron to move forward with its two mile
21 development plan in Section 17 and 20 in the -- initially in
22 the Upper Wolfcamp and then eventually their well, as time
23 goes on, finish out the lower portion of the Wolfcamp, the
24 Wolfcamp C. Thank you.

25 HEARING EXAMINER BRANCARD: Okay. Okay. So you

1 did say then that Chevron may drill additional wells other
2 than the eight that's proposed in the exhibits?

3 MR. FELDEWERT: Well, you would -- other than
4 that you have the Upper Wolfcamp and then you have various
5 other intervals within the Wolfcamp C and the lower portion
6 of the Wolfcamp which of course can be developed with infill
7 wells as time -- as people move forward.

8 And you mentioned that before, why people are
9 proposing so many wells when they are not being
10 simultaneously complete. And they shouldn't be, they don't
11 need to. You can do infill drilling once you get your
12 spacing units set with the initial wells that are required
13 under the rules.

14 HEARING EXAMINER BRANCARD: All right. Thank
15 you. So you have will have four witnesses today; correct?

16 MR. FELDEWERT: We will call four witnesses to
17 the stand for examination, yes.

18 HEARING EXAMINER BRANCARD: Thank you. Mr.
19 Bruce, a summary of Cimarex's position.

20 MR. BRUCE: Mr. Examiner, first off I will ID my
21 witnesses. I have Riley Morris, the landman, Meera Ramoutar
22 and I will spell the name for the court reporter.
23 M-e-e-r-a, last name R-a-m-o-u-t-a-r, geologist. And then
24 Brett Stewart, and Stewart is spelled S-t-e-w-a-r-t, an
25 engineer.

1 Mr. Examiner, there is several key issues, but
2 one of them right off the bat, it's blatantly obvious in
3 today's world that longer laterals are better. Yes, did
4 Cimarex early on drill one mile laterals in Section 8? Of
5 course it did, that's when everybody was drilling one mile
6 laterals, and then they went up to a mile and a half, and
7 then two miles, and now they are two and a half to three
8 miles long. Chevron is doing it itself. They are better
9 economically, they cause less surface disturbance and they
10 are better off overall.

11 The fact of the matter is, if Chevron gets its
12 way, Cimarex will be condemned to drilling only one mile
13 Wolfcamp laterals. I would say in the past two to three
14 years I have only force pooled a couple of one mile
15 laterals, whether you are looking at Bone Spring or
16 Wolfcamp, and that's been due to the fact that there were
17 offsetting wells that prevented longer laterals, in other
18 words, the one mile sections were landlocked, so to speak.

19 In this case Cimarex is in a similar position.
20 To the north in Section 5 and further north, I believe it's
21 EOG and COG have been approached by Cimarex about drilling
22 in that direction which would alleviate the current forced
23 pooling. But they have been told in no uncertain terms will
24 they be allowed to force pool or form well units going to
25 the north.

1 Therefore, if Chevron wins, Cimarex will be
2 condemned to economically inferior wells, one mile laterals
3 in Section 8. And the fact of the matter is, Chevron has
4 participated in, both as an operation and non-operator, in
5 three mile and two-and-a-half mile wells that our witnesses
6 can discuss. That is one of the key points. So longer
7 laterals are better and more economic.

8 Number two, although the Wolfcamp does cover a
9 wide area, it's not consistent, it's not just homogenous
10 throughout the basin. And we will present testimony showing
11 that in certain areas, yes, will eight wells in the Wolfcamp
12 A per section work, yes, but this is not one of those areas.

13 So you have to look at the geology, you have to
14 look at the economics and you have to look at the practical
15 effect on Cimarex. Cimarex's plan will also result in
16 substantially less surface use and disturbance. And
17 frankly, I'm glad Chevron is looking out for solar power and
18 stuff like that, but frankly, in my opinion, that's not our
19 business. This is the oil and gas business, for crying out
20 loud, and what you do is you seek to recover the greatest
21 amount of hydrocarbons at the lowest possible expense, and
22 Cimarex's plan does that.

23 I believe that in Cimarex's three mile, proposed
24 three mile laterals, Cimarex does own the majority working
25 interest, and we will show that we can successfully drill

1 and recover economic oil from three-mile wells.

2 And in this immediate area, Chevron is talking
3 about this really large area, well, they are trying to
4 condemn Cimarex to reducing all of its operations to one
5 section. We don't care about the big area, what we care
6 about is developing Cimarex's acreage and they do have
7 acreage not only just in Section 8, they will have acreage
8 in Chevron's proposed two mile units, but they need to
9 develop that acreage in an economic and reasonable manner,
10 and we think that Cimarex's plan is far superior.

11 Thank you.

12 HEARING EXAMINER BRANCARD: Thank you. Mr.
13 Bruce, I believe you said you have three witnesses; correct?

14 MR. BRUCE: Three witnesses, yes.

15 HEARING EXAMINER BRANCARD: Do we have any other
16 preliminary matters at this point before we get into
17 testimony, questions?

18 (No audible response.)

19 HEARING EXAMINER BRANCARD: Hearing none, if
20 Chevron can provide us their witnesses to be sworn in at
21 this point that would be lovely.

22 MR. FELDEWERT: Yes, Mr. Examiner, can you hear
23 me?

24 HEARING EXAMINER BRANCARD: I can, yes.

25 MR. FELDEWERT: We will call Mr. Chris Cooper.

1 HEARING EXAMINER BRANCARD: Do you want to do
2 your witnesses one at a time?

3 MR. FELDEWERT: Yes, sir.

4 HEARING EXAMINER BRANCARD: Okay. All right.
5 Could you spell your name for the record, please.

6 MR. COOPER: Yes, sir. Christopher
7 C-h-r-i-s-t-o-p-h-e-r, Cooper, C-o-o-p-e-r.

8 HEARING EXAMINER BRANCARD: Thank you. Mr.
9 Cooper, can you raise your right hand?

10 (Oath administered.)

11 HEARING EXAMINER BRANCARD: Mr. Feldewert, please
12 proceed.

13 CHRISTOPHER COOPER

14 (Sworn, testified as follows:)

15 DIRECT EXAMINATION

16 BY MR. FELDEWERT:

17 Q. Mr. Cooper, state by whom you are employed and in
18 what capacity.

19 A. I'm employed by Chevron USA Inc. as a land
20 representative in Eddy County, New Mexico.

21 Q. Did you submit to the Division what was marked as
22 Chevron Exhibit A?

23 A. Yes.

24 Q. Is that your affidavit?

25 A. Yes.

1 Q. Is that your initial testimony in this case?

2 A. Yes.

3 Q. And with that affidavit, did you also submit
4 what's been marked as Chevron Exhibits A-1 through A-7?

5 A. Yes.

6 Q. Were those exhibits prepared by you or compiled
7 under your direction or supervision?

8 A. Yes.

9 MR. FELDEWERT: Mr. Examiner, I move admission of
10 Exhibit A, the affidavit, as well as Exhibits A-1 through
11 A-7.

12 HEARING EXAMINER BRANCARD: Any objection?

13 MR. BRUCE: No objection.

14 MR. FELDEWERT: Mr. Examiner, I will pass the
15 witness.

16 HEARING EXAMINER BRANCARD: Hang on, hang on. So
17 admitted.

18 (Exhibits Chevron A, A-1 through A-7 admitted.)

19 MR. FELDEWERT: I will pass the witness.

20 HEARING EXAMINER BRANCARD: All right. I will
21 catch the witness and toss him to Mr. Bruce. Any questions?

22 MR. BRUCE: Just a few, Mr. Examiner.

23 CROSS-EXAMINATION

24 BY MR. BRUCE:

25 Q. Good morning, Mr. Cooper?

1 A. Good morning.

2 Q. Just a couple of questions. Chevron talks about
3 its Heyhurst area, or is it Northwest Heyhurst? I forget.

4 A. The six sections that Mr. Feldewert showed
5 earlier are Northwest Heyhurst area.

6 Q. It's not unitized, is it?

7 A. No, sir.

8 Q. Okay. Just a minute, I misplaced your exhibits
9 for a second. What is the longest well, horizontal well
10 that Chevron has participated in?

11 A. I believe the longest well I'm aware of that we
12 participated in is a three-mile well.

13 Q. Okay. Are some in Texas in this basin?

14 A. Yes.

15 Q. How about New Mexico?

16 A. I'm not aware of participation in three mile New
17 Mexico wells.

18 Q. How about two-and-a-half-mile wells?

19 A. Yes.

20 Q. Where are they located?

21 A. There are two-and-a-half-mile wells that were
22 drilled by Chevron slightly to the southeast of this area
23 that are currently being drilled.

24 Q. Okay. Are there -- is, is Chevron the hundred
25 percent working interest owner or are there other parties

1 **involved?**

2 A. In the two-and-a-half-mile wells I'm referencing,
3 Chevron is the hundred percent owner of those wells as they
4 are within our Cicada Federal Resources Development.

5 **Q. Okay. And you participated in three-mile wells**
6 **in Culberson County; right?**

7 A. Correct. I believe that was in the Chevron
8 Cimarex joint development agreement area.

9 **Q. And what was Chevron's working interest in that**
10 **area?**

11 A. Those wells, I believe it was 50 percent Cimarex,
12 50 percent Chevron.

13 **Q. Okay. In Eddy County does Chevron currently have**
14 **any proposals out to drill one mile Wolfcamp laterals?**

15 A. Not to my knowledge in Eddy County, no.

16 MR. BRUCE: Just a few seconds. I think I don't
17 have much further.

18 BY MR. BRUCE:

19 **Q. Just one more question. The three mile laterals**
20 **in Culberson County, roughly how many miles away is that?**

21 A. I haven't measured it myself, but if I were to
22 guess, I would say somewhere around 20 to 25 miles to the
23 south.

24 **Q. Okay. Thank you very much, sir.**

25 MR. BRUCE: No more questions, Mr. Examiner.

1 HEARING EXAMINER BRANCARD: Thank you. Mr.
2 Rose-Coss?

3 EXAMINER QUESTIONS

4 TECHNICAL EXAMINER ROSE-COSS: Yes, just a few.
5 (Inaudible.) My first question I have piggy backing off of
6 Mr. Bruce's question, Chevron is drilling three mile -- is
7 or is planning to drill a three mile lateral in Eddy County,
8 or is that not in Eddy County?

9 THE WITNESS: No, sir. Chevron does not have any
10 plans to drill three-mile wells in Eddy County. The wells
11 that we were discussing earlier are two-and-a-half-mile
12 wells that are to the southeast of the land that is at issue
13 in these cases.

14 TECHNICAL EXAMINER ROSE-COSS: Okay, perfect. I
15 thank you for making up clearly the tract map for Section 17
16 and 20. I suppose I would be curious -- and so within
17 Section 17 and 20, cumulatively throughout all of those,
18 Chevron owns 64 percent of the working interest and Cimarex
19 owns 26 percent. I suppose I would be curious to know if
20 Section 16 -- 20, 17 and 8 were all combined how much
21 different that number would be.

22 THE WITNESS: Off the -- we may need to refer to
23 Cimarex's land exhibits, but off the top of my head, I
24 believe that Cimarex was slightly above 50 percent, and
25 Chevron was closer to 36 or 38 percent. I think that's what

1 the number would end up being.

2 TECHNICAL EXAMINER ROSE-COSS: If 8, 17 and 20
3 are all considered?

4 THE WITNESS: Correct.

5 TECHNICAL EXAMINER ROSE-COSS: I suppose I would
6 be curious, too, on the exhibit Mr. Feldewert put up
7 earlier, I don't know if you are the correct witness to
8 speak about that development area. It seems like there was,
9 you know, 17 -- Section 17 and 20 are in a section right
10 now, but there is many other sections included in that, but
11 potentially Chevron isn't the principal operator or interest
12 holder in all of those sections? Is that a fair
13 understanding, or how -- it seems like maybe that area
14 includes something that isn't quite Chevron's greater
15 ownership.

16 THE WITNESS: Let me, let me make sure I
17 understand your question. Are you referring to the six
18 sections that we referred to as our Northwest Heyhurst
19 development area?

20 TECHNICAL EXAMINER ROSE-COSS: Yes.

21 THE WITNESS: Yes. Those six sections are all
22 vastly tied to the high working interest operated by
23 Chevron. If you look at the western Section 19 and 30,
24 Chevron owns 99 percent of the W/2 and 88 percent of the E/2
25 of 19-30. And if you look at the sections to the east,

1 Sections 16 and 21, Chevron owns 93 percent of the W/2 of
2 16-20 and a hundred percent of the E/2 of Section 16-20.

3 TECHNICAL EXAMINER ROSE-COSS: It sounds like 8
4 and 5 are less than Chevron owned.

5 THE WITNESS: Yes, this map here that is shown
6 that Mr. Feldewert was sharing, Section 5 is operated by
7 EOG. Chevron and Cimarex have no interest in Section 5.
8 Section 8 is a hundred percent operated by Cimarex, and then
9 Section 17, again, this is all as to the Wolfcamp Formation,
10 is split. N/2 is a hundred percent Cimarex, S/2 is a
11 hundred percent Chevron. And then Section 20 is split
12 between owners Cimarex and Premier Oil & Gas and Chevron,
13 with Chevron owning the majority interest upwards of 70
14 percent of Section 20.

15 TECHNICAL EXAMINER ROSE-COSS: Okay. Thanks for
16 putting that all on the record then. My next question is
17 going to be about the wells. And I suppose I'm little
18 confused on them and seeking clarification.

19 The tab sheet that I have kind of ends with a
20 total of \$3,945,000. I'm looking at Page 40 of 110 in the
21 exhibits. Am I missing something? Is that the proposed
22 well cost for the Gray Goose is \$3,945,000.

23 THE WITNESS: If that was our total well cost, we
24 would definitely be top tier operator.

25 TECHNICAL EXAMINER ROSE-COSS: I'm used to seeing

1 10, 11, 12.

2 THE WITNESS: So the way we set our AFE for the
3 wells, we split the drilling and completion costs. So you
4 will have to go through the rest of the AFEs. The first one
5 that you see, the 3 million 900 or the 3 million 400, those
6 are just the drilling numbers for each well. And then later
7 on, if you, if you find the corresponding well name, you
8 will see the 4 million 100, that is the completion cost. So
9 you add those two together you see our total cost runs
10 around 8 million.

11 TECHNICAL EXAMINER ROSE-COSS: Okay. And how
12 does that cost change when it goes up to a three mile
13 lateral?

14 THE WITNESS: I may not be the right witness to
15 ask on that, but we have -- we have run our comparison costs
16 with Cimarex's costs that they sent out to their three
17 milers, and they are within the same range. So I would
18 suspect, and again this may be a better question for another
19 witness, but I would suspect our cost would proportionately
20 increase from two milers adding in an additional third of
21 the cost on the drilling and completion side.

22 TECHNICAL EXAMINER ROSE-COSS: But that doesn't
23 hold true for drilling one mile laterals, does it. It's not
24 a third less expensive to drill a one mile than the cost?

25 THE WITNESS: I would not be comfortable

1 answering that question. My knowledge of drilling and
2 completion costs is too limited.

3 TECHNICAL EXAMINER ROSE-COSS: Okay. Who would
4 be the person, correct person to ask that?

5 THE WITNESS: I believe that one of our engineer
6 witnesses may be a better person to ask that question to.

7 TECHNICAL EXAMINER ROSE-COSS: Okay. And can you
8 explain for me -- I'm not used to seeing this in the
9 exhibits, either -- I'm looking, for instance, now at Page
10 44 and 45 of 110, the drilling costs for the Gray Goose 2017
11 Fed Com 45 3H, under it says participant authorization share
12 amount, you know, some of them -- you know, Robert Scott
13 down there on Page 45, his cost is \$43.92. Can you help me
14 explain this or understand these numbers, what they mean?

15 THE WITNESS: Sure. The share percentage that
16 you see under the participation is the total interest that
17 the individual or entity has in this specific well as to the
18 full two mile development that's proposed.

19 So, for instance, Chevron USA own a 54 percent
20 share in the total cost of the well, and so that share, when
21 proportionately reduced of the total drilling cost comes out
22 to 2.2 million. So that's what Chevron would have to pay in
23 this proposed well.

24 For someone that is smaller, like you said, like
25 Mr. Scott, their proportionate share is so small that they

1 would only owe \$43 or \$44 total of total well costs. But
2 unfortunately for him at the end of the day his
3 proportionate share of proceeds would also be pretty small.

4 TECHNICAL EXAMINER ROSE-COSS: Maybe this is me
5 just explaining what compulsory pooling is, if Mr. Scott had
6 put in \$43.92, he would have been partner in this well. And
7 since he hasn't, now this well has to recoup the drilling
8 cost, the completion costs two times over before he starts
9 getting his .0013 percent?

10 MR. FELDEWERT: Let me interject here, just so we
11 don't have any confusion. I have already advised my clients
12 that unless they have an agreement, voluntary agreement with
13 each interest owner, they have to pool that interest owner.
14 Okay?

15 Secondly, once they get the pooling order, the
16 pooled interest owner will have an opportunity to elect to
17 participate or not participate in the well under the pooling
18 order. The risk charge for only a five if that mineral
19 interest owner chooses not to participate either under an
20 operating agreement or (inaudible). Does that help?

21 TECHNICAL EXAMINER ROSE-COSS: So this isn't --
22 this is going to happen, and then they can sign on to this
23 for that price. Okay.

24 MR. FELDEWERT: You got it.

25 TECHNICAL EXAMINER ROSE-COSS: Perfect. I just

1 never seen it out broken out and what it is for a small
2 interest holder, so thanks for doing that. Helpful to see.

3 I suppose it comes down to me thinking through
4 this and maybe it's not my space in the Cimarex and Chevron
5 accountant tab, just really oil produced at the end of the
6 day versus well costs, and is this three mile versus two
7 mile really going to offset and why it's such a -- it's a
8 poor deal for Cimarex not to put in and participate here.

9 Are you able to speak to that, Mr. Cooper?

10 THE WITNESS: Right. And it goes along with the
11 question that you asked earlier about basically if we were
12 to extend the two mile to a three miler, what would that
13 proportionate cost be. And because it would be basically
14 increasing the overall cost by around a third, you could
15 basically multiply that out for each individual owner,
16 adding that additional third cost to their total number.

17 So beginning, if you look at the names, beginning
18 with basically MRC Permian, and then going down, you can see
19 that the overall cost is, while not large, some individuals
20 the cost may be larger for them individually, but as a
21 proportionate share, the cost is relatively small. And as
22 you go down the list you see that, yes, it's in the hundreds
23 of dollars, even tens of --

24 TECHNICAL EXAMINER ROSE-COSS: Okay. Yeah, and I
25 think it's still stands, would you agree, that it's only a

1 third more to drill a three-mile well, but it's not
2 proportionately less to drill a one-mile well, the start-up
3 costs, and kind of all of the associated costs of drilling a
4 one-mile well are greater. So is that where they might say
5 that the capital costs are greater in drilling two miles
6 well than someone drilling a one-mile well?

7 THE WITNESS: I would say that your cost, as your
8 wellhead, your vertical portion of your well, those stay the
9 same whether or not it's one miler or a three miler, so I
10 guess the proportionate cost of that first part of your well
11 would be lessened the longer you went out.

12 TECHNICAL EXAMINER ROSE-COSS: Sure. Okay. I
13 believe that's all of my questions. Again thanks for
14 breaking stuff out clearly for me, but you did throw me for
15 a loop when the two costs were separated, but now that you
16 have cleared that up, I believe those are all my questions
17 for you, Mr. Cooper. Thanks

18 HEARING EXAMINER BRANCARD: Thank you. Just to
19 clarify, to follow up with Mr. Rose-Coss, so on that where
20 you said Mr. Scott had a \$43 charge for drilling, you look
21 at Page 60 and there would be an additional \$53 charge for
22 completion; is that correct?

23 THE WITNESS: Correct.

24 HEARING EXAMINER BRANCARD: So you would add
25 those two together basically?

1 THE WITNESS: Yes.

2 HEARING EXAMINER BRANCARD: So he would have to
3 pay a whopping \$96?

4 THE WITNESS: Correct.

5 HEARING EXAMINER BRANCARD: Thank you. So on
6 that development area, I'm just curious, and get back to
7 that page here.

8 MR. FELDEWERT: Does that help?

9 HEARING EXAMINER BRANCARD: Yeah. There we go.
10 Looking at Page 31 on -- yours is clearer -- so Section 16
11 and 21, has Chevron developed that area yet?

12 THE WITNESS: The only existing development are
13 one mile Second Bone upper wells. I believe there is also
14 one in the W/2 W/2 of 16. As to the Wolfcamp Formation,
15 there are no existing wells in 16 and 21.

16 HEARING EXAMINER BRANCARD: But there are one
17 mile Bone Spring that are Chevron?

18 THE WITNESS: Yes, sir.

19 HEARING EXAMINER BRANCARD: Okay. How about
20 19-30?

21 THE WITNESS: There are -- I believe those are
22 two mile Bone Spring wells that were originally Oxy and that
23 were transferred operatorship to Chevron. Chevron is the
24 current operator of Bone Spring wells in 19-30 and the
25 Wolfcamp is also wide open.

1 HEARING EXAMINER BRANCARD: Okay. So while this
2 is your planned develop area, you haven't completely
3 developed it yet other than 17-20?

4 THE WITNESS: No. 17-20 would be our first step
5 out into this area.

6 HEARING EXAMINER BRANCARD: Okay, thank you.
7 That's the questions I had.

8 MR. BRUCE: Mr. Examiner, may I ask a couple of
9 follow-up questions?

10 HEARING EXAMINER BRANCARD: Yes, but then we get
11 Mr. Feldewert to follow up to that if he needs to.

12 MR. BRUCE: Sure.

13 RECROSS-EXAMINATION

14 BY MR. BRUCE:

15 Q. Mr. Cooper do the AFE contain facilities cost?

16 A. The only facilities that are included in the
17 proposal are the facilities associated with the individual
18 well. The central tank battery, compressor, anything that
19 is going to be used for multiple wells is not included in
20 these AFEs and will not be separately set out as an AFE for
21 a capital charge, if that makes sense. So basically the
22 owners will not receive an AFE for their share of the
23 central tank battery.

24 Q. Well, they won't receive an AFE, but will they be
25 responsible for a share of the central tank battery cost?

1 A. What Chevron does is we will send out a monthly
2 fee associated with the central tank battery that is a
3 proportionate share of the production from each well, and
4 then as more wells are added in, our accounting basically
5 backdates and brings that forward to make sure that no party
6 or for an individual well is paying more than their
7 proportionate share of that central tank battery.

8 **Q. What is the total amount of the central tank**
9 **battery cost?**

10 A. I do not know. That might be a better question
11 for our facilities engineer.

12 **Q. Thank you, Mr. Cooper.**

13 HEARING EXAMINER BRANCARD: So just following up
14 on that, so when anybody who signed on as a participant,
15 would they be given a monthly charge for the centralized
16 facility?

17 THE WITNESS: Yes, they would. Their ownership
18 in the well, and then the production of that well sent to
19 the central tank battery, that's where their charge will be
20 fully determined.

21 And then as more wells are brought on from other
22 areas, then accounting will basically go back and see how
23 much did they pay, have they been overcharged, undercharged,
24 and that will be sorted out moving forward to make sure that
25 nobody has over paid their proportionate share.

1 HEARING EXAMINER BRANCARD: What if they're not a
2 participant, they haven't signed an agreement?

3 THE WITNESS: So I don't know in particular
4 whether or not those parties that are compulsory pooled are
5 sent these, but I would say that because the fees are
6 figured under the COPUS, I would not suspect that those
7 parties would receive an individual fee, that Chevron would
8 basically bear that cost.

9 HEARING EXAMINER BRANCARD: Thank you. Mr.
10 Feldewert, any redirect?

11 REDIRECT EXAMINATION

12 BY MR. FELDEWERT:

13 Q. I have a few. So the central tank battery that
14 you see on here, the centralized compression, centralized is
15 not going to be a capital charge, but it will be a fee based
16 on when a well gets hooked up and the amount of production
17 that goes through that?

18 A. Correct.

19 Q. Which is over time as this area gets --

20 A. Correct.

21 Q. So up front nobody pays the cost?

22 A. Correct.

23 Q. It's absorbed solely by Chevron?

24 A. Correct.

25 Q. There was a mention about the proportionate cost

1 for a one-mile well versus a three-mile well --

2 A. Yes.

3 Q. -- from Mr. Rose-Coss, are you aware that there
4 are risks associated with drilling and completion as you
5 move from a one mile to a three mile?

6 A. Yes.

7 Q. Okay. And that's something people have to take
8 into account when they decide whether or not to participate;
9 correct?

10 A. Correct.

11 Q. With respect to the discussion about the
12 two-and-a-half-mile wells that Chevron is looking at
13 drilling and completing, there is a risk in going that far
14 out; correct?

15 A. Yes.

16 Q. And with respect to that two-and-a-half-mile
17 well, does the risk become greater as you move from the heel
18 to the toe?

19 A. Yes, the further out you drill, the greater your
20 risk.

21 Q. And then completion, is there a completion risk
22 as you move out from the heel to the toe?

23 A. Yes. The further out you go, the greater the
24 completion risk involved.

25 Q. That would be the effect of this?

1 A. Yes.

2 Q. With respect to the two-and-a-half-mile well that
3 Chevron is going to try out there, who owns the acreage that
4 as you move towards the toe?

5 A. It is 100 owned by Chevron.

6 Q. So you would absorb any of the risk associated
7 with that; right?

8 A. Yes.

9 Q. And you would then control that risk in
10 that area?

11 A. Yes.

12 Q. With respect to three-mile wells proposed by
13 Cimarex here, who owns that acreage as you move towards the
14 toe?

15 A. Chevron and Premiere own the acreage that are to
16 the toe of Section 20 of the proposed three mile Cimarex
17 wells.

18 Q. So then that increased risk falls squarely on
19 your shoulders?

20 A. Correct.

21 Q. Mr. Bruce talked about Chevron's participation in
22 a three-mile well drilled by Cimarex in Texas is that right?

23 A. Yes.

24 Q. Okay. And you mentioned that is what you call
25 the JDA area?

1 A. Yes, the joint development agreement area.

2 Q. Okay. Can you, with respect to Chevron's
3 decision-making ability with respect to that three-mile
4 well, can you explain how that differs from what we have
5 here, Mr. Cooper?

6 A. Yes. The three-mile wells that are in Culberson
7 County, I will refer to that as the salt contract area, so
8 under the JDA, each area enters into it's own separate JOA.
9 So in this area where the three-mile wells were proposed by
10 Cimarex, there was an existing six sections contract area
11 that had a JOA already agreed to, negotiated and entered
12 into in 2014. So.

13 At that time Chevron was the non-operator,
14 Cimarex was the operator. Fast forward to 2020, 2021,
15 whenever those wells were proposed by Cimarex, Chevron was
16 already a non-operator and had the ability to elect to
17 participate or not participate in the wells.

18 That was the only election that Chevron was able
19 to give. So if Chevron elected to participate, we will
20 receive our proportionate share of revenues and costs and
21 move forward with the value of the wells. However, if
22 Chevron elected not to participate, we would be subject to a
23 300 percent penalty, and Chevron's value in that acreage and
24 in those wells would be greatly diminished.

25 Q. So Mr. Cooper, did Chevron have much of an

1 economic choice in deciding whether to participate in the
2 risk associated with that three miles?

3 A. No, considering a JOA was already in place, it
4 was either see the value that Chevron owns in those wells,
5 or basically give that value away by going non-consent.

6 Q. So your hands were tied contractually?

7 A. Yes.

8 Q. Have we received -- have you been able to observe
9 the results yet from that three mile effort by Cimarex down
10 here in Texas?

11 A. No. To my knowledge they have been drilled, but
12 have not been completed and brought on for production.

13 Q. When you look at this area, this Northwest
14 Heyhurst area in Sections 17 and 20 in particular, there is
15 no contractual obligation applicable to that acreage;
16 correct?

17 A. Correct.

18 Q. You have the ability to avoid the risk of
19 three-mile wells and drill your own two mile wells on your
20 acreage?

21 A. Correct.

22 Q. And thereby avoid not only the drilling risks but
23 the fact the completion risk associated as you move along
24 that three-mile well going towards the toe.

25 A. Correct.

1 Q. Okay. So in this case, you want to have the
2 ability to avoid that risk and develop your acreage with two
3 mile wells?

4 A. Yes.

5 MR. FELDEWERT: That's all the questions I have.

6 HEARING EXAMINER BRANCARD: Thank you. I believe
7 we are ready for the next witness. Thank you, Mr. Cooper.

8 MR. FELDEWERT: We will be calling Mr. Karl
9 Vloor.

10 HEARING EXAMINER BRANCARD: Thank you. I will
11 take a moment here to ask Ms. Delgado.

12 (Discussion with reporter.)

13 MR. FELDEWERT: Do I move forward?

14 Would you spell -- I guess the witness needs to
15 be sworn.

16 HEARING EXAMINER BRANCARD: He most certainly
17 does. First let's have the witness provide us with his name
18 and spell it.

19 MR. FELDEWERT: Why don't you do this. Would you
20 please identify your -- provide your name and identify by
21 whom you are employed and in what capacity.

22 THE WITNESS: Sure. My name is Karl Vloor,
23 that's K-a-r-l V-l-o-o-r. I work for Chevron North America
24 Incorporated, and I'm an earth scientist.

25 HEARING EXAMINER BRANCARD: Mr. Vloor, would you

1 raise your right hand please?

2 (Oath administered.)

3 HEARING EXAMINER BRANCARD: Thank you. Please
4 proceed.

5 KARL BLOOR

6 (Sworn, testified as follows:)

7 DIRECT EXAMINATION

8 BY MR. FELDEWERT:

9 Q. Looking at what's been marked as Chevron Exhibit
10 B, as in boy, is that an affidavit that contains your
11 initial testimony in this case?

12 A. It is.

13 Q. And that affidavit references and discusses
14 Exhibits B-1 through B-5. Did you prepare those exhibits or
15 compile them under your direction and supervision?

16 A. Yes.

17 MR. FELDEWERT: Mr. Examiner, I would move the
18 admission of Chevron Exhibit B including attachments
19 Exhibits B-1 through B-5.

20 HEARING EXAMINER BRANCARD: Are there any
21 objections.

22 MR. BRUCE: No objection, Mr. Examiner.

23 HEARING EXAMINER BRANCARD: Thank you. So
24 admitted.

25 (Exhibits Chevron B, B-1 through B-5 admitted.)

1 MR. FELDEWERT: I will pass the witness, Mr.
2 Examiner.

3 HEARING EXAMINER BRANCARD: All right.
4 Mr. Bruce.

5 MR. BRUCE: Just a few questions, Mr. Examiner.

6 CROSS-EXAMINATION

7 BY MR. BRUCE:

8 Q. Make sure I'm on the right pages here. Just very
9 briefly, you're proposing the upper eight Wolfcamps per
10 section -- eight Wolfcamp wells per section in the Upper
11 Wolfcamp, the Wolfcamp A; correct?

12 A. That is correct.

13 Q. And if this question is more for an engineer,
14 that's fine, but would Chevron's intention be if its
15 application, if its applications are approved, would that be
16 to drill them all at once at the same time or consecutively,
17 if I may say it that way?

18 A. Yes, exactly.

19 Q. And then bring in a completion rig and complete
20 them all more or less consecutively?

21 A. More or less.

22 MR. BRUCE: I think that's all I have,
23 Mr. Examiner.

24 HEARING EXAMINER BRANCARD: Mr. Rose-Coss,
25 questions for the geologist?

1 EXAMINER QUESTIONS

2 TECHNICAL EXAMINER ROSE-COSS: Sure. Well, good
3 morning Mr. Vloor. Thanks for joining us today.

4 THE WITNESS: Good morning.

5 TECHNICAL EXAMINER ROSE-COSS: Could you explain
6 to me why in this particular case that the wine rack is
7 preferred, and why you think drilling just one in this well
8 in this interval is less ideal?

9 THE WITNESS: Yes, I can explain that. So both
10 Coterra and Chevron were doing four wells in the Upper
11 Wolfcamp A Sand, and then Chevron was going forward with a
12 stagger in the Wolfcamp A Shale. For us that means we can
13 more efficiently recover the oil, the resources out of that
14 rock. That is why.

15 TECHNICAL EXAMINER ROSE-COSS: Well, why is that
16 the case?

17 THE WITNESS: Why is that the case that we would
18 produce the oil from the rock?

19 TECHNICAL EXAMINER ROSE-COSS: No. Why, why --
20 if there are two intervals in that section --

21 THE WITNESS: Right.

22 TECHNICAL EXAMINER ROSE-COSS: -- why doesn't
23 Cimarex want to target both of them?

24 THE WITNESS: Well, I think we will leave that to
25 Cimarex to tell us why, but we see both the A and A-1 as

1 productive, as we do see it in other areas of the basin. We
2 see this in Harris, New Mexico, Deller Ranch, Texas, and I
3 think the idea is to not produce A-1 that is going to strand
4 those resources, Wolfcamp Shale being A-1.

5 TECHNICAL EXAMINER ROSE-COSS: And can you tell
6 me why Cimarex thinks there a risk involved in drilling both
7 of them. They don't think it's going to strand resources?

8 THE WITNESS: Yeah. I don't know exactly the
9 reasons, but, you know, looking at the reservoir itself,
10 they are two different, lithologically, units, and so you
11 have more sand intervals at the top, shale and carbonate
12 intervals below. And so if I was to assume what Coterra
13 wants to avoid is that increased carbonate content in
14 Wolfcamp A-1 which is interbedded and not blocking and
15 (inaudible) in Chevron's view.

16 TECHNICAL EXAMINER ROSE-COSS: So can you tell me
17 more about these spans, what kind of -- I mean that's a
18 broad term. Is this a continuous sand interval and Chevron
19 is going to land and direct the well to strictly in this
20 sand? And does it have a, you know, for instance, is there
21 a frac barrier above and below, or is there anticipated
22 communication between these wells above and below?

23 THE WITNESS: So generally for the sand above the
24 Wolfcamp A Sand, they are generally continuous across the
25 area. Wolfcamp A-1 Shale, you know, the lithology is

1 heterogenous as pointed out in Coterra's affidavit.

2 And the idea is that -- the idea that we can
3 produce both of those in the wine rack pattern, you know, I
4 think we are okay with that. As far as frac barriers, we
5 don't see the carbonates in this zone, and the Wolfcamp A-1
6 shale are frac barriers. We will leave it at that for now.

7 TECHNICAL EXAMINER ROSE-COSS: And the sand, tell
8 me, what kind of sand are we talking about, is it coral
9 firm? And that's what you're, grain size, depositional
10 environment.

11 THE WITNESS: Yes. This is tight sand. It's
12 generally, as you move up a section, you start more in
13 medial and get up to D Sand and Y Sand and X Sand, and so
14 they are in between the medial proximal bases sand.

15 TECHNICAL EXAMINER ROSE-COSS: This sand, why is
16 this one targeted instead of the other one?

17 THE WITNESS: You know, it's a good question. I
18 believe all of them would be productive, and this is the
19 wine rack that that was chosen just based on spacing. I
20 will, you know, let on that we could target one of the
21 shallower sands, but this is a continuation of our strategy
22 elsewhere here in New Mexico.

23 TECHNICAL EXAMINER ROSE-COSS: Okay. And but can
24 you talk to me a little bit about the parent-daughter effect
25 and why you don't think that's going to be a problem here?

1 Like am I correct in thinking that the spacing that is
2 proposed, you might see some communication or there will be
3 some communication between the networks and adjacent wells.

4 THE WITNESS: Yeah. I think there a difference
5 between the parent-child relationships versus interference.
6 Chevron is not saying there won't be any interference, but
7 we don't think it would be such that you wouldn't want to
8 develop both of these zones.

9 So as far as completion goes, I think one of our
10 other witnesses, the reservoir engineer could answer that
11 better. But generally, as you see in the exhibits, if you
12 put one well in and come back and infill, you will see a
13 very different production profile between that initial well
14 and the children wells.

15 TECHNICAL EXAMINER ROSE-COSS: Do you have any
16 idea why that happens?

17 THE WITNESS: Specifically pressure depletion,
18 but again that's a reservoir engineer question.

19 TECHNICAL EXAMINER ROSE-COSS: Okay. Is it a
20 reservoir engineer question to talk about ultimate recovery
21 of reserves in the ground versus capital costs?

22 THE WITNESS: That's correct.

23 TECHNICAL EXAMINER ROSE-COSS: Okay. Well, I
24 will save that line of thinking. And can you tell me how
25 different the proposed target is that Chevron is proposing

1 than what Cimarex is proposing? Are they essentially only
2 one of the two proposed targets, or is Cimarex targeting a
3 completely different interval.

4 THE WITNESS: So based on what they provided,
5 they did not point to the exact target in that Upper
6 Wolfcamp A Sand interval, they just highlight the whole
7 thing and say that's the target. So I do not know exactly.

8 TECHNICAL EXAMINER ROSE-COSS: Can you talk a
9 little bit about -- I believe it's in your affidavit that
10 you point out Cimarex hasn't drilled a three mile lateral in
11 this particular area. Can you say -- speak to why the
12 Wolfcamp might be better or worse in a particular area. Are
13 there areas that a three -- is there a geologic condition
14 specific to this region that are more or less unfavorable to
15 three-mile wells, or is the geology contiguous going north
16 or just a rock quality fallout?

17 THE WITNESS: As you go to the northwest of
18 17-20, you do see a degradation towards Crawford, however, I
19 need to check my notes, but I don't believe I said anything
20 about three milers and maybe you could fact check me on
21 that.

22 But as a follow-up to the affidavit from Coterra,
23 the idea that the heterogeneity of the rock is a reason to
24 drill three milers, I don't necessarily agree with that.

25 TECHNICAL EXAMINER ROSE-COSS: When you say

1 heterogeneity of the rock is a reason not to drill the three
2 milers?

3 THE WITNESS: It is stated in the affidavit that
4 is the reason for three milers.

5 TECHNICAL EXAMINER ROSE-COSS: Is that
6 heterogeneity.

7 THE WITNESS: Not my affidavit, Coterra's.

8 TECHNICAL EXAMINER ROSE-COSS: Okay. Well, those
9 are my questions. I appreciate your answers.

10 THE WITNESS: All right.

11 HEARING EXAMINER BRANCARD: Mr. Vloor, I guess
12 I'm just looking at your, your Chevron's plan Wolfcamp A
13 gunbarrel, the gunbarrel plan. So these formations are
14 dipping to the east?

15 THE WITNESS: That is correct.

16 HEARING EXAMINER BRANCARD: Is that a pretty
17 significant dip?

18 THE WITNESS: No. It's the scale of the
19 gunbarrel that makes it look -- but it's in the range of 1.5
20 at the depth per hundred foot.

21 HEARING EXAMINER BRANCARD: So your plan then is
22 to have 660 feet between each well, and then between the
23 sand and shale wells, 150 feet?

24 THE WITNESS: Approximately, yes.

25 HEARING EXAMINER BRANCARD: And did you say

1 earlier that you thought there would be contact between the
2 fracking of both of those wells.

3 THE WITNESS: Most likely, yes.

4 HEARING EXAMINER BRANCARD: And you don't see
5 that as an issue or problem in the development of the
6 efficiency of these wells?

7 THE WITNESS: Based on the two different rock
8 types, no.

9 HEARING EXAMINER BRANCARD: And I didn't catch
10 it, but is there a barrier in that 150 feet?

11 THE WITNESS: There is not, not from what we can
12 see in the logs, no.

13 HEARING EXAMINER BRANCARD: Okay. So those are
14 full target areas shale for development, just different
15 kinds of minerals?

16 THE WITNESS: Correct.

17 TECHNICAL EXAMINER ROSE-COSS: Sorry, Mr.
18 Brancard, can I jump in here?

19 HEARING EXAMINER BRANCARD: I'm making a hash of
20 the geology, so please do.

21 TECHNICAL EXAMINER ROSE-COSS: Seeking
22 clarification on one of the rock, isn't it going to -- it's
23 going to dissipate the problem of overlapping fracturing?

24 THE WITNESS: Yeah. So the upper zone is, you
25 know, you got the three sand intervals up there. The lower

1 zone you have more of the carbonate content interbedded up
2 to five feet thick, I believe is what I analyzed. And so
3 based on the stress profiles, you have to look at where the
4 fracture is going to go. And so, you know, with the more
5 carbonate interbeds, you might expect your frac type to be
6 slightly less but your width be slightly more.

7 And then again, I guess industry standards, we
8 think things go mostly up, and so the Wolfcamp A Sand fracs
9 most likely will go up or south. And so I think that way
10 you are more better fracking the rock and producing the rock
11 for the Wolfcamp A Sand and Shale intervals.

12 TECHNICAL EXAMINER ROSE-COSS: So is the logic
13 then, you are saying that the fractures tend to go up -- I'm
14 trying to just justify it, I suppose -- tend to go up, you
15 have carbonate interbeds in the lower interval. So if you
16 are below it, your fractures are going to propagate up, but
17 then dissipate outward into the carbonate intervals?

18 THE WITNESS: Generally from modeling we see it
19 the other way, it goes further out and let's height.

20 TECHNICAL EXAMINER ROSE-COSS: In the carbonate?

21 THE WITNESS: In the carbonate interbedded
22 section, yes. We want to make sure we distinguish thick
23 carbonates for barriers from interbedded carbonate
24 (inaudible).

25 TECHNICAL EXAMINER ROSE-COSS: And so that's what

1 is going to prevent the fractures from -- the frac job from
2 communicating with the frac job in the sand interval?

3 THE WITNESS: I don't believe we said that they
4 would not interfere.

5 TECHNICAL EXAMINER ROSE-COSS: Okay. And would
6 some people say that them interfering would be less than
7 ideal?

8 THE WITNESS: I assume that depends on how much,
9 and I think if Ari can give you a better understanding of
10 what we think that will be.

11 TECHNICAL EXAMINER ROSE-COSS: Okay. And the
12 site, can -- can anyone venture a guess about why the
13 carbonate beds would dissipate the fracs more laterally than
14 vertically? Is it a change in density, or anything to do
15 with the property of the rock?

16 THE WITNESS: Yes, the stress profile. But from
17 our modeling it dissipates in height, but extends in width
18 in the interbedded carbonate limestone.

19 TECHNICAL EXAMINER ROSE-COSS: Okay. So but if
20 those weren't there and the well vertical separation and
21 horizontal separation is the same, there might be more
22 communication with the adjacent wells?

23 THE WITNESS: Well, what's interesting about that
24 question, that's what we do elsewhere. We do have have a
25 wine rack pattern in areas that have more or less the same

1 amount of carbonate interbeddedness, and in areas that have
2 less than that carbonate interbeddedness, and that's what we
3 produce primarily in other areas where we do stagger these
4 as a wine rack. So we have proven production in very
5 similar rock and a very similar wine rack.

6 TECHNICAL EXAMINER ROSE-COSS: And so any one of
7 these -- are we saying there is just too much productive
8 interval there to reach with one set of wells? Is that the
9 idea?

10 THE WITNESS: The idea is that all wells per
11 section in the Wolfcamp A Sand won't produce Wolfcamp A-1 as
12 effectively as having the Wolfcamp A-1 A Shale at four wells
13 per section as well.

14 TECHNICAL EXAMINER ROSE-COSS: So there is almost
15 two intervals -- or there is two intervals, so proposing
16 four wells just doesn't cover both intervals.

17 THE WITNESS: That is -- yes.

18 TECHNICAL EXAMINER ROSE-COSS: Okay. Well, glad
19 to know your mind on it, and those are all my questions. I
20 will pass it back to Mr. Brancard.

21 HEARING EXAMINER BRANCARD: Okay. Any follow-up?
22 Mr. Feldewert, any redirect?

23 REDIRECT EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Yeah, let me -- I want to go on and talk about,

1 just to make sure everything is clear, we are talking about
2 Sand, Shale, Wolfcamp A, Wolfcamp A-1, that's different
3 terminology; right?

4 A. Yes.

5 Q. If I look at what's been marked Chevron C-1,
6 that's your development plan for the Wolfcamp A?

7 A. That's right.

8 Q. When I see the four wells at the top, 2H, 4H and
9 then the -- I guess it's a different name, right, 2H, 4H,
10 where are those four wells per section? What intervals
11 within the Upper Wolfcamp are they talking about?

12 A. That is in sandier section of the Upper Wolfcamp
13 base.

14 Q. Then the four wells that we see per section
15 labeled 1H and 3H, that's in the carbonate, in the different
16 interval of the shale?

17 A. That's known as Wolfcamp A Shale.

18 Q. Now, when you look at the sands, both Cimarex and
19 Chevron, I believe, put four wells in those sands?

20 A. Correct.

21 Q. And the debate is whether you put additional
22 wells in the shales?

23 A. That's correct.

24 Q. Now, first off, with respect to questions about
25 interference, is that why you do a wine rack pattern?

1 A. Yes, that reduces interference.

2 Q. Okay. And then secondly, to avoid depletion from
3 what they call a parent-child, parent-daughter --

4 A. Right.

5 Q. -- you want to complete these simultaneously;
6 right?

7 A. Effectively, yes.

8 Q. So that you don't have -- they all come on line
9 at the same time and they don't have depletion?

10 A. That's correct.

11 All right. Now, if you look at Exhibit B-4,
12 which is your cross-section, which I put it up here on the
13 screen, okay? You have your well lot in Section 17 of 20,
14 okay, when you say Upper Wolfcamp A target, is that the
15 same?

16 A. That is correct.

17 Q. And when you look at the Lower Wolfcamp A target,
18 that's the shales?

19 A. That's right.

20 Q. Okay. And when you look at this type log, and
21 you look at the information on the shales, in your expert
22 opinion, does that indicate that those shales are
23 potentially protective in Sections 17 and 20?

24 A. Yes, that's correct.

25 Q. Now, if we look at the type log that Cimarex has

1 put forth, okay, do you have that, by chance, in front of
2 you?

3 A. I have it in my mind.

4 Q. You have it in your mind, okay. Let me see if I
5 can get it up on the screen here.

6 MR. FELDEWERT: Give me a minute here, Mr.
7 Examiner. Do you have that -- Mr. Examiner, I'm looking at
8 what's been marked as the -- it would be the geologist
9 exhibit. Their pages are a little difficult to follow.
10 Give me a minute. I'm trying to get to the right one.

11 HEARING EXAMINER BRANCARD: I see their geologic
12 exhibits in the third packet.

13 MR. FELDEWERT: In the third packet, yeah, this
14 is Mr. Stewart. Going to go back one. You have all three.
15 Is that what you are saying, Mr. Examiner?

16 HEARING EXAMINER BRANCARD: Yes. Or the way it
17 pops up, it's the way it pops up in our --

18 MR. FELDEWERT: I think I'm there.

19 HEARING EXAMINER BRANCARD: -- page files, they
20 divided up into six packets.

21 BY MR. FELDEWERT:

22 Q. So I am looking -- there we go. It's in the
23 Cimarex package of the geologist that has a slide, it has
24 the Number 13 at the bottom, right-hand side, and it says
25 White City cross section. Do you see that?

1 A. Yes.

2 Q. You have that in front of you?

3 A. Yes, I do.

4 Q. Now, as you pointed out, they have identified in
5 a very large block area the Upper Wolfcamp target area. Do
6 you see that?

7 A. Yes.

8 Q. Okay. When you look at that, is that the sand or
9 the shale?

10 A. That is the sand.

11 Q. Okay. Where would the shales be located from
12 this cross section?

13 A. Below the red box.

14 Q. Below the red box.

15 A. And above the blue line.

16 Q. And above the blue line, that would be the
17 shales, okay, which Cimarex is not a party?

18 A. That's correct.

19 Q. When you look at this type of lithology as a
20 geologist, do you recommend that the Wolf -- that Chevron
21 develop the Wolfcamp A shale with horizontal wells?

22 A. Yes.

23 Q. And if you just drilled wells in the Wolfcamp A
24 Sand, as Cimarex has proposed, are those wells in that upper
25 interval going to effectively develop the Wolfcamp A Shale?

1 A. No.

2 Q. That's because you talk about how fractures go
3 up?

4 A. Yes.

5 Q. And the nature of the shale?

6 A. Yes, that's right.

7 Q. In your opinion, will waste occur if Chevron and
8 Cimarex do not target some of the sands but the Lower
9 Wolfcamp or Wolfcamp shales?

10 A. Yes.

11 Q. And Mr. Vloor, if you worked for the Division,
12 and you are wearing that Division hat, and your job is to
13 prevent waste -- and I will disagree with Mr. Bruce's
14 definition, waste is not get that resource out of the ground
15 with the least amount of money, but the definition of waste
16 is to produce efficiently and effectively the reserves in
17 ground, okay, if you were trying to prevent waste, are you
18 going to put wells in the Upper Wolfcamp A Sand and the
19 Upper Wolfcamp A Shale?

20 A. Yes.

21 Q. And put them in a wine rack pattern?

22 A. Yes.

23 Q. So that when you develop this and simultaneously
24 complete them, you efficiently and effectively develop these
25 intervals?

1 A. That is correct.

2 Q. That's what Chevron is doing?

3 A. That's what we are doing.

4 MR. FELDEWERT: Okay. That's all the questions I
5 have.

6 MR. BRUCE: Mr. Examiner, may I ask a couple?

7 HEARING EXAMINER BRANCARD: Oh, just a few.

8 RE-CROSS-EXAMINATION

9 BY MR. BRUCE:

10 Q. Very few. Mr. Vloor, I'm looking at Chevron's
11 Exhibit B-6 which is -- it's a land exhibit, but it's
12 Chevron's proposal letter for its Wolfcamp wells. And this
13 is Page 39 of Chevron's exhibits -- 38 and 39, but I'm
14 looking specifically at Page 39.

15 Wells, it states, this paragraph states that the
16 wells are proposed to be drilled vertically to a depth of
17 8850 feet, if I may summarize for you, and I don't know if
18 you have that in front of you, but I will, I will state
19 that's basically what the letter says.

20 A. Yes.

21 Q. Then I'm looking at your Exhibit B-4.

22 A. I see it, yeah.

23 Q. Isn't 88 -- 8850 feet solely Upper Wolfcamp A
24 target?

25 A. It depends where you are. So this, this

1 particular well is just to the southeast of Section 20, so
2 as you move up into Section 20 and 17 you shallow up, and so
3 yeah, you would get a different definition from this one
4 log.

5 Q. Well, that's what I'm saying. I'm looking
6 specifically at the Section 17 and 20, not the Crawford or
7 Delaware or anything, but basically the proposal was for the
8 Upper Wolfcamp A wells, it seems to me.

9 A. That is correct, yes. So the definition of Upper
10 Wolfcamp, in our mind, is the Wolfcamp A Sand and the
11 Wolfcamp A-1 Shale, that's all Upper Wolfcamp A.

12 Q. Although your cross section proposes lower
13 Wolfcamp A targets. So upper or lower, which is it?

14 A. So, okay, there is Upper and Lower Wolfcamp A
15 targets within the Upper Wolfcamp. And then there is the
16 Lower Wolfcamp which here is referred to as Wolfcamp C and
17 D.

18 Q. Thank you, Mr. Vloor.

19 A. Sure.

20 HEARING EXAMINER BRANCARD: Thank you. Mr.
21 Feldewert, are we through with this witness?

22 MR. FELDEWERT: Yes, sir.

23 (Discussion with reporter.)

24 (Recess taken.)

25 HEARING EXAMINER BRANCARD: Mr. Bruce, are you

1 with us?

2 MR. BRUCE: I'm alive.

3 HEARING EXAMINER BRANCARD: All right. I believe
4 it's time for another witness, Mr. Feldewert, if you have
5 one.

6 MR. FELDEWERT: Yes, sir. Would you please state
7 your name, identify by whom you are employed and in what
8 capacity?

9 MR. HULME: I'm Bradley Hulme. B-r-a-d-l-e-y,
10 last name H-u-l-m-e. I'm a reservoir engineer for Chevron
11 USA.

12 MR. FELDEWERT: Mr. Hulme, did you put
13 together --

14 HEARING EXAMINER BRANCARD: First, Mr. Hulme,
15 would you raise your right hand, please?

16 (Oath administered.)

17 HEARING EXAMINER BRANCARD: Thank you. Please
18 proceed.

19 BRADLEY HULME

20 (Sworn, testified as follows:)

21 DIRECT EXAMINATION

22 BY MR. FELDEWERT:

23 Q. Mr. Hulme, did you prepare what's been marked as
24 Chevron's Exhibit C?

25 A. I did.

1 Q. In your affidavit in Paragraph 9, which is Page
2 85 of the submitted exhibits, you say that the records don't
3 reveal a drilled and completed three-mile well in the Upper
4 Wolfcamp A Sands Shales within 20 miles of the acreage at
5 issue today. But Mr. Cooper testified that the stuff in
6 Culberson County is 25 miles away, and those are three miles
7 wells, are they not?

8 A. They are three-mile wells, but they have not been
9 completed and put on production.

10 Q. And once again, but a few miles away or just to
11 the east of this, Chevron is proposing two-and-a-half-mile
12 wells; correct?

13 A. That's correct.

14 Q. Is there any huge difference between a
15 two-and-a-half and three-mile well?

16 A. That's yet to be seen. There's not three-mile
17 wells on line in the area, so we are uncertain as to how
18 those three-mile wells will perform relative to one- to
19 two-and-a-half-mile wells.

20 Q. Would Chevron rather drill, say, two-and-
21 a-half-mile Wolfcamp wells rather than one-mile Wolfcamp
22 wells?

23 A. Depends on the situation, of course.
24 Economically it makes more sense to drill two-and-a-half-
25 mile wells rather than one-mile wells.

1 Q. Can you say that again? It makes no sense to
2 what, now?

3 A. Economically it makes more sense to drill
4 two-and-a-half-mile wells as opposed to one-mile wells.

5 Q. Okay. Okay. Sorry, I just didn't hear
6 correctly. Looking at your Exhibit C-2, what is the
7 distance from the west most pink dot to the right most green
8 dot?

9 A. You mean from the southwest to the northeast? Is
10 that correct?

11 Q. I'm going from, yeah, far west to far east.

12 A. That would be, give or take, 30 miles.

13 Q. Okay, just wondering. Are the following pages
14 the wells that are on this plot right here?

15 A. That's correct. Each circle represents an
16 individual well, and the following pages represents those
17 wells.

18 Q. Okay. The reason I was asking is you -- I know
19 you give the API number for each well, but, you know, I'm
20 kind of lazy and I'm not going to look up each API number to
21 figure which is which, so -- let me just go over my list of
22 issues here. And you are a reservoir engineer, not an
23 operations engineer; is that correct?

24 A. That's correct.

25 Q. Okay. Then I will defer a couple of my questions

1 **here now.**

2 MR. BRUCE: I think that's all I have of the
3 witness, Mr. Examiner.

4 HEARING EXAMINER BRANCARD: Thank you. Mr.
5 Rose-Coss?

6 EXAMINER QUESTIONS

7 TECHNICAL EXAMINER ROSE-COSS: Hi. Good morning,
8 Mr. Hulme. (Inaudible) in your presentation, exhibits, you
9 know, following on Mr. Bruce, I suppose I would like a
10 further explanation of your C-2 that's perhaps presented to
11 us here.

12 So I see that you have an R-squared value of .38
13 on that line. Is it my understanding that the R-squared
14 value, the higher, the closer that number is to 1 the better
15 your relationship of the data is and the lower number it is
16 worse relationship. The .38 might not be that great of a
17 relationship?

18 THE WITNESS: In this industry for this amount of
19 data it's a quite strong relationship. There is certainly
20 quite a bit of design differences between the wells. We
21 didn't filter out any wells within the Wolfcamp A interval,
22 we simply selected all of the Wolfcamp A wells in this area
23 just not including any filtering for the completion design
24 and so that could be skewing the correlation there.

25 So certainly if you refine the design more, that

1 correlation would get tighter, but I feel that this
2 correlation is strong enough to say there is a (inaudible)?

3 TECHNICAL EXAMINER ROSE-COSS: But there are a
4 lot of variables in this that aren't being considered that
5 could be affecting the data points as well.

6 THE WITNESS: Yes, sir.

7 TECHNICAL EXAMINER ROSE-COSS: Other than just
8 just the depth?

9 THE WITNESS: Yes, sir.

10 TECHNICAL EXAMINER ROSE-COSS: So it seems like
11 the deeper you go, the better the (inaudible).

12 THE WITNESS: That's correct. The depth was
13 chosen as a property for the thickness of the Wolfcamp A
14 interval for core pressure. As you go deeper into the
15 reservoir, your core pressure increases which is correlated
16 with the productivity of the well.

17 TECHNICAL EXAMINER ROSE-COSS: And the four wells
18 per section does produce better. Is that a take-away, too,
19 about twice better?

20 THE WITNESS: That's correct. What we are
21 highlighting at the blue oval is indeed higher than the red
22 oval where we expect Chevron's proposal to perform in that
23 range. But what we are highlighting is in almost no cases
24 are these four wells per section wells producing two X
25 better than eight wells per section, so if you drill eight

1 wells, you will increase the recovery in that section.

2 TECHNICAL EXAMINER ROSE-COSS: And is this taking
3 into account the length of the wells?

4 THE WITNESS: Yes. On the Y axis what we see is
5 24 months cumulative production. This is measured data, not
6 interpreted, and it's normalized by how long the lateral was
7 perforated, so taking the lateral length as the denominator
8 and the cumulative production as the numerator.

9 TECHNICAL EXAMINER ROSE-COSS: So it's not -- so
10 but this doesn't say that a three-mile well produces less
11 than a two-mile well. Like it doesn't take into account
12 that -- or are you all suggesting, Chevron suggesting that
13 the production at the end of a three-mile -- at the end of
14 the third mile of the lateral is worse than the production
15 at the first mile?

16 THE WITNESS: There is a clear industry agreement
17 that as you go from one mile to two miles we see a
18 degradation in the ER, there is enough data to statistically
19 prove that. There is not enough data to show that three
20 miles versus two miles are incrementally more or less
21 degradation as you go farther out. It's simply an unknown.
22 This plot would not highlight that either way.

23 TECHNICAL EXAMINER ROSE-COSS: So it favors the
24 foot, you know, the 15000 foot the same as the 700 foot?

25 THE WITNESS: In this case, yes, it's direct

1 normalization. There is no other correlation on the
2 (inaudible).

3 TECHNICAL EXAMINER ROSE-COSS: So it's -- I guess
4 we can't use this to talk about well length --

5 THE WITNESS: No, sir.

6 TECHNICAL EXAMINER ROSE-COSS: -- productivity
7 the, just the targeted depth?

8 THE WITNESS: It highlights the spacing of the
9 four wells per section is not two X of eight wells per
10 section, so therefore there will be resources left behind if
11 you were to execute four wells per section.

12 TECHNICAL EXAMINER ROSE-COSS: Okay. Well then
13 can you speak on the argument I think Cimarex is trying to
14 make of resources left behind versus capital expense because
15 because eight wells is two X capital expense; correct?

16 THE WITNESS: Correct.

17 TECHNICAL EXAMINER ROSE-COSS: And three-mile
18 wells will get more resource per capital expense; correct?

19 THE WITNESS: That's true. The main argument is
20 that by drilling four wells per section in the Wolfcamp A,
21 there is significant amount of resource left behind, so that
22 by executing eight wells per section we are capturing that
23 resource in an economically viable way, and so submitting
24 (inaudible) with Cimarex's plan is the fact that they are
25 leaving that resource behind.

1 TECHNICAL EXAMINER ROSE-COSS: Is that -- then
2 could it be said that that, that the capital expense of
3 extracting that resource is not economic, or that's not what
4 Chevron believes clearly.

5 THE WITNESS: It's up to -- I can't speak to
6 Cimarex's structure for economic investment. In Chevron's
7 perspective it is most certainly economically viable.

8 TECHNICAL EXAMINER ROSE-COSS: Okay. I guess
9 something else I'm curious about, has -- and you might or
10 not might not be the person to talk to -- has Chevron
11 considered or discussed with Cimarex going three miles into
12 Section 8, going further north another mile and producing
13 and creating eight wells, eight three-mile wells in this
14 section?

15 THE WITNESS: We are not certain what all
16 conversations that they had. There were negotiations
17 leading up to this day, but that would be a better question
18 for our landman, Chris Cooper.

19 TECHNICAL EXAMINER ROSE-COSS: Oh, okay. I
20 missed my bite of that apple then. Getting confused here.
21 You know what, I will gather my thoughts and let
22 Mr. Brancard ask you some questions. Thank you.

23 HEARING EXAMINER BRANCARD: Do I need to delay
24 while you gather your thoughts? So Exhibit C-2 everybody is
25 chatting about, very colorful, but I get lost in color

1 easily, Mr. Feldewert. So are these just Wolfcamp wells?

2 THE WITNESS: That's correct. These are only
3 Wolfcamp A intervals including the sand and the shale.

4 HEARING EXAMINER BRANCARD: Thank you. So would
5 it be fair to conclude from the two ovals you have there
6 that drilling eight wells per section will produce more
7 product than drilling four wells per section?

8 THE WITNESS: Yes.

9 HEARING EXAMINER BRANCARD: But drilling four
10 wells per section will be somewhat more efficient than
11 drilling eight wells per section?

12 THE WITNESS: What we saw with Karl's discussion
13 is that there is an impact to vertical interference. As you
14 produce both of these intervals together, there is some form
15 of communication, and that's why you would see the
16 difference between the two ovals. If there was zero
17 interference, they would be simply overlapped on top of each
18 other, the four and eight.

19 The efficiency that we gain is increased value in
20 that section, increased resource for additional capital,
21 that capital to be spent is improving the resource recovery
22 and therefore more efficient.

23 HEARING EXAMINER BRANCARD: Thank you. So
24 Exhibit C-3, Mr. Feldewert brought this up, I don't know if
25 it was in his statement or in his question of your landman,

1 this notion that drilling a three-mile well north to south,
2 that the greater uncertainty is in plans that Chevron has a
3 greater interest in.

4 I guess my question is, so what? I mean, if this
5 gets pooled and we decide that Cimarex is the winner, and
6 Chevron decides to participate in the well, Chevron will
7 have a 40 percent, including the 40 percent interest in the
8 hundred percent area owned by Cimarex; correct?

9 THE WITNESS: Correct.

10 HEARING EXAMINER BRANCARD: So the fact that
11 there is a lower return in areas where Chevron has a greater
12 interest is meaningless, correct, in terms of what your
13 result is?

14 THE WITNESS: When you say meaningless, I do
15 sense drilling further out to the south, like I said, that
16 risk is with the hole being open and actively drilling
17 (inaudible) for longer, it results in increased risk that
18 you may not drill and results frac the entirety of Section
19 20 as you go out, there is a risk of that.

20 Additionally, if we were to develop Chevron's
21 plan at two miles, the uncertainty of the risk of efficient
22 fracs and efficient production of a two mile versus a three
23 mile is not mitigated. You would be able to efficiently
24 drain all three sections with Chevron producing two milers
25 Cimarex producing one milers.

1 HEARING EXAMINER BRANCARD: Correct. So what you
2 are saying is it's Chevron perspective that there is a
3 greater risk drilling a three mile than two mile?

4 THE WITNESS: Correct.

5 HEARING EXAMINER BRANCARD: But it's not that
6 it's a fact that that's on Chevron's mineral interest that
7 matters at all?

8 THE WITNESS: In the uncertainty falls on --

9 HEARING EXAMINER BRANCARD: It wouldn't benefit
10 Chevron if the well was drilled from south to north?

11 THE WITNESS: Correct.

12 HEARING EXAMINER BRANCARD: Okay. Thank you.
13 Mr. Rose-Coss, do you have any thoughts, questions?

14 TECHNICAL EXAMINER ROSE-COSS: No. Thanks for
15 bringing that up. I suppose in the name of, you know,
16 balancing these -- you summarized it well for me there, you
17 know, balancing efficiency versus ultimate recovery. I
18 suppose another factor that comes into play here in terms of
19 on the efficiency side is the resources left in Section 8.

20 So now there is going to be, if -- if Chevron
21 drills eight wells in 17 and 20, and then now there needs to
22 be four more wells of one-mile laterals in Section 8, and
23 then all of this capital cost associated with recovering
24 that resource and/or, you know, which plan ultimately gets
25 the most resources out of the ground.

1 So I think it's, if -- if we are balancing that
2 perceived risk and how much, how much that weighs in, I
3 haven't seen a whole lot of evidence talking about the risk
4 other than that it's believed to be there versus the actual
5 capital cost. So that's not so much a question as an
6 observation for the record.

7 HEARING EXAMINER BRANCARD: All right.
8 Follow-up, Mr. Feldewert? Any redirect?

9 MR. FELDEWERT: Yes.

10 REDIRECT EXAMINATION

11 BY MR. FELDEWERT:

12 Q. I put up on the screen Exhibit C-2. Oops. Now,
13 if the Division is tasked with preventing waste, Mr. Hulme,
14 okay, I want you to assume that your job is to prevent waste
15 and protect correlative rights, okay? Their job is to
16 prevent waste, and you look at this study, does it make
17 sense in this type of lithology to drill only four wells per
18 section in the Upper Wolfcamp?

19 A. No, sir.

20 Q. Okay. Would you please explain in more -- in
21 terms perhaps that I can understand why you have these three
22 ellipses on here, and what is the flex in terms of
23 incremental recovery for the -- by the additional four
24 wells in the Wolfcamp A Shale, the eight wells per section?

25 A. Right. The eight wells per section, of course

1 you would be drilling eight wells in Section 17 and 20 and
2 recovering in this case (inaudible) come but also it would
3 be extrapolated to the ultimate recovery around that, that
4 red oval.

5 **Q. So that red oval there --**

6 A. And that's why I said per well, you would be
7 multiplying that red oval times the amount of wells to be
8 drilled, which in this case would be eight.

9 **Q. That's oil per lateral foot?**

10 A. That's correct.

11 **Q. And that's based on -- in Mr. Brancard is always**
12 **telling to show us the data, right, and this is based on**
13 **your data review, right, and a list of the wells?**

14 A. That's correct.

15 **Q. And then the blue oval, what does that represent**
16 **based on the analysis of the data?**

17 A. A similar evaluation but for only drilling four
18 wells per section. So again, this would be as if you were
19 to drill four wells in order to mark the plan, and it would
20 be in that range of the blue oval. So again you would
21 multiply that times four to get the total section recovery.

22 **Q. Now, if you were able to efficiently and**
23 **effectively recover the reserves in the Upper Wolfcamp A**
24 **interval, okay?**

25 A. Okay.

1 Q. With only four wells?

2 A. Okay.

3 Q. What recovery would you need to see on this chart
4 to say, well, you can put four wells in there and you are
5 not going to leave any reserves behind?

6 A. In order for four wells per section in that upper
7 area to recover the same amount of resource, those wells
8 would need to be producing in the black oval shown at the
9 very top of the graph, which we can see is not being done on
10 a reproducible basis.

11 Q. At all?

12 A. At all.

13 Q. Okay. So when we look at this difference between
14 the productivity in the black oval and the red oval, okay,
15 if we don't do eight wells per section, is that roughly the
16 type of recovery that's left in the ground?

17 A. Correct.

18 Q. And is not produced?

19 A. Correct.

20 Q. And you are an engineer, can you, based on the
21 data, can you go back and say, "Oh, no, we have all these
22 reserves in the ground, let's drill more wells in Upper
23 Wolfcamp," can you do that?

24 A. It would be less efficient. You could go back
25 and drill wells and recover an incremental reserve, but it

1 would be a recovery significantly less than if you had done
2 it all at once.

3 **Q. Explain the parent-child effect?**

4 A. The parent-child effect is a result of creating
5 fracture networks and then coming back and trying to create
6 new fracture networks. When you are fracking, when you are
7 completing that child well, or in the other case the
8 daughter well, the frac wants to go into the path of least
9 resistance. So it would be asymmetrical fracture and would
10 grow as quickly as it could to the existing fracture
11 network.

12 And while, if you were to do it all together at
13 once, it would create more complex, more symmetrical
14 fractures covering more of the rock, what we call the
15 stimulated rock volume. So by doing it in what we call a
16 phased approach or parent-child approach, you would have a
17 more overlap in the stimulated rock volume by doing as a
18 phase as opposed to doing it (inaudible).

19 **Q. And recover less resources?**

20 A. And as a result recover less resources.

21 **Q. Now, there's a questions Mr. Rose-Coss had about**
22 **interference if you put four wells in the sand, Wolfcamp A**
23 **Sands, and then four wells in shale in a wine rack pattern?**

24 A. Okay.

25 **Q. You are an engineer.**

1 A. Yes.

2 Q. Okay. Can you discuss why that interference is
3 not of concern and why it's appropriate to do the wine rack
4 pattern to efficiently and effectively recover these
5 reserves?

6 A. It's certainly something we monitor, and it's
7 something that needs to be economically viable. If that
8 interference becomes too severe, then our strategy would
9 change, and it gives us data to show that it is not severe
10 enough to where the extra wells are not incrementally viable
11 on a economic basis. So in this case, while there is
12 expected some amount of interference, that interference is
13 tolerable for it to still be economically viable for
14 Chevron.

15 Q. Mr. Brancard talked about the three-mile wells.

16 A. Yes.

17 Q. Okay. And you know, makes his points about
18 whether you go north to south or south to north. Now, when
19 you look at -- you know, do you know the definition of
20 correlative rights?

21 A. Yes.

22 Q. The opportunity to produce you share of reserves
23 on the line?

24 A. Yes.

25 Q. When I look at Exhibit C-3, Chevron's acreage is

1 in the S/2 of 17; right?

2 A. Yes.

3 Q. That's where you want most of the work?

4 A. Definitely.

5 Q. So when you drill a three-mile well from Section
6 8 all the way down into your correlative rights, you are --
7 you're placing a lengthy wellbore, the end of a lengthy
8 wellbore into your correlative rights --

9 A. That's right.

10 Q. -- and then you are fracking. In the completion
11 process, as you go out, is not as effective as you get to
12 the toe, what does that do on the Chevron's ability in the
13 future to come back in and attempt to recover its
14 correlative rights on the S/2 of 17, and more importantly,
15 as you get into Section 20?

16 A. As what we mentioned before, with the
17 parent-child effect, if there was a poor fracture in Section
18 20, the recovery of Section 20 would be less than if it had
19 been developed in one- or two-mile wells.

20 Q. And is that, with that recovery, would you go
21 back and recoup that with infill drilling?

22 A. No, sir.

23 Q. So you would already have your wellbores in
24 there; right?

25 A. Yes, sir.

1 Q. And inefficiently completed?

2 A. Correct.

3 Q. Impacting the reservoir?

4 A. With what we were talking about before, the
5 spaced approach is today not very economically viable
6 depending on where you are. So if you are coming back in
7 areas that have clear communication, coming back and
8 drilling more wells today is marginal, difficult to
9 (inaudible).

10 Q. Now, the length of wellbores has been increasing
11 over time; is that correct?

12 A. Correct.

13 Q. Okay. And is that because we have to wait for
14 the technology to catch up with the length of the wellbores?

15 A. I think that's a piece of it. I can't speak to
16 the technology. There's a bit of confidence that comes with
17 proving a two-miler performs the same as a one-miler.

18 Q. And that's at the time, right? The time the
19 industry comes to the conclusion they could effectively,
20 complete not only drill, but complete a two-mile well; is
21 that right?

22 A. That's correct.

23 Q. Okay. And we're now in the process -- is it fair
24 to say the industry is in the process of saying whether they
25 can effectively drill and complete the two-and-a-half-mile

1 well?

2 A. There is two questions. One, is it operationally
3 feasible? Can you drill a well, can you frac the wells
4 effectively. The second is from a resource recovery. How
5 does the potential of longer laterals impact resource
6 recovery in longer two-plus mile wells and that's still
7 uncertain.

8 Q. But two-and-a-half miles?

9 A. Two-and-a-half, there is more data, albeit it
10 young wells, so it would be long-term impact, but there is
11 very limited data in this area.

12 Q. To ascertain whether you can answer (inaudible)
13 effectively fracking and completing. So you, being --
14 representing the company that owns the minerals down here in
15 17 and 20 with correlative rights, are you concerned about
16 letting somebody experiment with three-mile wells on your
17 acreage?

18 A. Correct.

19 Q. And that's the concern here?

20 A. Yes.

21 Q. Okay. And Cimarex suggests they are stranded in
22 Section 8, but I believe -- did you see their testimony when
23 they said they looked at extending wells to the north?

24 A. Yes, sir.

25 Q. We don't know what they proposed, but they at

1 least talked about extending wells?

2 A. Yes.

3 Q. So at this point in time, looking at the data
4 that we know, and looking at Chevron's interests in Sections
5 17 and 20, your preference is to come in (inaudible) this
6 development, your position is you want to maintain your
7 two-mile development as part of your Northwest Heyhurst
8 development?

9 A. That's correct.

10 Q. Okay.

11 MR. FELDEWERT: That's all the questions I have.
12 Thank you.

13 HEARING EXAMINER BRANCARD: Are we threw with
14 this witness?

15 MR. FELDEWERT: Yes, sir.

16 HEARING EXAMINER BRANCARD:

17 MR. BRUCE: I have no further questions, Mr.
18 Examiner.

19 HEARING EXAMINER BRANCARD: We have just hit noon
20 here out in the land of enchantment, which means it's 1
21 o'clock your time there in Houston.

22 MR. FELDEWERT: Yeah.

23 HEARING EXAMINER BRANCARD: Shall we take a lunch
24 break?

25 MR. BRUCE: That would be --

1 HEARING EXAMINER BRANCARD: Okay. I have a very
2 sad dog I need to get home to, so shall we be back by 1 or 2
3 your time?

4 MR. FELDEWERT: Yes 1 o'clock your time is fine,
5 Mr. Brancard.

6 HEARING EXAMINER BRANCARD: Mr. Bruce, is that
7 okay with you?

8 MR. BRUCE: You bet.

9 HEARING EXAMINER BRANCARD: Then we will power
10 through when we get back. Thank you, everyone.

11 (Lunch recess taken. The proceeding resumed as
12 follows:)

13 MR. FELDEWERT: So Mr. Brancard, when you are
14 ready, I think we are ready to proceed with our next
15 witness.

16 HEARING EXAMINER BRANCARD: I'm ready. This
17 should be your last witness?

18 MR. FELDEWERT: Yes, sir.

19 HEARING EXAMINER BRANCARD: All right.

20 MR. FELDEWERT: Would you please state your name,
21 identify by whom you are employed and in what capacity.

22 MR. TABIJE: My name is Andrew Tabije. I'm a
23 facilities engineer with Chevron USA.

24 HEARING EXAMINER BRANCARD: Thank you.

25 Mr. Tabije, could you spell your name please and I will

1 swear you in?

2 MR. TABIJE: Yes, sir. Andrew, last name Tabije,
3 T-a-b-i-j-e.

4 HEARING EXAMINER BRANCARD: Thank you. Would you
5 raise your right hand please.

6 (Oath administered.)

7 HEARING EXAMINER BRANCARD: Thank you.

8 ANDREW TABIJE

9 (Sworn, testified as follows:)

10 DIRECT EXAMINATION

11 BY MR. FELDEWERT:

12 Q. Mr. Tabije, did you execute the affidavit that
13 has been marked as Chevron Exhibit D, as in David, in these
14 cases?

15 A. Yes.

16 Q. And is that affidavit incorporated in reference
17 to what's been marked as Exhibits D-1 through D-3?

18 A. Yes.

19 Q. And does D-1 provide your educational background
20 and work history?

21 A. That's correct.

22 MR. FELDEWERT: Mr. Brancard, I would tender
23 Mr. Tabije as an expert in petroleum facilities and
24 engineer.

25 MR. BRUCE: No objection, Mr. Examiner.

1 HEARING EXAMINER BRANCARD: So admitted.

2 MR. FELDEWERT: I move then the admission, Mr.
3 Examiner, of Chevron Exhibits D associated Exhibits D-1
4 through D-3.

5 MR. BRUCE: No objection.

6 HEARING EXAMINER BRANCARD: Exhibits are
7 admitted.

8 (Exhibits Chevron D, D-1 through D-3 admitted.)

9 MR. FELDEWERT: With that then I will pass the
10 witness.

11 HEARING EXAMINER BRANCARD: Mr. Bruce?

12 MR. BRUCE: Just a few questions.

13 CROSS-EXAMINATION

14 BY MR. BRUCE:

15 Q. You're proposing to surface commingle production
16 from a very large area, aren't you?

17 A. Correct.

18 Q. And how are you going to accomplish that?

19 A. We have numerous points at our facilities.

20 Q. Are you sure you can get approval for however
21 many sections to surface commingle?

22 A. In our facilities design we can accommodate
23 commingling in multiple sections. We have, in our design,
24 the ability to have multiple points depending on the
25 commingling approvals.

1 Q. You haven't applied for it yet, though?

2 A. That's correct.

3 Q. How many Wolfcamp wells have been drilled in the
4 Northwest Heyhurst area?

5 A. None.

6 Q. By Chevron?

7 A. None.

8 Q. And in your testimony you say that water take-
9 away for the Heyhurst development area is in negotiation and
10 expected to be contracted this year.

11 A. That's correct.

12 Q. Do you have an estimation of what time this year?

13 A. I don't know and can't comment. Those contracts
14 are in negotiation right now, so I cannot state further.

15 Q. Okay, that's fine. That's fine. Let me just run
16 through my notes here. And maybe I should have asked this
17 of another witness, but how long has your Northwest Heyhurst
18 plan been in development?

19 A. How long has it been in development, as in --

20 Q. You know, from planning stage to now. Let's put
21 it that way, okay?

22 A. I don't know for sure. The acreage has been with
23 Chevron for quite some time. As far as how long we have
24 been doing or performing more detailed planning I can't
25 comment on.

1 Q. Okay. That's fine. Like I said, let me go
2 through my notes, I don't want to ask you any excess
3 questions. Does Chevron have any approved surface locations
4 for drilling these proposed wells?

5 A. They are not approved yet, however we had our
6 review on site with the BLM in November of 2021.

7 Q. Okay. And I would presume the same is applicable
8 to roads and pipeline rights of way?

9 A. That's correct.

10 Q. Just give me another minute here, sir. I really
11 don't -- let me ask this: There's been reference in the
12 past to moving forward to the East Chevron Cicada -- is it
13 Ci-cah-dah development area?

14 A. It's the Ci-ca-dah development area.

15 Q. Cicada. Okay, my accent is wrong.

16 MR. FELDEWERT: You are not from the Midwest.

17 MR. BRUCE: I'm from Canada, for crying out loud.

18 Q. In your development there, how many -- and you
19 are developing two-and-a-half-mile well units, how many
20 surface locations are you using?

21 A. I can't say. I don't have those numbers in front
22 of me right now. It's quite a big area. It would be hard
23 to speculate right now.

24 Q. Okay. And I know nothing about, how large is
25 this development area, roughly? You don't need to give me a

1 **specific number.**

2 A. The problem with that, it's a large number of
3 sections. As far as dimensions, I don't have the full area
4 map in front of me. We can look into it.

5 Q. Okay. And I -- just one, one final line of
6 questioning. Mr. Feldewert, in his opening, talks about
7 using a solar array for power for this situation. Could you
8 tell me more about this?

9 A. Yes. It's a new solar development in the central
10 part of our Heyhurst New Mexico development area. It's
11 about three miles away from it. It will produce around 20
12 megawatts capacity, and is planned to be installed in 2023.

13 Q. So basically what you are talking about is really
14 development of this area would be delayed for a year, year
15 and a half, something like that?

16 A. No, that development wouldn't be contingent upon
17 this. This is going in either way.

18 MR. BRUCE: That's all I have, Mr. Examiner.
19 Thank you, sir.

20 HEARING EXAMINER BRANCARD: Thank you. Mr.
21 Rose-Coss?

22 EXAMINER QUESTIONS

23 TECHNICAL EXAMINER ROSE-COSS: So I have a
24 question that's going to be from an observation based on
25 Cimarex's testimony. And basically Cimarex contends that

1 their plan has less surface disturbance. Coterra's plan
2 requires five rows of two well pads and only one central
3 tank battery to develop this section, 18, 15, and 20, and
4 Chevron's plan requires 10 rows of five well pads, at least,
5 central tank battery pads, and they stated this supports
6 Cimarex being named operator. How does Chevron respond to
7 this?

8 THE WITNESS: From the surface disturbance
9 perspective, I would point to our exhibits here which
10 Chevron's plan, we have a corridor infrastructure going in
11 for multiple well pads going in for the area. So with
12 respect to surface disturbance, between operator cases, I
13 would argue the surface disturbance is comparable.

14 TECHNICAL EXAMINER ROSE-COSS: Okay. And is
15 facility being presented as a means of saying Chevron is
16 going to create less waste, or how does that factor in?
17 Maybe it's been described, but --

18 THE WITNESS: I would characterize it as produced
19 operations and waste prevention. With the installation of
20 our solar facility, our power would be producing less
21 wasteful emissions.

22 TECHNICAL EXAMINER ROSE-COSS: Am I to imagine
23 then that these wells are potentially going to be drilled by
24 solar operated drill rigs?

25 THE WITNESS: By extension possibly. So in this

1 area you are trying to deploy electric drilling rigs for our
2 well operation, and with our grid in Harris, New Mexico,
3 with the installation of a solar facility, part of that mix
4 will be solar powered, so by extension, yes, solar powered
5 electric drilling rigs and pumps.

6 TECHNICAL EXAMINER ROSE-COSS: Those are all my
7 questions. Thank you.

8 HEARING EXAMINER BRANCARD: Thank you. So,
9 Mr. Tabije, you say that Chevron is negotiating for water
10 take-away. By that I guess you mean that Chevron is not
11 planning to do their own injection wells?

12 THE WITNESS: So there is a few options on the
13 table for us. We do operate co-op water disposal wells in
14 our Harris, New Mexico area. So we can send some of that
15 water that way, but also we are looking at third parties,
16 overall it could be a combination of all of this.

17 HEARING EXAMINER BRANCARD: And by third parties,
18 this means that the produced water will be piped away?

19 THE WITNESS: Yes.

20 HEARING EXAMINER BRANCARD: As opposed to trucks?

21 THE WITNESS: That's correct.

22 HEARING EXAMINER BRANCARD: So does that mean
23 that the produced water coming out of the wells will not be
24 available for recycling in your drilling?

25 THE WITNESS: No, there would be, our gathering

1 systems and our process system are connected, so it could go
2 straight to third parties, it could be diverted for recycle
3 for frac operations.

4 HEARING EXAMINER BRANCARD: So you would have the
5 facilities there to allow for recycling of produced water?
6 Will that work?

7 THE WITNESS: That's our intent.

8 HEARING EXAMINER BRANCARD: Okay, thank you. Any
9 redirect, Mr. Feldewert?

10 MR. FELDEWERT: Yes, I'm trying to pull up
11 the -- let me see if I can share this, there we go. I
12 apologize. Okay, here we go.

13 REDIRECT EXAMINATION

14 BY MR. FELDEWERT:

15 Q. Mr. Tabije, there was a discussion about the
16 onsite with the BLM. Do you recall that?

17 A. Correct.

18 Q. Okay. What you said was completed for the two
19 well pads here in the S/2 of the S/2 of 20?

20 A. That's correct.

21 Q. At the end of November?

22 A. At the end of November.

23 Q. Okay. And you said BLM is looking at that. Is
24 there a -- was there an issue raised by the BLM about those
25 well pads?

1 A. Correct. On the W/2 pad, they are looking at
2 proximity to the water draw relative to the original pad
3 location. That's still under review, and we are waiting to
4 hear back from the BLM. In discussions with the BLM we have
5 already identified an alternative pad location that would
6 give us (inaudible) with respect to the draw.

7 **Q. So the water draw is either going to be --**
8 **proximity of the water draw is either going to be approved**
9 **by the BLM or you have already worked out an alternative**
10 **location with the BLM?**

11 A. That's correct.

12 **Q. Has there been any -- you say you have the**
13 **central compressor station and central tank batteries in all**
14 **of these sections in the S/2 of the S/2 of 21?**

15 A. Yes, on this picture.

16 **Q. And based on your discussions with the BLM and**
17 **your analysis of topography with them, has there been**
18 **consideration about moving those particular central**
19 **facilities?**

20 A. That's correct. In the course of optimizing
21 location, and in taking into account feedback from BLM, we
22 are now looking at moving those locations slightly south to
23 the top of Section 28, not too far off from what this
24 diagram shows today.

25 **Q. Have you -- do you have an onsite scheduled with**

1 the BLM to discuss moving these central facilities?

2 A. That's correct. Later this month there will be
3 an onsite to walk through the final facilities location.

4 Q. Now, your plat here shows a corridor of
5 infrastructure in green, right, along the south border of
6 21, 20, down the west, west of 29 and south of 30?

7 A. That's correct.

8 Q. Okay. And that corridor is development for all
9 six sections?

10 A. Correct.

11 Q. Is that corridor going to be necessary and
12 utilized no matter the outcome of this hearing?

13 A. Yes.

14 Q. So that surface disturbance for that corridor has
15 to occur if you implement this Northwest Heyhurst
16 development area plan; right?

17 A. Correct.

18 Q. And Chevron would prefer to be able to use that
19 corridor for all six sections?

20 A. That's correct.

21 Q. Including 17 and 20?

22 A. Yes.

23 Q. Okay. The -- you mentioned -- there was
24 discussion about that solar array, which is depicted now as
25 Exhibit D-3.

1 A. Yes.

2 Q. I will say this, but let's get it on the record.
3 This is a facility that will be tied into your Northwest
4 Heyhurst development?

5 A. That's correct.

6 Q. Was there a lot of publicity on the approval of
7 this facility by the state?

8 A. Yes, there was.

9 Q. Okay. And is that going to put you in a unique
10 position, position of being able to use alternative fuel
11 sources for developing this Northwest Heyhurst area?

12 A. That's correct.

13 Q. You mentioned electric grid.

14 A. Yes.

15 Q. What do you call those? You have a name for
16 those?

17 A. E-drilling rig, E-drilling operation.

18 Q. They will be deployed out here?

19 A. That's our intent.

20 Q. Okay. And then you will be using what you call
21 alternative fuels?

22 A. That's correct, for the E-drill, it would be
23 powered in part by the solar system, so it's --

24 Q. Which leads to less emissions?

25 A. That's correct.

1 **Q. Something which is important to the State of New**
2 **Mexico; right?**

3 A. Correct.

4 **Q. Does Cimarex have any type of facility like this**
5 **available to them?**

6 A. Not to my knowledge.

7 MR. FELDEWERT: That's it, Mr. Brancard.

8 HEARING EXAMINER BRANCARD: Just one follow-up.
9 Why would Cimarex not be able to use this solar project?

10 THE WITNESS: I don't have an answer to that. We
11 haven't talked in detail, or to the best of my knowledge I'm
12 not sure of the exact details that will allow the use of
13 this solar fuel. This solar fuel was intended to power
14 Chevron's operation. It's hard to speculate on, on that.

15 HEARING EXAMINER BRANCARD: So the entire
16 generation from this facility is designed for Chevron?

17 THE WITNESS: That's correct.

18 MR. BRUCE: Could you I ask a couple of
19 questions, Mr. Examiner?

20 HEARING EXAMINER BRANCARD: Sure, just a couple.

21 RE CROSS-EXAMINATION

22 BY MR. BRUCE:

23 **Q. For decades now we have heard about carbon**
24 **dioxide emissions. Are you aware that in the United States**
25 **carbon dioxide emissions over the last three years have**

1 **declined by about 30 percent?**

2 A. I am generally aware, but I'm not an expert on
3 emissions.

4 Q. Well, I understand that. I'm -- even with my
5 couple of engineering degrees, I'm not an expert on that.
6 And are you aware that the main reason for that decrease in
7 CO2 emissions is the use of natural gas in electric water
8 plants?

9 A. I'm familiar.

10 Q. Yeah. So God bless Chevron for using solar
11 power, but my final question is, which is the more expensive
12 power source, natural gas or solar power?

13 A. I don't have the cost numbers for a particular is
14 behind the meter solar project. This is our own facility
15 providing our own power, so with respect to the overall
16 cost, yeah, I'm not sure.

17 Q. Thank you, sir.

18 MR. BRUCE: That's all I have, Mr. Examiner.

19 HEARING EXAMINER BRANCARD: Mr. Rose-Coss, any
20 questions?

21 TECHNICAL EXAMINER ROSE-COSS: No, Mr. Examiner.

22 HEARING EXAMINER BRANCARD: I believe we made --
23 are we done with your witnesses, Mr. Feldewert?

24 MR. FELDEWERT: Yes. I anticipate perhaps
25 calling another witness, but I need to have a little more

1 information about what Cimarex has disclosed in their plan
2 before I can do that.

3 HEARING EXAMINER BRANCARD: You are thinking of
4 calling a rebuttal witness. Is that correct?

5 MR. FELDEWERT: Yes. Yes.

6 HEARING EXAMINER BRANCARD: Okay. I think we
7 would like to move on then to the Cimarex presentation, if
8 you are okay with that, Mr. Feldewert.

9 MR. FELDEWERT: Yes, sir.

10 HEARING EXAMINER BRANCARD: Mr. Bruce, what do
11 you have for us this afternoon?

12 MR. BRUCE: Okay. If I can get my act together
13 if that's possible.

14 First, Mr. Morris, the landman, and then Ms.
15 Ramoutar, the geologist, and then Mr. Stewart, the engineer.
16 And what I plan on doing is, I will just have them all, if
17 you can, swear them all in at once and get them qualified as
18 experts, introduce their testimony, and I will probably ask
19 them a number -- each of them a few questions because they
20 are not only talking to their own testimony, but to respond
21 to Chevron's testimony, if that's okay.

22 HEARING EXAMINER BRANCARD: Okay, that sounds
23 workable. So I guess, if your witnesses can light up their
24 screens. I see Mr. Morris. Who else am I looking for?
25 Mr. Stewart? Ms. Ramoutar? Mr. Stewart, if you --

1 REPORTER: I'm getting feedback, an echo.

2 HEARING EXAMINER BRANCARD: Everyone raise their
3 right hand.

4 (Oath administered to all witnesses.)

5 HEARING EXAMINER BRANCARD: All right. Thank
6 you.

7 MR. BRUCE: Mr. Examiner, first I would request
8 that -- I submitted the exhibits -- first of all, you know,
9 Exhibits A-1 and A-2 are the applications and proposed
10 notices. And then Exhibits E, F and -- E and F are the
11 publication notices and the certified notices, and I would
12 ask that those be admitted into the record.

13 HEARING EXAMINER BRANCARD: So Exhibit A-1 and
14 A-2, Exhibit E-1 and E-2, Exhibit F-1 and F-2?

15 MR. BRUCE: Yes. And because I'm a sluggard,
16 once again I realized I have not submitted my pooling
17 checklist, but I will do that this weekend. But anyway,
18 with that I would start off with my landman, Mr. Morris.

19 HEARING EXAMINER BRANCARD: All right. Any
20 objections to those exhibits?

21 MR. FELDEWERT: No, Mr. Examiner. Let's see if
22 I've got this straight. So that would be his Exhibit A.
23 And that's the notice, right, Jim?

24 MR. BRUCE: That's correct.

25 MR. FELDEWERT: I have no objection. I of course

1 should probably likewise admit the Chevron's notice
2 information as well.

3 MR. BRUCE: No objection.

4 MR. FELDEWERT: Which, for the record,
5 Mr. Brancard, I'm sorry --

6 HEARING EXAMINER BRANCARD: That's your
7 Exhibit E?

8 MR. FELDEWERT: I'm looking at it right now.
9 Let's see, E and F. We submitted our compulsory pooling
10 checklist, it would be Exhibits E and F thank you.

11 HEARING EXAMINER BRANCARD: Thank you. Okay, so
12 Chevron's Exhibits E and F are admitted.

13 (Exhibits Chevron E and F admitted.)

14 HEARING EXAMINER BRANCARD: And Cimarex Exhibits
15 A-1, A-2, E-1, E-2, F-1, F-2 are admitted.

16 (Exhibits Cimarex A-1, A-2, E-1, E-2, F-1, F-2
17 admitted.)

18 MR. BRUCE: Thank you. May I begin, Mr.
19 Examiner?

20 HEARING EXAMINER BRANCARD: Yes, you may.

21 RILEY MORRIS

22 (Sworn, testified as follows:)

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Mr. Morris, would you state your name --

1 **(Audio interference.)**

2 A. My name is Riley Morris, and I reside in Midland,
3 Texas.

4 **Q. And who do you work for --**

5 **(Audio interference.)**

6 HEARING EXAMINER BRANCARD: We'll deal with this.
7 Mr. Morris, you are going to have to mute yourself until you
8 are absolutely ready to stop. Wait until the question is
9 asked, unmute yourself and then speak.

10 THE WITNESS: Okay.

11 A. So to answer your question, Jim, I'm the Eddy
12 County lineman for Coterra.

13 **Q. Okay. And have you previously testified before**
14 **the Division?**

15 A. Yes, sir.

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

18 A. Yes.

19 **Q. And have you prepared what has been marked as**
20 **Exhibit B, which is your self-affirmed testimony and your**
21 **exhibits, the attachments, Pages -- all of the attachments**
22 **to your testimony?**

23 A. Yes, sir.

24 MR. BRUCE: Mr. Examiner, I would ask that
25 Cimarex Exhibit B and the attachments --

1 Q. I have one more question, Mr. Morris. Were the
2 exhibits to your testimony prepared by you, under your
3 supervision or compiled from company business records?

4 A. They were compiled by me and I had some
5 assistance.

6 MR. BRUCE: Mr. Examiner, I would ask that
7 Exhibit B and the attachments thereto be admitted into
8 evidence.

9 HEARING EXAMINER BRANCARD: Any objection?

10 MR. FELDEWERT: Just for purposes of the record,
11 I understand Exhibit B to be the affidavit, and then I see a
12 series of pages containing annotations that go from 1 to 13.
13 Does that sound right, Mr. Bruce?

14 MR. BRUCE: Well, and -- yes. Mr. Feldewert,
15 actually, his attachments go from Page 1 to Page 49. The
16 reason -- my exhibits -- your exhibits, and I think you
17 have much more powerful computers than I do, I have to
18 submit the exhibits in six parts because otherwise my
19 computer won't upload them.

20 But if you look at my exhibits, my Part 1
21 exhibits and Part 2 exhibits, Mr. Morris' attachments go
22 from Page 1 through Page 49 which is at the end of Part 2 of
23 the exhibit packages.

24 MR. FELDEWERT: Hold on, let me catch up here.
25 I'm trying to get a handle on -- I don't recall there -- I

1 can't see Mr. Morris -- there is 13 that was under --

2 MR. BRUCE: That was under Part 1 of the exhibit
3 packages.

4 MR. FELDEWERT: Okay.

5 MR. BRUCE: And then if you go to Part 2 of the
6 exhibit packages is the rest of Mr. Morris' exhibits.

7 MR. FELDEWERT: That would include some AFES?

8 MR. BRUCE: AFES, primarily AFES.

9 MR. FELDEWERT: Looks like it's all AFES. So
10 that's ends on Page 49; is that correct?

11 MR. BRUCE: That is correct.

12 MR. FELDEWERT: Thank you. Got it. No
13 objection.

14 HEARING EXAMINER BRANCARD: Thank you. Exhibit B
15 and all of the attachments will be admitted.

16 (Exhibit Cimarex B and attachments admitted.)

17 BY MR. BRUCE:

18 Q. Mr. Morris, in looking at your self-affirmed
19 testimony on Page 2, could you just briefly -- I don't want
20 to go through all of this, and I think we have a bunch of
21 questions which relate to Chevron's testimony which we will
22 take -- have certain answers for, but could you just briefly
23 state the main reasons why Cimarex thinks its development
24 project is better than Chevron's?

25 A. I think the main one is the utilization of longer

1 laterals, along with being able to space our wells in
2 accordance with, you know, our spacing pattern. I think the
3 other big point to make is the surface disturbance being
4 reduced in our plan, being able to drill all of our Bone
5 Spring and Wolfcamp wells from the same two pads.

6 We do have, you know, some adjacent take-away.
7 We operate a large amount of acreage just to the west, a lot
8 of that with, you know, Chevron's joinder, so I think that,
9 you know, overall, those would be the main points that I
10 would make.

11 **Q. Thank you. And you know there's been reference**
12 **to letting Cimarex just develop Section 8 alone with one-**
13 **mile laterals, regardless of the formation, but there is**
14 **reference to the fact that Cimarex has drilled wells in**
15 **Section 8 on one-mile laterals. When were those wells**
16 **drilled?**

17 **A. Yes, sir, we have some Second Bone Spring wells**
18 **in both Section 8 and Section 20, all of those wells were**
19 **drilled in the 2015 time frame.**

20 **Q. And you're not an engineer or geologist, but**
21 **obviously there's been, over the last 6, 7 years, there's**
22 **been a massive increase in knowledge and technical knowledge**
23 **about how to drill these wells and how to drill longer**
24 **wells. Is that a fair statement from a landman?**

25 **A. Yes, sir, absolutely.**

1 Q. Some of these questions may seem out of order,
2 but I just want to make them -- go through them as I see
3 them.

4 Number one, have you looked at the notice list --
5 or the interest ownership listed by Chevron as compared to
6 interest ownership that Cimarex gave the interest owners.

7 A. Yes, sir, I have. I have noticed that the number
8 of parties that we sent notices to was approximately 30, and
9 Chevron's was 17.

10 Q. So there needs to be some clarification as to who
11 is -- whether proper notice has been given by Chevron.
12 Would that be fair?

13 A. Yes, sir.

14 Q. And then I want to hit on this, I mentioned it in
15 my opening argument, but you were looking at a number of
16 options on how to develop your Section 8 acreage in this
17 area; correct?

18 A. Yes, sir.

19 Q. And did you look to the north to see if you could
20 develop that Section 8 in conjunction with Section 5 and
21 even acreage to the north of that?

22 A. Yes, sir, I did. I reached out multiple times to
23 EOG to see if we could do some type of a two-mile
24 development and swap, you know, 320s so we could both drill
25 two mile wells, and I was told each time that they have that

1 tied up with a trade with Concho, now ConocoPhillips.

2 Q. And they would not, let's say, voluntarily agree
3 to your --

4 A. Yes, sir.

5 Q. And so if Chevron's applications are granted, you
6 would be confined to one-mile horizontal Wolfcamp wells?

7 A. Yes, sir.

8 Q. And when you are looking at your proposals for
9 three-mile wells, what is the approximate working interest
10 that Cimarex would have in your proposed three-mile wells?

11 A. Approximately 59 percent. I will make one note
12 just so everyone is aware, the exhibit -- my land exhibits
13 we have the E/2 listed in here. The W/2 ownership is with
14 our engineer's exhibit, so if you all want to take some time
15 to look through Brett's exhibits, it shows both the W/2 and
16 E/2 ownership. I just wanted to clarify.

17 Q. And I can't even remember if I had seen this, but
18 Cimarex has drilled not Wolfcamp, but one-mile laterals in
19 the Bone Spring formation in Section 8?

20 A. Yes, sir, we have.

21 Q. But that was a number of years ago; right?

22 A. Yes, sir, in 2015. And I misspoke, my exhibit is
23 actually 50 percent, not 59. I apologize.

24 Q. Okay. Just a minute here, let me -- now
25 Chevron's Northwest Heyhurst development area, was there any

1 **approval for that been given by say the BLM?**

2 A. I believe, talking with one of my other
3 facilities engineers that that was approved in 2016, but for
4 whatever reason that project has not progressed.

5 **Q. Okay. So nothing has been drilled under the**
6 **approved development area?**

7 A. Not to my knowledge. I don't believe that was
8 approved for Bone Spring, I think it was Wolfcamp, but I
9 will have to defer to someone that is a little bit more
10 knowledgeable on the wells that were assigned to be
11 committed to it.

12 **Q. And both you and Chevron have been talking about**
13 **this area for quite a while, quite a number of months now;**
14 **correct?**

15 A. Yes, sir. We first proposed our Bone Spring
16 wells, which got, you know, the conversation started back in
17 June 1 of 2021.

18 **Q. Was there any initial objection to three-mile**
19 **wells?**

20 A. No, sir. The main objection was they wanted our
21 Wolfcamp rights, and they would trade us their Bone Spring
22 rights.

23 **Q. And will Cimarex' other witnesses comment on some**
24 **of these issues that have been raised by Chevron?**

25 A. Yes, sir, they will.

1 MR. BRUCE: Mr. Examiner, I conclude my direct
2 and pass the witness.

3 HEARING EXAMINER BRANCARD: Thank you. Mr.
4 Feldewert, do you have any questions?

5 MR. FELDEWERT: Yes.

6 CROSS-EXAMINATION

7 BY MR. FELDEWERT:

8 Q. Good afternoon, Mr. Morris.

9 A. Good afternoon.

10 Q. I want to talk about your interesting statement
11 in Paragraph 15 of your affidavit. Do you have that in
12 front of you? Do you have that in front of you?

13 A. Yes, sir.

14 Q. And this is about your efforts to look into
15 drilling from Section 8 into Section 5, okay? And you state
16 in the top, you state you thought about that and inquired of
17 EOG and COG, the primary owners there in adjacent acreage,
18 and they said no, in no uncertain terms, they have their own
19 plans to develop their acreage. Is that your statement?

20 A. Yes, sir, that's correct.

21 Q. Okay. Now, let me ask you a couple of questions,
22 did you propose drilling Wolfcamp wells to EOG and COG?

23 A. No, sir, we did not.

24 Q. What did you propose to them?

25 A. I proposed trade --

1 Q. Did you propose drilling into their acreage from
2 your acreage?

3 A. No, sir.

4 Q. So why do you say in Paragraph 15 you can't drill
5 from the north in Section 8 into Section 5 if you have never
6 inquired with them about any particular drilling plans from
7 Section 8 into Section 5?

8 A. I would say it's more of a, a general feedback
9 that I got from my counterpart at EOG, that that was in
10 talks to be closed on soon. I think the, you know, overall
11 feeling I got from that was we would be better served to
12 look to develop our acreage in Section 8 along with the
13 acreage to the south that we owned.

14 Q. So general feedback?

15 A. Yes. There was a direct response that they would
16 not be interested in trading Section 5.

17 Q. Have you talked about drilling?

18 A. Yes, we did. And that was met with the same
19 response, that they were planning to do a 320 for 320 swap
20 so they could drill their two-mile wells in 5, and I believe
21 north of that is Section 32, if I'm not mistaken.

22 Q. You testified that you proposed to them to drill
23 two-mile wells?

24 A. I did not formally propose to drill two-miles
25 wells, no.

1 Q. Did you discuss it with them?

2 A. Yes, sir.

3 Q. Okay. Drilling two-mile wells from Section 8
4 into Section 5?

5 A. Right. I mean that was the initial thought,
6 going 8 to 5. I don't think that we would have any, you
7 know, I guess -- what's the word for it -- prejudice against
8 drilling further than two miles if there were opportunity to
9 present itself. But like I said, it was not presented by
10 EOG being that it was a tract that was under serious
11 consideration to be traded to Concho.

12 Q. Did you discuss it with Concho?

13 A. No, I have not, not about this specific tract.

14 Q. But your statement says you inquired of Concho?

15 A. I think this is more in a general sense with EOG,
16 and so that -- I apologize if that's misleading. It was
17 more about the co-development that Concho and EOG were
18 considering, so that could be stated more clearly, you are
19 correct.

20 Q. It's not -- it's not a definitive no that you put
21 in there.

22 A. I would say it was a definitive no from EOG,
23 which is the first tract north of Section 8.

24 Q. Now you mentioned two-mile wells, that's what you
25 were considering drilling from Section 8 into Section 5?

1 A. That's per the high level, that was the initial
2 response, initial discussion, yes, sir.

3 **Q. And they would be drilled in the S/2 S/2 of**
4 **Section 8?**

5 A. Yes, sir, that would have been the plan.

6 **Q. And that would be from your existing facilities**
7 **in the S/2 S/2 of Section 8; correct?**

8 A. Well, being those are Bone Spring facilities, I'm
9 not a facilities engineer, but I do believe there has to be
10 additional considerations made for building new facilities
11 for Wolfcamp wells being that the, you know -- but we might
12 be able to put other Bone Spring wells in there, so I think
13 that's a fair point.

14 **Q. So at least somebody conceptually thought you**
15 **could take your existing facilities in the S/2 S/2 of**
16 **Section 8 and develop it Section 8 either by itself or with**
17 **Section 5?**

18 A. When you say someone, who are you referring to?

19 **Q. Well, someone in your company came to the**
20 **conclusion that you could drill from the S/2 S/2 of**
21 **Section 8.**

22 A. Will we drill the wells in Section 8? Is that
23 the question?

24 **Q. When you were having these discussions with**
25 **Concho and EOG.**

1 A. No one within my company made any determination
2 that that would be a development area. This was merely a
3 landman to landman discussion.

4 **Q. So instead of pursuing that facility, you chose**
5 **to try to pool Chevron into three-mile wells?**

6 A. Yes, sir, that's correct. We have others in the
7 N/2 of 17 that's Wolfcamp ownership, and we were also
8 acquiring leases in that Section 20.

9 **Q. Now, Paragraph 14 talks about who you seek to**
10 **pool in your affidavit.**

11 A. Yes, sir.

12 **Q. It says, "We seek to pool all the listed**
13 **parties."**

14 A. Yes, sir.

15 **Q. So none of the, none of the working interest**
16 **owners -- there is a lot feedback here. So none of the**
17 **working interest owners or the mineral owners support your**
18 **suggestion for three-mile wells in Section 8, 17 and 20?**

19 A. I have had some positive conversations with
20 Premiere Oil & Gas. They were initially on board. They
21 have signed a JOA for the Bone Spring wells that are three
22 miles, but we have not obtained joinder from Premiere on any
23 of the Wolfcamp wells. We have had discussions with some
24 owners, and they own in Section 20 that have elected to
25 participate.

1 So we've got some positive response, but everyone
2 is kind of set off to the sideline until we get this figured
3 out between Cimarex and Chevron.

4 **Q. Now, when I look at your affidavit in Paragraph**
5 **19, you also note that there are unlocatable owners?**

6 A. So there is a quite a few unleased interests in
7 the 80 acre tract in the E/2 E/2 of Section 20, and some of
8 those have, you know, been unlocatable. We've searched
9 multiple times for addresses and have not been able to
10 contact those parties.

11 **Q. Now, I'm trying to understand, if I looked at**
12 **your affidavit, and I go to the first slide that you**
13 **present, which in the bottom right-hand corner it says Slide**
14 **31; is that right? I will show you. There's a Slide 31; is**
15 **is that right?**

16 A. Yes, sir.

17 **Q. Let's see where it is here. Do you have that in**
18 **front of you?**

19 A. Yes, sir.

20 **Q. Now, this is a slide that you created?**

21 A. Yes, sir, it is.

22 **Q. Can you explain for me, your affidavit says that**
23 **there's unleased mineral owners that you seek to pool. When**
24 **I look at your Slide 31, it says -- there's a line in there**
25 **for unleased; correct?**

1 A. Yes, sir.

2 Q. But where do you provide a list of those unleased
3 owners that you seek to pool?

4 A. In the notification, I think it's Exhibit --
5 THE WITNESS: Jim, can you help me here where we
6 have those all listed?

7 Q. That's not in this exhibit right; Mr. Morris?

8 A. No, sir, I don't believe it is. We have the
9 information, I think, further back in the exhibits where it
10 lists all the parties that were sent notices.

11 Q. And I don't see, for example, a chronology of
12 contacts in your affidavit or with your affidavit.

13 A. I believe that we submitted that the original
14 application, but I'm sure unsure where it is right now.

15 Q. Well, I'm unsure, too, because I don't see it
16 anywhere.

17 A. Okay.

18 Q. Now, I have looked at your discussion here about
19 these parties, and I go here to Paragraph 21 in your
20 affidavit. Can you turn there for me, please? Are you
21 there?

22 A. Yes.

23 Q. So first off, I don't see a list of the mineral
24 owners that you seek to pool. And then you state -- and no
25 chronology contact. And then you state in Paragraph 21, you

1 say, in your opinion that Chevron made a good-faith effort
2 to locate and obtain voluntary joinder interest owners in
3 the well, and you say yes. And I agree with that, Chevron
4 has, but you offer nothing on Cimarex, no statement, no
5 chronology, nothing.

6 A. I think that the part that I addressed in my
7 affidavit being Paragraph 18 where, you know, more or less a
8 chronology of contacts being a discussion on a high level --
9 contacts with the interest owners.

10 Q. The unleased mineral owners, what about them?

11 A. The unleased mineral owners, we have obtained
12 some leases. I have had contact with multiple unleased
13 mineral owners that are wanting to -- or have information
14 about their operations. I think it's the last sentence I
15 have in there before the page ends. That smaller working
16 interest owners -- about that -- explanation or timing and
17 pass port as it relates to the parties and small ownership
18 shares that are interested in participating in the
19 development. So I put that in there to try to encapsulate.

20 Q. I see. I see. Not much there, especially
21 without a list. Now, let me ask you about your slide 31
22 again. Do you have that in front of you?

23 A. Yes.

24 Q. Okay. You, did you create this?

25 A. Yes. Yes, sir, I created this slide. I had my

1 geology experts create the map, but the slide content I did
2 create.

3 Q. And the yellow is supposed to represent Cimarex's
4 leasehold acreage; is that right?

5 A. Yes, sir.

6 Q. But that's not correct, is it?

7 A. It does appear that Tract 5 is a hundred percent
8 owned by Chevron as to the Wolfcamp would be different in
9 this layer. Our leasehold layers are not that specific in
10 our GIS system, so if we have an ownership anywhere within
11 that tract, it will show as yellow, so that's the reason
12 that there is some tract that should be a hundred percent
13 Chevron that are colored yellow on this exhibit.

14 Q. So that would not be a Cimarex leasehold in the
15 Wolfcamp?

16 A. Correct.

17 Q. And that's -- and the same thing with Tract 7 or
18 Tract 4; correct?

19 A. Yes, sir.

20 Q. You don't have any interest there even though you
21 suggest you do in this slide?

22 A. I've listed that Chevron owns it 100 percent.
23 The graphic is incorrect, I apologize for that.

24 Q. And that's consistent throughout your exhibits
25 that you presented in this case, right, these types of

1 slides?

2 MR. BRUCE: I object. People make mistakes. Let
3 it go.

4 Q. I just asked if it's consistent when I see this
5 slide -- this type of slide in your other exhibits, it's
6 incorrectly labeled, right, Mr. Morris?

7 A. Yes, I would agree that's a fair statement, yes,
8 sir.

9 Q. All right. Now, you are aware that Cimarex is
10 only proposing four wells in the Upper Wolfcamp Sands for
11 these sections?

12 A. Yes, sir.

13 Q. Okay. That is not consistent with what Cimarex
14 has proposed and utilized in other areas with similar
15 geology?

16 A. I'm unsure of that. I would have to defer to my
17 geologist and engineer. I think the specifics for that
18 reasoning would go outside of the scope of my knowledge.

19 Q. Well, are you familiar with Cimarex's Southern
20 Hills development just to the south of this acreage in
21 Section 29 and 32?

22 A. Yes, sir, I am.

23 Q. Okay. And in that area, isn't Cimarex proposing
24 to develop the Upper Wolfcamp?

25 A. Yes, sir. I believe it's the 3H and 4H wells.

1 Q. And that would be the same type of geology lot
2 that you see here, basically the same; right?

3 A. Yes, sir, I would agree that would be somewhat
4 the same.

5 Q. Okay. And isn't it true, Mr. Morris, that you
6 submitted well proposals and evidence to the Division in
7 connection with the pooling of that acreage that does not
8 translate to four wells per section, but instead eight wells
9 per section?

10 A. I believe that the C-102 for the 3H well was
11 misplaced on our development plan. It is to drill a 3H well
12 in the W/2 W/2 of Section 32 and 29, and the 4H would be in
13 the E/2 W/2 of 32 and 29. So that was an error on our part
14 and something that would be corrected.

15 Q. But then you also propose -- but didn't you also
16 then propose -- you file a C-102, but then you propose to
17 the working interest owners down here for the development of
18 the Upper Wolfcamp a net that would result in eight wells
19 per section?

20 A. Again, I think that was in error. The way that
21 we work our well proposals is it's built off a geo plot
22 data, and the geo plot data was incorrect. So it led to
23 what -- basically the easiest way to explain it is the two
24 wells kind of overlapped in the same proration unit when
25 they should be in separate proration units. So again, it's

1 an error on our part that we will work to --

2 MR. FELDEWERT: I'm going to share, if I may, Mr.
3 Examiner -- I'm having difficulty here.

4 Q. So let me make sure I understand it, Mr. Morris,
5 when I looked at what you submitted in the Southern Hills
6 case just to the south, you agree with me that what you
7 submitted to the working interest owners and the Division
8 was information that would indicate spacing of eight wells
9 per section.

10 A. Yes, sir. I reviewed the supplemental exhibit
11 that you submitted this morning, and that does appear to be
12 the case.

13 Q. Do you have that in front of you?

14 A. I can pull it up. Let me find it real quick.
15 Yes, sir I have it pulled up.

16 Q. When I look at those, what we had marked there as
17 Supplemental Exhibit Chevron Number 12 -- I'm sorry. I'm
18 sorry. Chevron Supplemental Exhibit H, do you have that in
19 front of you?

20 A. Yes, sir, I'm scrolling.

21 Q. Thank you. Do you have the affidavit put up on
22 the screen? Sorry, about that.

23 MR. BRUCE: Mr. Morris, it's the one I sent you.

24 THE WITNESS: Yes, sir, I have it, Jim, I'm
25 finding it.

1 Q. So this is what we marked as Supplemental
2 Exhibit H; right?

3 A. Right.

4 Q. Okay. This is an affidavit that you submitted to
5 the Division in that case?

6 A. Yes, sir.

7 Q. Okay. When I look at that --

8 HEARING EXAMINER BRANCARD: Mr. Feldewert, can I
9 just briefly ask what the relevance of this is?

10 MR. FELDEWERT: The relevance is, Mr. Examiner,
11 that just last month they suggested to the Division that
12 they were going to develop the Southern Hills area with
13 eight wells per section, and they propose eight wells per
14 section to the working interest owners. And they filed
15 exhibits with the Division saying they were going to develop
16 the Southern Hills acreage just to the south with eight
17 wells per section.

18 HEARING EXAMINER BRANCARD: So?

19 MR. FELDEWERT: Which is exactly -- which is what
20 Chevron is proposing here.

21 MR. BRUCE: Mr. Examiner, may I say that
22 Mr. Morris has already disputed that, but that case is not
23 gone to hearing yet.

24 HEARING EXAMINER BRANCARD: I guess I'm not quite
25 sure what the relevance is to this proposal. But on the

1 other hand, I'm looking at these documents, I can't find a
2 well in the section here, so you lost me Mr. Feldewert.

3 MR. FELDEWERT: May I continue and I can --

4 HEARING EXAMINER BRANCARD: You can continue,
5 but --

6 MR. FELDEWERT: Okay.

7 Q. So now, Mr. Morris, if I go to what you filed
8 with the Division, these are the C-102s that you filed?

9 A. Yes, sir, that's correct.

10 Q. And before filing with the Division, did you
11 check with your engineering and geology department to make
12 sure that they were correct?

13 A. We work with our regulatory department, and like
14 I said, it appears that the geo plot data was wrong on the
15 3H well, that first C-102 to the W/2 or the E/2 of the W/2.
16 If you -- I think you have all of the exhibits that we --
17 I do have a wine rack that shows what our plan is if that
18 that would be helpful for everyone to view.

19 Q. So if I'm understanding you, you are saying this
20 is now --

21 (Audio interference)

22 Q. You are saying that that's now a mistake?

23 A. Yes, sir, that's correct.

24 Q. When I look at the well proposal that you sent
25 out in September of 2021 to Chevron, and I'm assuming the

1 other working interest owners, it likewise represents a well
2 spacing pattern that would be eight wells per section;
3 correct?

4 A. Yes, sir, that is correct. Like I said, the geo
5 plot information appeared to be wrong, and when that was put
6 into the proposal letter, it furthered the error.

7 HEARING EXAMINER BRANCARD: I guess I'm really
8 puzzled here. I don't see that at all in this letter,
9 but --

10 Q. Mr. Morris, 3H would be 1840 from the west line
11 of the bottom hole?

12 A. Yes, sir, Mr. Feldewert, it is the incorrect
13 information.

14 THE WITNESS: I have a wine rack if it would
15 please the Commission to do that.

16 HEARING EXAMINER BRANCARD: Okay, Mr. Feldewert.
17 If the proposals were half a section and there is two wells,
18 multiplied by two you get four. So how are you getting
19 eight?

20 MR. FELDEWERT: Mr. Brancard, both of those wells
21 are in the E/2 of the W/2.

22 HEARING EXAMINER BRANCARD: So?

23 MR. FELDEWERT: That's two wells, and when you
24 multiply it by each 160, that would be eight.

25 HEARING EXAMINER BRANCARD: But this isn't a

1 proposal for the E/2 of the W/2, this a proposal for half
2 the section.

3 MR. FELDEWERT: Right. And you have both wells
4 in the E/2 of the W/2. That would be four wells per half
5 section, which would be eight wells per section.

6 HEARING EXAMINER BRANCARD: But they don't say
7 four wells per half section, they say two wells per half
8 section. So clearly someone's made a mistake here. They
9 either should have four wells listed or they should have
10 them in the correct -- I'm really confused. Obviously there
11 is a mistake that makes it confusing which Mr. Morris has
12 admitted to here.

13 MR. FELDEWERT: Okay, let me, if I may, let
14 me -- if I may --

15 (Audio interference.)

16 **Q. Now, Mr. Morris --**

17 MR. FELDEWERT: Mr. Examiner, I'm getting.
18 Is everybody else getting feedback.

19 MS. SALVIDREZ: Mr. Feldewert, I think it's from
20 you because you have Houston not muted and yourself not
21 muted, so it's on your side.

22 MR. FELDEWERT: Is that better?

23 MS. SALVIDREZ: Let me mute you on Houston.

24 MR. FELDEWERT: I think I just muted myself. Did
25 that help?

1 MS. SALVIDREZ: Yes.

2 MR. FELDEWERT: Okay, thank you. Thank you.

3 BY MR. FELDEWERT:

4 Q. Let me ask you, Mr. Morris. Did you assist
5 Mr. Stewart in the presentation of some of his slides,
6 particularly with respect to the land ownership issues?

7 A. As it applies to his exhibits that are attached?

8 Q. The exhibits that are -- yes, exhibits that were
9 attached to some of his -- to his affidavit because they
10 seem to involve some land issues.

11 A. I think that that was attached in error. Like I
12 was saying, the W/2 proration unit and E/2 proration unit
13 should have both been on the land exhibit, but we just got
14 one -- the W/2 put back onto the affidavit, but I can speak
15 to them, yes.

16 Q. Okay. Let me see if I can share this here. This
17 is the affidavit of Brett Stewart. He is your engineer;
18 right?

19 A. Yes, sir, that's correct.

20 Q. Okay. And you see he has slide here 26 Coterra's
21 ownership summary. Do you see that?

22 A. I had it printed out. Let me see if I can look
23 at it.

24 Q. If you can bring it up that would be helpful.
25 Let me know when you have it in front of you.

1 A. I can go from the copy that you --

2 Q. Okay. Did you help -- my question is, did you
3 help him put together some of the information on this slide?

4 A. The one point I think that was probably copied
5 and pasted from an internal presentation has joinder of all
6 parties other than CBX. I think that that was more of an
7 internal discussion point being that no one else has
8 protested us, but that's not the only thing on here that's
9 land related, I believe, other than the (inaudible).

10 Q. So the statement that Coterra -- or Cimarex has
11 joinder of all parties other than Cimarex, that wouldn't be
12 true; correct?

13 A. Yes, sir. I think it should have been worded
14 differently. There hasn't been other parties protest.

15 Q. Then if I look at the second to the last bullet
16 point, the subpart, it says, "Coterra has ownership in the
17 first take point and last take point of this well," that's
18 not correct, either?

19 A. I think that that was more along the lines of the
20 leases we have taken in the E/2 E/2 of Section 20 that is
21 very near the last take point, but you are correct that that
22 is not a fully accurate statement.

23 Q. You don't have an ownership in the last take
24 point?

25 A. No, sir.

1 Q. Okay.

2 A. But again, I think this was probably taken from
3 an internal discussion, so that's the reason that it's
4 poorly worded.

5 Q. And to say the converse of that is you state in
6 the next bullet point that Chevron does not own the last
7 take point in the Wolfcamp A, that's incorrect, too; right?

8 A. I believe the last take point for the Chevron
9 wells is in the N/2 of 17, and that's correct.

10 Q. Well, here you are talking about your proposed
11 three-mile wells in the Wolfcamp A.

12 A. I think that that bullet point is meant more for
13 the -- the inverse of, you know, where Chevrons plans are.
14 So if, you know, we stated that we had ownership in the
15 first take point and last take point which -- in all the
16 wells, that's incorrect. We have some in the E/2 E/2 of
17 Section 20, but to your point it is not in the last take
18 point.

19 I think this was put in there to show that under
20 the Chevron plan, they don't have ownership in the last take
21 point in their wells. So, you know, again I apologize, it
22 could have been worded better.

23 Q. That's correct, isn't it, Chevron has the
24 ownership in the last take point of their wells? Isn't that
25 right?

1 A. In the N/2 of Section 17 as to the Wolfcamp?

2 Q. I'm sorry, Mr. Morris, you say Chevron does not
3 own the last take point in the Wolfcamp A proposals, what
4 are you talking about?

5 A. Well, in their well proposals, and their surface
6 locations, the first take point is in Section 20. Their
7 last take point as proposed would be in the N/2 of Section
8 17, Coterra owns those Wolfcamp rights 100 percent.

9 Q. Okay. So you are talking about the Wolfcamp?

10 A. Yes, sir, that's correct.

11 Q. When you say you have taken new leases in Section
12 20, what are you talking about?

13 A. We took some leases from a few unleased mineral
14 owners in that east 80 acres, Number -- I believe Tract 6 on
15 the E/2 proration unit.

16 Q. So that did not cure the incorrect depiction of
17 your (inaudible) in yellow, that's what I'm trying to get
18 to. But it's still in the same Tract 6 where that's the
19 only area where you have an ownership in Section 20; right?

20 A. Yes, sir, as to the Wolfcamp formation, yes, sir.

21 Q. Okay. All right. Okay. And I think you
22 qualified your point that when it comes to your proposal,
23 your three-mile proposal, you said your ownership was
24 roughly 50 percent, I think?

25 A. Yes, sir, that's correct.

1 **Q. Okay.**

2 MR. FELDEWERT: That's all I have, Mr. Morris.

3 Thank you.

4 HEARING EXAMINER BRANCARD: Thank you. Mr.

5 Rose-Coss?

6 EXAMINER QUESTIONS

7 TECHNICAL EXAMINER ROSE-COSS: All right. Yes,
8 now after Mr. Feldewert's questions. One of the things that
9 comes to mind, has there been any discussion between Cimarex
10 and Chevron about drilling three-mile laterals in the south
11 and north -- other than a better work for Cimarex if they do
12 believe three-mile laterals are a better option?

13 THE WITNESS: Sorry, Mr. Rose-Coss, I missed a
14 portion of your question. Could you please repeat it?

15 TECHNICAL EXAMINER ROSE-COSS: Sure. Has there
16 been any discussion between Chevron and Cimarex regarding
17 drilling the three-mile laterals from the southern portion
18 of 20 going north into 8, into Cimarex's holdings. Is that
19 a better or worse deal for Cimarex, assuming that three-mile
20 wells are, quote-unquote, the better direction way to
21 produce the acreage?

22 THE WITNESS: No, sir. There hasn't been any
23 really specific conversations around centralizing all the
24 well facilities about 20 and going north. I think that we
25 would, you know, consider that, but we have, you know, other

1 infrastructure in place in Section 7 that made this a more
2 attractive option to be in the N/2 of the section.

3 TECHNICAL EXAMINER ROSE-COSS: Okay. And you
4 would say that Cimarex's proposed well costs are on par with
5 Chevron. Is that -- there's not much difference in like
6 development costs that way?

7 THE WITNESS: Yes, sir. I actually did some
8 quick math earlier, and it is around a third more, so that
9 additional mile is analogous, and it does come up to a 130
10 percent of Chevron's AFE for a two-mile well.

11 TECHNICAL EXAMINER ROSE-COSS: Okay, perfect. I
12 haven't done that quick math. So my, my other question
13 getting back to the -- it seems like most of the land
14 ownership that's coming in is tract thick of Section 20.

15 That's where the most -- the first ownership
16 resides in the fee tract. And so I'm curious, as a interest
17 holder in this tract, hypothetically, it would -- would it
18 be correct for me to assume it would cost that interest
19 owner less to buy into this project, into Cimarex's project
20 than Chevron's.

21 THE WITNESS: Yes, sir, it would, because the
22 overall well count as planned right now is lower.

23 TECHNICAL EXAMINER ROSE-COSS: That conceive more
24 (inaudible) conceivably more overall oil produced in
25 Chevron's plan, would you say that it goes to be a better

1 deal for the small interest holder to buy on to the less
2 expensive project Cimarex is proposing than the one Chevron
3 is proposing? Which plan is going to make the small
4 interest holder more money in the end?

5 THE WITNESS: I'm not sure I can speculate on
6 that. To be honest, I hadn't posed that question to myself.
7 I think that if you are looking at it from a, just
8 money-out-the-door perspective, ours would be cheaper to get
9 into, and I think that we would, you know, feasibly recover,
10 you know, on par with something close to the other
11 development. But I'm kind of getting out of my step there
12 on making any, you know, assumptions one way or the other.
13 I think that's hard to (inaudible).

14 TECHNICAL EXAMINER ROSE-COSS: And so that notice
15 interest holders in that Tract 6, the E/2 of Section 20,
16 they are going to be coming up against the same problem
17 Chevron pointed out where the heel end -- or the toe end of
18 the well, that acreage is going to be, you know, the
19 furthest away and produce the less -- the least, but they
20 are also going to be buying into the well that's going
21 through Section 8. Does that make it a better deal for
22 them?

23 THE WITNESS: I don't know if it necessarily
24 makes it a better or worse deal. The way that they would be
25 paid on their portion of production would be on the E/2 of

1 Section 8, 17 and 20 because that would be well proration
2 unit. So regardless of who is located where within these
3 well pads, everyone would share and share alike in the
4 production of the well.

5 TECHNICAL EXAMINER ROSE-COSS: Okay. My last
6 question is just, would you -- maybe I have two questions,
7 I'm sorry. Would you comment a little bit on your contacts
8 tracing and info chronology. I heard Mr. Bruce say that
9 Cimarex has contact -- has more notices sent out than
10 Chevron did. That is suggestion that there is a notice
11 issue that needs to be looked into, or why do you feel that
12 there is this discrepancy?

13 THE WITNESS: That could be any number of
14 reasons. You know, a lot of times whenever you are running
15 title, it all depends on how far you go into running that
16 title. So say that someone passes away, and they have, you
17 know, one person that you think you --

18 (Audio interference)

19 HEARING EXAMINER BRANCARD: Hang on for a second.
20 Houston, you are not muted.

21 REPORTER: Thank you.

22 HEARING EXAMINER BRANCARD: Sorry, please
23 proceed, Mr. Morris.

24 THE WITNESS: As I was saying, there could be any
25 number of reasons why the notice numbers that we sent versus

1 what Chevron sent could be of issue. A lot of times
2 whenever you are running title, you are determining if
3 someone has passed away. And from that event you go out and
4 try to find the heirs of that deceased person. Sometimes
5 you stop or they could have stopped at one person and said
6 that's kind of the speaker for the family.

7 And in our case we tried to notify every heir
8 that we could find. So I mean, it's not a huge discrepancy
9 in the grand scheme of it given the number of owners, but it
10 does appear that the overall number that they noticed versus
11 what we noticed is different.

12 TECHNICAL EXAMINER ROSE-COSS: Okay. Well,
13 just -- just following up on that. And the last thing I
14 wanted to mention, it seems like Mr. Bruce is bringing up
15 kind of a -- and for my clarification, does it -- am I
16 getting the sense that Cimarex feels it's ahead of Chevron
17 in the paperwork game in terms of who is more ready to begin
18 the project, is further along in their plans for development
19 and kind of submitting paperwork and getting approvals from
20 the BLM? Is that safe to -- is that -- am I thinking about
21 that correct, that Cimarex feels like it's ahead of Chevron
22 in the paperwork game?

23 THE WITNESS: Yes, sir. We have approved joint
24 permits or drilling permits on two of the pads that are out
25 there. So they're for Bone Spring wells, but we have

1 obtained approval of the pad itself and the right-of-ways
2 leading to the pad. And as you all know, right now that is
3 a time-intensive activity. So from that regard, we are
4 ahead, I would say, in terms of approvals. As far as the
5 well proposals and signing of the wells, we proposed our
6 first wells in June of 2021 and granted three continuances
7 to Chevron so we could further understand their concerns and
8 talk about any issues that they had. That's when we started
9 talking trade, and then from that moment, we have progressed
10 to the hearing phase.

11 TECHNICAL EXAMINER ROSE-COSS: Okay. So thanks
12 for clarifying. It sounds like two issues, one is the
13 drilling pads and the other is the well proposals. And so
14 there is no approved drilling proposals for the Wolfcamp,
15 but you do have drill pads approved for the Bone Spring, but
16 presumably those same pads would be used for the Wolfcamp?

17 THE WITNESS: Yes, sir, that's correct. We have
18 a permit submitted for all of the Wolfcamp wells, also.

19 TECHNICAL EXAMINER ROSE-COSS: Different pads?

20 THE WITNESS: No, sir, it will be from the same
21 pad.

22 TECHNICAL EXAMINER ROSE-COSS: Okay. And can you
23 comment at all -- it sounds like there is some discussion,
24 discrepancy between the two operators. Both are arguing
25 that their land use and practice is going to be more

1 efficient than the others and create less waste. Why does
2 Chevron feel that -- or Cimarex feel that theirs is going to
3 create -- be more efficient?

4 THE WITNESS: The main crux of the argument is we
5 would be drilling all of our Bone Spring and/or Wolfcamp
6 wells from two pads. In Chevron's plan they have all
7 available Wolfcamp wells from two pads, but then in addition
8 to that, their Bone Spring wells from a separate pad in N/2
9 of 17.

10 And I don't want to bring up the Bone Spring
11 cases because we are not here on those right now, but that
12 is the overall reason, it's three pads versus two pads to
13 develop the acreage.

14 TECHNICAL EXAMINER ROSE-COSS: But that doesn't
15 bring into account the central tank batteries, the piping or
16 anything like that?

17 THE WITNESS: Well, we have a CTB plan to be on
18 the W/2 pad up in Section 8, but that's where that CTB is
19 proposed. I don't know what we are planning on the west
20 pad. I would have to defer to my engineer, Brett Stewart,
21 on that to give us more color.

22 The infrastructure we have in place in Section 7
23 for what we call the Davinci wells is adjacent. And we also
24 have infrastructure in place for some Scooter wells in
25 Sections 6 and 31 that would ease take-away concerns with

1 the third party take-away by the name of Black Buck
2 Resources.

3 TECHNICAL EXAMINER ROSE-COSS: Okay. Well,
4 thanks for clearing up that section of the argument as well
5 Cimarex's point of view. And that is all my questions, so
6 thank you, Mr. Morris.

7 HEARING EXAMINER BRANCARD: Thank you. I don't
8 if I have a question, it's more of a request, Mr. Morris and
9 Mr. Bruce. On that exhibit, your first page after the
10 affidavit which is the map and the interests, I think we
11 really need a map showing the entire area, and all the
12 interests cumulative. And then with a -- not just by tract,
13 but also a cumulative interest for the three miles.

14 MR. BRUCE: Yes. And Mr. Examiner, I was going
15 to ask my -- my -- Mr. Morris later today whenever we get
16 through this mess to do exactly that.

17 HEARING EXAMINER BRANCARD: Thank you. And I
18 don't think there is much disagreement here because I heard
19 Chevron's witness say that they thought Cimarex had about a
20 little over 50 percent interest in the three miles and I
21 heard you say that. And when I ran the numbers on the back
22 of an envelope last night, I came out with about 50.9
23 percent. So I don't think there is much, but I think we
24 need to have those numbers. I think that's pretty essential
25 for one of these kinds of applications particularly.

1 MR. BRUCE: We will get that to the Division, Mr.
2 Examiner.

3 HEARING EXAMINER BRANCARD: Thank you. All
4 right. Let me see. I'll try -- Mr. Bruce, are you -- or
5 Mr. Feldewert, would you like to try a few more?

6 MR. FELDEWERT: I do.

7 RE CROSS EXAMINATION

8 BY MR. FELDEWERT:

9 Q. Drawing my attention, there is one topic that Mr.
10 Morris talked about that I was able to take a look at our
11 Exhibit I, Chevron's Exhibit I.

12 Mr. Morris, you stated, I believe, that all the
13 one-mile wells that Cimarex drilled in Section 8 and 20 have
14 been drilled in 2015; is that right?

15 A. Yes, sir. I took a quick look at a couple, and
16 that's the date that I show that they were spud. I don't
17 know if there was some that were a little bit earlier than
18 that, but, in general, I think the last ones were drilled in
19 2015.

20 Q. Could you look at what Chevron marked as
21 Supplemental Exhibit I? Do you have that in front of you?
22 It would be the C-102s for the Cottonberry 5H in Section 20?
23 That was spud in 2019, in fact, June of 2019?

24 A. Okay. That might have been the Third Bone Spring
25 well. That was more of an exploratory, you know, I think

1 that was kind of what we are wanting to drill in our other
2 Bone Spring cases and that separate issue. I think that's
3 what that was --

4 **Q. That well then was drilled sometime in 2019,**
5 **right, as a one-mile well?**

6 A. Yes, sir. Is that the one that's located in the
7 W/2 W/2, is that --

8 **Q. I'm looking at Exhibit I, Chevron Exhibit I, W/2**
9 **W/2, yes.**

10 A. Yes, sir. I forgot about that well being drilled
11 recently, but all the other Second Bone Spring wells were in
12 2015.

13 **Q. Then I looked at the Cottonberry 4H, which is in**
14 **the E/2 E/2. That's the first page of Chevron Exhibit I.**
15 **There's a C-102 filed on June 2017; right?**

16 A. Yes, sir. You will have to forgive me, I wasn't
17 working the area a the time and I just randomly picked a
18 couple of wells in Section 20 and Section 8, so I apologize
19 for not knowing the full breadth of information when all of
20 these wells were spud.

21 **Q. So at least before, sometime before the Covid**
22 **shutdown, you were drilling one-mile wells in this area;**
23 **right? That's fair to say?**

24 A. I think in 2019, I think that's whenever the
25 (inaudible) was drilled. I think the world has changed a

1 lot in three years, would be my comment to that.

2 Q. And then finally the difference in the notice
3 parties, you all included Section 8 with your efforts;
4 correct?

5 A. That's owned 100 percent by Cimarex, and then
6 there is a couple of override owners. Those were not
7 included in the unleased owners.

8 Q. Okay. All right.

9 MR. FELDEWERT: Okay. Thank you, Mr. Brancard.
10 Thank you, Mr. Morris.

11 THE WITNESS: Yes, sir.

12 HEARING EXAMINER BRANCARD: Thank you. That
13 reminds me, I forgot to mention in my request, Mr. Morris
14 and Mr. Bruce, if you could attach to that a list of the
15 these interest owners, just sort of a certain percent of
16 unleased minerals. You have a list somewhere else in the
17 notice provisions, but it would be good if it was sort of
18 there with your interest owners.

19 MR. BRUCE: Understood.

20 HEARING EXAMINER BRANCARD: Mr. Bruce, do you
21 have any redirect?

22 MR. BRUCE: Just a few questions.

23 REDIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Mr. Morris, when we were preparing testimony for

1 you, you gave me all the information I needed to know with
2 respect to the questions I would ask. Is that correct?

3 A. Yes, sir.

4 Q. And in Question 21, I was the one who was
5 proposing the questions, and I said, "In your opinion, has
6 Chevron made a good-faith effort?" That's kind of on me,
7 isn't it?

8 A. Yes, sir, I mean it's --

9 Q. And in your opinion, did Cimarex make a
10 good-faith effort to locate and obtain the voluntary joinder
11 of everyone in your well unit?

12 A. Yes, sir, we have.

13 Q. And when you mentioned -- the other question is,
14 which operator -- doesn't matter, Chevron, Cimarex --
15 support for the proposals, you said that preliminarily
16 Premiere has supported your well proposals; correct?

17 A. Yes, sir, that's correct.

18 Q. And they decided, once it got into basically
19 litigation, they decided to back out and see whoever wins,
20 wins. That's basically correct; correct?

21 A. Yes, sir, that's correct.

22 Q. And do you know of -- and so what we are here
23 dealing with is Cimarex versus Chevron; correct?

24 A. Yes, sir.

25 Q. And do you know of any of these other interest

1 **owners who are sitting out there who are supporting Chevron?**

2 A. No, sir, I do not.

3 **Q. Thank you, Mr. Morris.**

4 MR. BRUCE: Mr. Examiner, that's all I have.

5 HEARING EXAMINER BRANCARD: Thank you. If we can
6 then go to your next witness, Mr. Bruce.

7 REPORTER: Break time.

8 HEARING EXAMINER BRANCARD: So 5 minutes to 3,
9 New Mexico time. Five minutes to 4 Houston time.

10 (Recess taken.)

11 HEARING EXAMINER BRANCARD: I believe we can
12 start again. Go ahead.

13 MR. BRUCE: I would like to call Meera Ramoutar
14 to testify. And I believe she has already been sworn in.

15 HEARING EXAMINER BRANCARD: That's correct, and
16 could you spell your name for the court reporter, please?
17 Thank you.

18 MS. RAMOUTAR: Sure. First name, Meera,
19 M-e-e-r-a. Last name Ramoutar R-a-m-o-u-t as in tango, a-r.

20 MEERA RAMOUTAR

21 (Sworn, testified as follows:)

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 **Q. And Ms. Ramoutar, who do you work for and in what**
25 **capacity?**

1 A. I work for Coterra as a geologist in the permian
2 business unit.

3 Q. And now these applications -- and we haven't
4 touched on this yet -- are in the name of Cimarex and you
5 said Coterra. Could you explain that little difference?

6 A. Sure. So we merged last year with Cabot Oil &
7 Gas, so I am a legacy survivor hire, but current name is
8 Coterra. Yes, I do work for Coterra, previously Cimarex.

9 Q. Okay. And have you previously testified before
10 the Division?

11 A. Yes, sir.

12 Q. And were your credentials as an expert petroleum
13 geologist accepted as a matter of record by the Division?

14 A. Yes, sir.

15 MR. BRUCE: Mr. Examiner, I would tender Ms.
16 Ramoutar as an expert petroleum geologist.

17 MR. FELDEWERT: No objection.

18 HEARING EXAMINER BRANCARD: Thank you. She is so
19 accepted.

20 BY MR. BRUCE:

21 Q. And Ms. Ramoutar, I don't have a lot of questions
22 for you, but I think we need to address some things that
23 Chevron has asserted. But was Exhibit C and the attached
24 geologic exhibits, were they prepared by you or under your
25 supervision?

1 A. Yes, sir.

2 Q. And do you adopt those as your testimony in this
3 case?

4 A. Yes, sir.

5 MR. BRUCE: Mr. Examiner, I move the admission of
6 Cimarex Exhibit C.

7 HEARING EXAMINER BRANCARD: Any objection?

8 MR. FELDEWERT: Just to clarify. So Exhibit C is
9 her affidavit, and then there's a cover sheet and then we
10 have a series of slides without pagination numbers.

11 MR. BRUCE: Right, yes, Mike. And, and that's
12 the way Cimarex sent them to me. I believe the page
13 numbers, if you look at the bottom right-hand corner of the
14 page numbers, they go from Page 11 to 24.

15 MR. FELDEWERT: So we have a cover sheet and in
16 bottom right-hand corner, Page 12, we have a 13, we have a
17 14, 15, 16 -- hold on -- 19, there's a 20 -- seems like we
18 were missing one -- 21, 22, 24 -- maybe not. So it would be
19 12 to 24. Is that right, Jim?

20 MR. BRUCE: 12 to 24 -- page -- yes, yes. 11 is
21 simply a cover sheet that says Wolfcamp.

22 MR. FELDEWERT: Okay, I got it. Thank you very
23 much. No objection.

24 HEARING EXAMINER BRANCARD: Exhibit C and
25 attachments are admitted.

1 (Exhibit Cimarex C and attachments admitted.)

2 BY MR. BRUCE:

3 Q. And Ms. Ramoutar, let me -- well, first of all,
4 let me get myself cool and collected, which I don't think
5 I'm absolutely able to do, but let's start off with, with
6 the basic geology of the Wolfcamp. I mean, the Wolfcamp,
7 what is in Eddy County is all Purple Sage Wolfcamp, extends
8 over a wide area and the same formation goes down into
9 Northwest Texas, Culberson County; correct?

10 A. That is correct, yes.

11 Q. But is the geology throughout that whole area
12 homogenous?

13 A. Absolutely not.

14 Q. And is -- and let's admit it up front, down in
15 Culberson County, has Cimarex drilled eight wells per
16 section with Chevron in certain areas of Culberson County?

17 A. Yes, sir. Our preferred spacing is our Texas
18 assets, both Culberson and Reeves County which I worked
19 previously is eight wells per section. In Culberson County
20 we have a joint development area with Chevron where we had a
21 50-50 acreage position in terms of our interest, and our
22 standard development within the Wolfcamp is eight wells per
23 section.

24 Q. And to be clear, is the geology of the Wolfcamp
25 there different than it is here in the White City area?

1 A. Absolutely. The geology in Eddy County, all of
2 us, we worked in the Delaware Basin. So within that
3 Delaware Basin, as you move from the south being the Texas
4 asset, so you move from Culberson and Reeve County and you
5 cross into New Mexico, you are moving from a more basin
6 center or a basinal setting into a more proximal or closer
7 to the shale setting. And as such, the geology is not
8 compatible between Texas developments and Eddy County.

9 **Q. You are talking about 25 to 30 miles distance;**
10 **correct?**

11 A. Absolutely, yes, sir.

12 **Q. And I'm an engineer, not a geologist, so I'm kind**
13 **of a moron here, but there was testimony about limestone**
14 **growing out. What does that mean? Could it mean that if**
15 **you, if you don't have the right rock spacing, it could be**
16 **too tight?**

17 A. Oh, absolutely. I think the industry as a whole,
18 we have learned quite a bit and are continuing to learn
19 about these different variable reservoirs. It's not
20 homogenous like you mentioned, and as such, both myself and
21 counterpart at Chevron agree on the variability within the
22 Wolfcamp.

23 So the limestones that were discussed today are a
24 lot more prevalent in Eddy County, specifically the area
25 that we are discussing today, and as such, they play a role

1 in both your resource that is in place for you to develop,
2 as well as how your stimulation is going to behave.

3 I assume that is what my counterpart was
4 commenting on when he discussed limestone making things grow
5 outward.

6 Q. And let me ask you this -- and this is in my
7 simple mind -- here is the problem. You know, Chevron's
8 geologist said that they are going to drill and complete
9 these wells, eight wells per section -- of course, whether
10 it's two or three sections is irrelevant -- simultaneously.
11 But once you do that, you are fixed, you can't undrill those
12 wells; correct?

13 A. That is accurate. Contrastingly with Chevron's
14 experience in this area, Cimarex has already developed a
15 Wolfcamp full infill in this area. It was flagged on one of
16 their exhibits as the Crawford and it is a little bit
17 further north than we are discussing today, but we developed
18 that in and around a year and a half ago, so we have a year
19 and a half worth of production that's says that this area
20 cannot support the amount of wells that Chevron is
21 proposing.

22 As a matter of fact, we drilled that development,
23 I believe, with five total wells in the section, and we are
24 backing off our proposal here today based on those learnings
25 from the Crawford to four wells per section. And that is

1 simply because we are, again, in a variable geologic
2 setting. We are not in a basin where there is widespread
3 shale everywhere.

4 **Q. Okay. And -- but under Cimarex's development**
5 **plan, if an additional well or two needed to be drilled, it**
6 **could be done; right?**

7 A. Absolutely. In this commodity price that we are
8 all staring at right now, you know, we would be flexible in
9 considering potentially adding another well. Like I said,
10 we have experience from the Crawford that said five wells
11 might have been a little too much in that development, but
12 is it uneconomic, absolutely not, not at this commodity
13 price.

14 But at this source, we would like to maximize our
15 recovery of the resource in place and also be efficient in
16 our capital use, and so we are being conservative. If we do
17 need to add another location, another well, that would be
18 considered.

19 **Q. So it's not that an additional well wouldn't make**
20 **money, but you are just trying to maximize economic recovery**
21 **from each well?**

22 A. Absolutely. And with our current stimulation,
23 which I'm not an expert on by any means, but with our
24 horizontal wells and the fracture stimulation that is now
25 technology expanded across the industry, we believe that

1 fewer wells can capture the same amount of resources with
2 the enhanced stimulation. So we are trying to be good about
3 how we develop these things.

4 Q. Let me ask you this: -- And I don't know if this
5 is a better question for you or our next witness, but
6 further to the east -- and I don't know if it's in Eastern
7 Eddy County or in Lea County, but COG developed an area with
8 the Dominator Wells; correct?

9 A. That is correct.

10 Q. And they drilled -- they were drilling eight
11 wells per section?

12 A. Mr. Bruce, I'm going to have to take your word
13 for that. My -- I'm not terribly familiar with the
14 Dominator except with my counterparts who worked the Lea
15 County assets, and their corridor talk rather of it being
16 over spaced.

17 Q. Over spaced?

18 A. A very poor project.

19 Q. In other words, too many wells were drilled?

20 A. Absolutely.

21 Q. Let me just go through my notes here. The rest
22 of these questions are more for the engineer, but I may ask
23 you one or two more. And you are aware that Chevron, not
24 too far to the east, is drilling two-and-a-half-mile
25 Wolfcamp laterals; correct?

1 A. Yes, sir. The Cicada unit is to the south and
2 east of us. And that unit is actually immediately west of,
3 I believe, two CFG developments that are three-mile wells,
4 so in that little area with the Cicada and offset it, we've
5 got another operator that's also targeting extended laterals
6 as in three-mile wells. So Chevron has or -- has drilled, I
7 think, one of their wells and is drilling the rest of them.

8 And then in addition to that development area
9 that has longer laterals, they are partnered with us in the
10 Culberson County assets where they have agreed with us
11 technically that the project, the three-mile project should
12 be pursued. And that is 14, three-mile wells targeting the
13 Wolfcamp A at eight wells per section.

14 **Q. And you are the geologist in charge of that**
15 **project; correct?**

16 A. That is correct, yes.

17 **Q. And how are those -- they are being drilled right**
18 **now; correct?**

19 A. They are currently being drilled. Like I
20 mentioned, it's 14 wells, and we have TD'd, so successfully
21 drilled to TD seven out of those 14, and we are very, very
22 proud of the fact that we have drilled multiple of those
23 wells under our AFE and with one drill bit for 15000 feet,
24 so total.

25 **Q. And, geologically, just geologically, the**

1 economics and everything else which would be referred to
2 Mr. Stewart, do you see any difference between Cimarex
3 drilling three-mile wells, the White City Wells, or Chevron
4 drilling two-and-a-half-mile wells just a few miles east of
5 you?

6 A. No, sir.

7 MR. BRUCE: I think that's all I have, Mr.
8 Examiner. I pass the witness.

9 HEARING EXAMINER BRANCARD: Thank you. Mr.
10 Feldewert?

11 MR. FELDEWERT: Thank you.

12 CROSS-EXAMINATION

13 BY MR. FELDEWERT:

14 Q. Ms. Ramoutar, do you have your affidavit in front
15 of you?

16 A. Yes, sir.

17 Q. Thank you. I'm looking at your Paragraph 8 which
18 deals with your White City cross section.

19 A. Uh-huh.

20 Q. And you state in Paragraph 8 that it's a cross
21 section of the Wolfcamp, and the last sentence it says that
22 the target zones for the wells are continuous and fairly
23 uniform thick across the well units. Do you see that?

24 A. Yes, sir.

25 Q. You say target zones. Are you -- are you

1 **targeting multiple zones in the Upper Wolfcamp?**

2 A. You know, that is a (inaudible). I should have
3 probably better phrased that to target interval, but, no,
4 our proposal is four wells in the Wolfcamp.

5 Q. Okay. And specifically then, your proposal is
6 four wells per spacing in the Upper Wolfcamp Sand only;
7 correct?

8 A. That is correct.

9 Q. And that's the only interval that you are
10 targeting?

11 A. No. We do have on my exhibit previous to the one
12 on Page 13, on Page 12 of our submission we have a better
13 view of -- I'm sorry -- a better overview of what our total
14 development within that unit would look like.

15 Q. That's the big point. I'm focusing just on the
16 Upper Wolfcamp because that's really where the debate is?

17 A. Absolutely.

18 Q. And if I am correct that with respect to the
19 Upper Wolfcamp that Cimarex is proposing to develop
20 Chevron's acreage, just the Upper Wolfcamp Sand?

21 A. That's correct. Our laterals will be placed
22 within the Upper Wolfcamp Sand, and it will be over both
23 Cimarex's and Chevron's acreage.

24 Q. In a straight line, roughly straight line, no
25 wine rack pattern?

1 A. Yes, it will be flat.

2 Q. Okay. Now, when you talked about your Crawford
3 area --

4 A. Yes, sir.

5 Q. -- that's to the northeast?

6 A. Northwest.

7 Q. I'm sorry, the northwest, thank you. In that
8 particular area, did you target the same Upper Wolfcamp
9 interval which is the sand only?

10 A. We targeted -- we did five wells, and I believe
11 what we did -- forgive me, that was drilled when I was not
12 over the asset, but that was staggered, I believe, within
13 the Upper Wolfcamp.

14 Q. Are you sure about that?

15 A. I would have to verify it.

16 Q. Okay. My understanding is all five of those
17 wells were in the sand?

18 A. Okay. I stand corrected.

19 Q. So you had five wells per section?

20 A. Sure.

21 Q. Only in the sand?

22 A. Yes.

23 Q. Not the Wolfcamp A, no wells in Wolfcamp A Shale?

24 A. Well, sir, again, based on where we are within
25 the system, there is very little shale to go after in this

1 area.

2 Q. Okay.

3 A. In fact, our primary target within some of these,
4 within some of these units.

5 Q. You would agree with me that the lithology up in
6 the Crawford area where you have five wells per section in
7 the sand, that as you move down towards Section 17 and 20,
8 that it improves?

9 A. It improves marginally.

10 Q. Okay. That's your opinion?

11 A. That is my opinion, yes, sir.

12 Q. Okay. All right. Would you take a look at your
13 slide 12. That's, I think, what you were just talking
14 about; right?

15 A. The wine rack?

16 Q. Yes.

17 A. Yes, sir.

18 Q. You label it as a wine rack.

19 A. That's correct.

20 Q. Okay. All right. And you agree with me then
21 that where -- you come to the conclusion that if there is
22 appropriate lithology in a particular area, that it makes
23 sense to do a wine rack?

24 A. That is correct. Yes.

25 Q. Okay. And the difference between you and Chevron

1 is whether that Upper Wolfcamp interval in Section 17 and 20
2 should be developed with a wine rack pattern or not; right?

3 A. That is only -- yes.

4 Q. Okay. Now, when I -- first of all, I was
5 confused, when I look at your insert here for this Slide 12,
6 I'm looking at the little insert in the right-hand corner.
7 Do you see that?

8 A. Yes, sir.

9 Q. Okay. I see -- I guess that's your proposed four
10 wells per section pattern in the sands?

11 A. Yes.

12 Q. Okay. I see the word Cottonberry there. Do you
13 see that?

14 A. At the very bottom?

15 Q. Yes.

16 A. Yes.

17 Q. Does that relate to that one-mile well we see in
18 the W/2 of the W/2 of 20?

19 A. Yes, sir. That is the Cottonberry 20 lease.

20 Q. Okay. And is that the well that was drilled in
21 2019?

22 A. I would have to double check. In 2019 I worked
23 our -- on probation assets.

24 Q. Are you familiar then, Ms. Ramoutar, that that's
25 not the only Cottonberry well in Section 20; right?

1 A. That's correct. The earlier Cottonberry wells
2 that were drilled, I did those before I left.

3 Q. Okay, good. So you are familiar that there is
4 now five one-mile wells that were drilled by Cimarex in
5 Section 20?

6 A. Yes, sir, I believe that is correct.

7 Q. Is there a reason why they aren't shown on here,
8 why you just showed one?

9 A. I want to say that within this particular area
10 here, we were -- I would have to check the filter. It
11 might have been just a difference in the filtering.

12 Q. Would that perhaps explain why you don't show the
13 existing White City wells up in Section 8?

14 A. That is correct.

15 Q. Because in fact you have four, one-mile White
16 City Wells in Section 8; right.

17 A. We do, and those targeted the Second Bone Spring
18 Sand, and they were drilled between 2013 and 2015.

19 Q. Okay. You see the wells in Section 19 in your
20 insert?

21 A. Yes, sir.

22 Q. Those are one-mile wells also?

23 A. Yes, sir.

24 Q. Did you guys drill those?

25 A. In Section 19, I do not believe so.

1 Q. Okay. Just wondering.

2 A. No.

3 Q. All right. When I look at your affidavit,
4 your -- you made the statement that based on your theory --
5 I'm looking at Paragraph 7, okay? You say Cimarex
6 experience in the Wolfcamp Shale is in the -- and then you
7 talk about what you want to do in this particular area. Do
8 you see that?

9 A. Yes.

10 Q. Okay. My question is, with respect to your --
11 your experience or Cimarex's experience, can you point to
12 any development area where Cimarex has drilled only four
13 wells per spacing in the Upper Wolfcamp?

14 A. Our spacing model goes from four wells to eight
15 wells depending on where you sit within the basin. And so
16 the White City asset, which is what we refer to as Chevron's
17 White City, the White City asset is an asset that we're
18 currently revisiting for full development, which is why we
19 are here today. And so this is an area that's going to be
20 targeted with lower wells per section. As I mentioned, the
21 Crawford has five wells per section there. And --

22 Q. Let me stop you. Maybe you misunderstood my
23 question. You state based on Cimarex's experience in the
24 Wolfcamp; correct?

25 A. Yes.

1 Q. My question to you is, is there any experience
2 that Cimarex has in this area in the Wolfcamp, in this case
3 the upper Wolfcamp where you only drilled four wells per
4 section in the sand?

5 A. Not to date.

6 Q. Now, you mentioned the Crawford?

7 A. Yes.

8 Q. And that's again just to the northeast. And at
9 least we can agree that the lithology is not as good up
10 there?

11 A. Yes.

12 Q. Can we agree with that?

13 A. Yes.

14 Q. Okay. Now, you mentioned that you drilled five
15 wells per section up there in those sands, but what you
16 didn't mention is, isn't it true that the company drilled
17 the first Crawford well back in 2018?

18 A. I don't know how to answer that. The first
19 Crawford Ford well as in the parent well?

20 Q. Yes.

21 A. I'm not familiar. I know our first well targeted
22 the Wolfcamp B, which is significant.

23 Q. I'm talking -- I'm sorry, let's talk about what
24 you are talking about, that is the five wells per spacing in
25 the Upper Wolfcamp Sand up near the Crawford area.

1 A. Okay.

2 Q. Is it true that the first what you call parent
3 well was drilled in October of 2018?

4 A. I would have to verify. I'm not sure.

5 Q. Okay. I'm going to represent to you it was in
6 the 2H, okay?

7 A. Okay.

8 Q. Are you familiar with the fact that Cimarex
9 waited 26 months before drilling the remaining four wells?

10 A. Again, no.

11 Q. You weren't aware of that?

12 A. No.

13 Q. Okay. If that's the case, it would have the
14 implication, would it not, Ms. Ramoutar to have an
15 indication of parent-child effect?

16 A. Are you asking my opinion about the timing
17 between the wells and its relationship to parent well
18 depletion?

19 Q. Yes.

20 A. As a mentioned, I believe we think that has a
21 part to play in the parent well depletion.

22 Q. So in other words, that's a fact, right, and then
23 you have to be concerned about whether you are going to have
24 a parent-child impact on the overall development plan if you
25 don't simultaneously complete; right?

1 A. On the wells immediately adjacent to the parent,
2 yes.

3 Q. Okay. All right. Do you have a business cutoff
4 that you use when you determine that you are going to only
5 drill in the Wolfcamp Sand and not the Shale?

6 A. We are not as specifically focused on total
7 thickness as we are in the different -- the different rock
8 types within the thickness.

9 Q. Okay. Is there, is there a cutoff where you
10 determine that in your opinion the rock type is not
11 sufficient to support a wine rack pattern in the Upper
12 Wolfcamp Sand and then the Wolfcamp Shale?

13 A. Again, it just -- we don't have -- it's very
14 fluid depending on where you are within the basin.

15 Q. But what do you use as a standard, for example,
16 when do you say to yourself as a geologist for Cimarex, this
17 is -- this is where we should drill a wine rack pattern in
18 the sand and in the shale? What do you look at?

19 A. I think when we are looking at developing in a
20 wine rack pattern versus developing flat, we would take into
21 consideration what we believe the total price group would be
22 for that, for that particular interval. And because there
23 is so much evidence that a lot of our fractures, like our
24 counter parts at Chevron pointed out, grow upward in a bias
25 direction, not a hundred percent upward, but it's bias in an

1 upward direction, I do believe that, you know, anything
2 upwards of a hundred feet, probably.

3 We, again, it's a multidisciplined approach. It
4 is not just the geologist supporting saying, "This is what
5 it supports." It is also a cost commodity thing and every
6 resource in place as far as our engineering workload.

7 Q. You said a hundred foot would cause you concern?

8 A. Sub a hundred foot.

9 Q. Under a hundred foot?

10 A. Yes.

11 Q. Thickness?

12 A. Yes.

13 Q. Is that right?

14 A. Yes.

15 Q. Would cause you concern about doing a wine rack
16 pattern between the sand and the shale?

17 A. Potentially.

18 Q. Okay. And am I correct that when I look at your
19 affidavit when you mapped the thickness of the Upper
20 Wolfcamp in Section 17 and 20, didn't you map that as
21 greater than 350 feet?

22 A. For the total package, yes.

23 Q. Okay. All right. Are you familiar with your --
24 I think you mentioned your Owl Draw area.

25 A. No.

1 Q. Is that right?

2 A. I did not mention Owl Draw.

3 Q. You didn't?

4 A. No.

5 Q. I thought you did. Are you familiar with the Owl
6 Draw area?

7 A. I am familiar with the name, but not much more.

8 Q. You are not familiar with how the company
9 developed that particular area?

10 A. No, sir.

11 Q. Okay.

12 MR. FELDEWERT: Hold on one second.

13 A. Uh-huh.

14 Q. So the -- Mr. Bruce represented that COG
15 Dominator area. You recall that?

16 A. Yes.

17 Q. Okay. Which is something that was not in your
18 affidavit; right?

19 A. No.

20 Q. Not something you looked at?

21 A. Briefly.

22 Q. Did you look at it briefly?

23 A. As I mentioned, when Mr. Bruce asked me about it,
24 the information I have about the Dominator was shared as
25 casual conversation within Cimarex. I'm not -- that

1 project, I believe, sits in Lea County and so it's not under
2 my purview.

3 Q. Okay. Did anybody tell you how many wells were
4 per section there were over there in the Dominator area?

5 A. I want to say over ten.

6 Q. That's pretty good, Ms. Ramoutar. Fourteen, does
7 that sound about right?

8 A. (Nodding.)

9 Q. Okay. Now, with respect to this view right
10 between you and Chevron, your view of the geology and
11 Chevron's view of the geology, would you agree with me that
12 reasonable, qualified geologists and reservoir engineers can
13 come to different conclusions with respect to the Upper
14 Wolfcamp interval here?

15 A. Yes, sir.

16 Q. And you can understand then why Chevron would
17 maybe think differently?

18 A. Yes.

19 Q. And understand why they would want to take steps
20 to ensure that acreage where they have a majority of the
21 interest is developed in a fashion that they believe is
22 prudent based on their study and analysis; right?

23 A. Sure.

24 Q. Okay. Now, I want to look at your affidavit,
25 Paragraph 7.

1 A. Okay.

2 Q. I think (inaudible) on my part, but I'm looking
3 at the last sentence of that paragraph, Ms. Ramoutar, and
4 you say that landing in only the upper interval, in our
5 opinion, strands resources in the Lower Wolfcamp. Do you
6 see that?

7 A. Yes.

8 Q. Okay. What are you talking about there?

9 A. Well, if, you would refer back to my exhibit on
10 Page 12.

11 Q. Yeah.

12 A. As you just mentioned, each company has their own
13 nuances in terms of, one, how they define the reservoir,
14 one, how they quantify in terms of what it is worth and how
15 they would develop it. And so when I made this statement,
16 if you refer to my Slide 12, my exhibit on Page 12, sorry,
17 you will see here that my Lower Wolfcamp on my type log is
18 actually what I -- the Lower Wolfcamp that I'm referencing
19 here is another interval below that. And at the time of
20 making this affidavit, I did not have Chevron's wine rack.
21 I did not, I did not have any idea of how they were
22 developing their wells.

23 Q. Okay. All right.

24 A. And so that is, that is what I'm referring to
25 here.

1 Q. Okay. You are not suggesting, for example, that
2 developing initially just the Upper Wolfcamp interval is
3 somehow going to strand the lower portion of the Wolfcamp,
4 you are not suggesting that; right?

5 A. No.

6 Q. Okay. All right. You would agree that that is
7 an interval that can be developed with infill drilling as
8 time goes on?

9 A. Yes.

10 Q. Okay. And, Ms. Ramoutar, have you recommended to
11 Chevron that they drill on occasion one-mile horizontal
12 wells?

13 A. I'm sorry, it is outside of my purview to
14 recommend anything to Chevron. I always --

15 Q. Thank you. Thank you. Thank you. I got my
16 companies mixed up. Cimarex, have you recommended to
17 Cimarex that they drill one-mile horizontal wells?

18 A. Not in the last, gosh, five-ish years or so.

19 Q. You weren't involved when they drilled
20 Cottonberry in 2019?

21 A. As I mentioned, that well was drilled when I was
22 not here, so I was not part of that development.

23 Q. Okay. Thank you. That's all the questions I
24 have.

25 A. Thank you.

1 HEARING EXAMINER BRANCARD: Thank you. Mr.
2 Rose-Coss?

3 EXAMINER QUESTIONS

4 TECHNICAL EXAMINER ROSE-COSS: Yes, hi. Thank
5 you. Can you say your last name for me again so I don't say
6 it wrong?

7 THE WITNESS: It's Ram-moo-tar.

8 TECHNICAL EXAMINER ROSE-COSS: Thank you, Ms.
9 Ramoutar. And so my question, can you explain, one of the
10 things that I need to, the Division needs to decide on here
11 is there is geologic -- if one operator's geologist's
12 reasoning is better than the other, so that's why we have
13 you here trying to differentiate that.

14 And I'm having trouble following or fully
15 comprehending like why Cimarex thinks that the wine rack
16 isn't optimal here, but it is potentially in other places.
17 And so what is it about the Sands and the Shale that, that
18 help Cimarex come to that determination?

19 THE WITNESS: Okay. So as I mentioned
20 previously, depending on where you are within the entire
21 depositional system you have different types of rocks
22 developing. So within our, within the more southern parts
23 of our assets, within the Upper Wolfcamp, because that's
24 what we are discussing here together, within the Upper
25 Wolfcamp, if you again reference my Slide 12, my Page 12

1 where we were just talking about the wine rack, in the
2 southern parts of that area within the box that I have
3 labeled Upper Wolfcamp, what you see here in the area we are
4 discussing today is interbedded nature of yellows and blues.

5 And so that is supposed to be indicate --
6 indicative of sands and limestone. The blue is the
7 limestone and the yellows are sand. As we move more into a
8 basinal setting or a more shale basin, then my sands and
9 limestones change and they become more of a shale.

10 And as such, you know, it can support more wells.
11 In this particular area, if you look at the box that says
12 Upper Wolfcamp, you see a lot -- it's -- I don't -- I
13 haven't done the math here today, but you see a lot of those
14 limestones, those thin blue streaks interbedded with the
15 sand.

16 And so we prefer to see more yellows and browns
17 when we -- and when we see that we would increase our wells
18 per section just because we feel like shale has more
19 resource in place to support better production with more
20 laterals.

21 Does that help answer your question, sir?

22 TECHNICAL EXAMINER ROSE-COSS: Okay. The end of
23 the statement, I think, is maybe unraveling it for me. But
24 so it doesn't have to do per se with kind of overlapping
25 wells or overlapping fractures or well interference, it has

1 to do with resources in place.

2 And because there is more carbonates, the
3 carbonates have less value, less resource in them, so you
4 are going to -- it's not economical to put as many wells in
5 because there is not as much juice to have to squeeze it.

6 THE WITNESS: Right. So the squeeze isn't worth
7 the juice that you are going to get here.

8 TECHNICAL EXAMINER ROSE-COSS: Okay. So do you
9 or Cimarex isn't trying to say that the proximity is going
10 to result in the potential kind of well interference or
11 parent-sister or parent-child effects if that -- well, I
12 mean, also -- I'm thinking out loud here -- I suppose two
13 wells is going to recover more than one?

14 THE WITNESS: Sure.

15 TECHNICAL EXAMINER ROSE-COSS: But not
16 substantially -- not enough though, or Cimarex would
17 conceivably like to go in and put other wells, but they
18 don't think they are going to get the parent-daughter
19 effect?

20 THE WITNESS: Okay, so --

21 TECHNICAL EXAMINER ROSE-COSS: That's a separate
22 line of thought.

23 THE WITNESS: It kind of is. So it's actually --
24 you're hitting all of the things that as a company and an
25 industry we are constantly questioning. It is the, how much

1 resource is there to go after, and how can we go after it
2 effectively where we are not competing with other wells for
3 the resource.

4 So the competition is your parent-daughter slash
5 parent-child effect that you are referencing. And then the
6 base line is, well, is there enough resources to go after.
7 So at some point you will be limited by what is in the rock,
8 and as such, any additional wells, you really, at that
9 point, you are just burning capital. So trying to be
10 efficient in both a capital sense as well fully developing a
11 our resource.

12 TECHNICAL EXAMINER ROSE-COSS: Okay.

13 THE WITNESS: Does that help?

14 TECHNICAL EXAMINER ROSE-COSS: Yeah, yeah. And
15 so I suppose, as the geologist here landing this Upper
16 Wolfcamp well, like how much of it are -- it will -- would
17 you go for the Lower Upper Wolfcamp or try and land it in
18 the sands of the Upper Wolfcamp?

19 THE WITNESS: With the display that we shared
20 with everyone, the green circles are in the approximate
21 location as to where our wellbore would be. So we would put
22 the wellbores in the sand rather than going into the lower
23 part of the Upper Wolfcamp.

24 TECHNICAL EXAMINER ROSE-COSS: So I'm looking at
25 this now, this is all -- Chevron is proposing, you know,

1 where you have the line drawn to differentiate the Upper and
2 Lower Wolfcamp. I think I see why you made that pick, but
3 could you tell me why you made that pick?

4 THE WITNESS: So on the, on the far right right
5 before we get to the label for the different intervals, we
6 have a tract that is our neutron porosity and fee, and then
7 our (inaudible) fee. The easiest way for me to describe my
8 pick is a combination of that tract plus my RDEEP, which is
9 my (inaudible).

10 So looking at the separation between the Upper
11 and Lower Wolfcamp, what I'm looking at is a marked decrease
12 in the RDEEP, and a marked increase in the separation
13 between the NC and DC curve. And that's illustrated by the
14 gray shading, the separation between those two curves, and
15 it is also illustrated by the brighter red shading on the
16 RDEEP.

17 We believe that that rock is it not prospective.
18 That is an indication of the highest clay content, so not
19 all shales are created equal, and this is indicative of a
20 less mature shale, meaning less hydrocarbons.

21 Does that help?

22 TECHNICAL EXAMINER ROSE-COSS: Yes. Yes. And is
23 it my understanding or is it your understanding of Chevron's
24 proposal that they are wanting to land their Lower Upper
25 Wolfcamp well into that lower shale section -- the lower

1 shale section of the Upper Wolfcamp?

2 THE WITNESS: Yeah. I think they are somewhere
3 in the very top of that transition zone. It would not be my
4 geologically ideal spot to put a wellbore, but everybody's
5 got their different analysis.

6 TECHNICAL EXAMINER ROSE-COSS: And then your and
7 Cimarex's land for the Lower Wolfcamp, they are wine racking
8 it? I see a wine rack there, potentially.

9 THE WITNESS: Yes. So the current spot within
10 that particular section is to go ahead with the wine rack
11 pattern. And what we are trying to do there is, within the
12 Lower Wolfcamp, we have -- we've got that thick section I
13 just discussed of being a lean shale, and then you've got a
14 tiny pocket that separates that lean shale from another
15 little lean shale, and then you've got the development of a
16 more conventional shale look below all of that.

17 And so we are thinking, because of the setup of
18 that, we would like to be able to touch that reservoir as
19 closely as we can without being in the lean shale drilling
20 well.

21 TECHNICAL EXAMINER ROSE-COSS: Okay. And do
22 you -- am I correct -- I know in the sands, like if this was
23 a long sand interval and conventional reservoir, you would
24 be making cutouts for the productive -- you know, percentage
25 of this interval that's productive you and percentage of the

1 interval that's not productive.

2 THE WITNESS: Sure.

3 TECHNICAL EXAMINER ROSE-COSS: Which hasn't been
4 done -- that wasn't presented in any of the testimony.

5 THE WITNESS: No, it wasn't. But just generally,
6 going off of our porosity curves, we would use anything
7 between eight and 12, just kind of depending on the quality
8 of the reservoir.

9 TECHNICAL EXAMINER ROSE-COSS: For sandstone in
10 the Wolfcamp?

11 THE WITNESS: Yes, sir.

12 TECHNICAL EXAMINER ROSE-COSS: And so Cimarex is
13 not targeting that big stack of shale, and you're calling it
14 poor quality shale, but further south in the basin, you are
15 saying that there is more shale, less carbonate, less sand,
16 and that's where it's better to wine rack?

17 THE WITNESS: That's correct, yes.

18 TECHNICAL EXAMINER ROSE-COSS: And that has to do
19 with rock quality and not lithology per se?

20 THE WITNESS: Yes, sir.

21 TECHNICAL EXAMINER ROSE-COSS: Because the
22 carbonates that don't have the hydrocarbons, the same kind
23 of volume in the porosity of the hydrocarbons?

24 THE WITNESS: And you hit it exactly correctly,
25 the volume of hydrocarbons within the limestone is not as

1 appealing.

2 EXAMINER MURPHY: Are they not as porous?

3 THE WITNESS: I'm sorry.

4 TECHNICAL EXAMINER ROSE-COSS: Are they not as
5 porous?

6 THE WITNESS: In this case, not as much. It's
7 very, very difficult to see here because they are so thin,
8 and you, and I can spin off and spend quite a long time
9 talking about log rhythms in limestone, but they are not as
10 porous as sands or developed shales, that is for sure.

11 TECHNICAL EXAMINER ROSE-COSS: Okay. I'm looking
12 through my notes here. But one of the things that I would
13 just like to ask you about, Chevron, I suppose, contends
14 that the productivity of a well falls off with length. Is
15 that your experience on these newer three miles wells, is
16 there is acreage in Section 20 is that long toe of the well
17 going to produce less reserves?

18 THE WITNESS: So we are drilling our wells, we
19 have not completed them, and so I cannot speak to the
20 productivity falling off. But the industry has changed
21 significantly over the years, and when we moved from one
22 mile to two miles we asked the same question.

23 And we have seen an actual one-to-one uplift in
24 one to two miles. We are doubling the EURs with our one- to
25 two-mile wells. So the current consideration by not just

1 Cimarex because we are not the only ones doing this,
2 multiple operators feel this will hold true on our
3 three-mile wells.

4 Chevron themselves are partnering with us in the
5 JDA area, where we are very -- we have a very close
6 technical relationship, and we have a close budgetary
7 relationship where we both agree on certain strategies, to
8 progress as a group.

9 And so we are asking those questions, but we, we
10 are not here today because we were timid. And so we are
11 pushing the envelope from one to two, and now from two to
12 there. And from one to two we see a doubling of EURs. And
13 my engineer can speak to this some more.

14 TECHNICAL EXAMINER ROSE-COSS: So my last
15 question might also be for your engineer, but I would like,
16 if I can pull it up quickly enough here -- Marlene, can I
17 sharing capabilities?

18 MS. SALVIDREZ: Yes.

19 TECHNICAL EXAMINER ROSE-COSS: Okay. I'm getting
20 there, I was -- okay, I'm going to share my screen now. I
21 have too many screens open. Perfect. So this is the
22 affidavit of Bradley Hulme from Chevron. I suppose I would
23 like to stop --

24 THE WITNESS: I'm sorry, sir, I still can't see
25 your screen.

1 TECHNICAL EXAMINER ROSE-COSS: Okay. Oh, okay,
2 perfect, here we go. So then the affidavit of Chevron
3 Bradley Hulme. I suppose I would like your thoughts on this
4 graph.

5 And just help me, is it not correct that two
6 wells versus four wells in this immediate -- or four wells
7 versus eight wells in this immediate area produces the same
8 amount, or just a slightly less amount of oil per well than
9 the four, so ultimate recovery is going to be greater over
10 the section? Or what am I missing in what I'm interpreting
11 this graph?

12 THE WITNESS: I'm little bit confused as to how
13 to use this display myself. I cannot really speak to the
14 ultimate recovery of the four versus the eight. But the one
15 thing that I would observe in his dataset on the inset map
16 is that, of the eight wells per section, which are his red
17 dots there is only one red dot in New Mexico.

18 All of the other red dots were taken from Texas
19 at eight wells per section, and that does concern me, again,
20 not to beat a dead horse, but my entire career I have spent
21 telling everyone that the geology is not the same
22 everywhere.

23 TECHNICAL EXAMINER ROSE-COSS: But it gets better
24 more basin, that's a significant distance?

25 THE WITNESS: Absolutely, and that is my key

1 takeaway here. If he was my engineer, I would say, "You
2 needed to, to ask me before you pulled the analogues,
3 because this is not apples to apples."

4 TECHNICAL EXAMINER ROSE-COSS: Okay. Well,
5 last -- okay, I'm going to -- and then I have a few
6 more questions for you now that I have this sharing
7 capability. What is it that you want me to take from this
8 sequence of slides?

9 THE WITNESS: I guess what we were trying to do
10 here is be fully transparent about how we plan on drilling
11 our wells, and so they are all planned at, you know, just
12 the conventional setup, and they are not unorthodox
13 locations or anything like that.

14 TECHNICAL EXAMINER ROSE-COSS: Okay. So there is
15 nothing, per se, to the geology?

16 THE WITNESS: No, sir. This is normal --

17 TECHNICAL EXAMINER ROSE-COSS: Okay. Well, thank
18 you. That's all my questions then.

19 THE WITNESS: Thank you.

20 TECHNICAL EXAMINER ROSE-COSS: I'm going to try
21 and stop sharing.

22 HEARING EXAMINER BRANCARD: Thank you, Dylan, for
23 asking all the brilliant geology questions that I was about
24 to ask. And thank you for bringing up that slide from Mr.
25 Hulme. I forgot to ask about that map. I saw all those red

1 dots in Texas -- intrigued me.

2 Let me just try to clarify one little, I think,
3 perhaps glitch in Cimarex's exhibits. Mr. Morris, in his
4 affidavit -- and Mr. Bruce may have said this, too -- refers
5 to the fact that it says here, "While both Cimarex and
6 Chevron plan eight wells," in looking at your exhibits and
7 the application, I believe it's nine wells. Is that
8 correct?

9 THE WITNESS: The display that I've seen
10 referencing today does support nine wells as our current
11 thought, which four being in the Upper, as we term it, and
12 five being in the Lower, as we designate.

13 HEARING EXAMINER BRANCARD: Okay. Thank you.
14 You mentioned, and we have had testimony about this before
15 in other cases, enhanced stimulation. Is that something
16 that Cimarex is work on, or does, or --

17 THE WITNESS: Enhanced stimulation is just
18 another term for fracture stimulation for fracking your
19 wells, everybody does it. Just because it is the biggest
20 knob that as an industry we have turned in the last couple
21 of decades.

22 HEARING EXAMINER BRANCARD: Let me ask you the
23 question that everybody hates, which is, based on enhanced
24 stimulation, what is your sense of frac length these days?

25 THE WITNESS: Length?

1 HEARING EXAMINER BRANCARD: Yes.

2 THE WITNESS: Okay.

3 HEARING EXAMINER BRANCARD: Well, up and down or
4 across, however.

5 THE WITNESS: I think if I had an answer for that
6 I could retire. I would like to retire -- at some point.

7 You know, again, I hate, I completely hate to
8 beat a dead horse, but it depends on where you sit in the
9 basin versus on the shelf. It depends on the type of rock
10 you're in, you know, the more conventional rock like Mr.
11 Rose-Coss commented on with the porosity and permeability,
12 we think that those will reach out further because they have
13 better quality holes that are connected in them.

14 When you have an interbedded section, we feel
15 like that's going to impede your H somewhat, but with the
16 amount of fluid and sand and stuff we pump down the wells,
17 it is a very difficult question for us to answer.

18 HEARING EXAMINER BRANCARD: No sense about what a
19 median range might be?

20 THE WITNESS: Well, our wine rack again does kind
21 of -- it serves up what we think we are getting right now.
22 So if you look at that, our Lower Wolfcamp, we think it's
23 adequately spaced away from our Upper Wolfcamp. If we were
24 to, for some reason, drop the Lower Wolfcamp, then we may
25 stand a chance of competing -- drop our Upper, we may be

1 potentially competing with resources however meager they are
2 from the Lower Wolfcamp.

3 Similarly in the stuff above us in the Bone
4 Spring, you can see that we are spaced 900 feet away from
5 the Upper Wolfcamp. So somewhere in the 5- to 900-ish
6 depending on where you are.

7 HEARING EXAMINER BRANCARD: So if you are 150
8 feet away, you are likely going to have communication?

9 THE WITNESS: Yes.

10 HEARING EXAMINER BRANCARD: All right. Thank
11 you. I guess, where are we, Mr. Bruce, redirect?

12 MR. BRUCE: Just a couple of questions.

13 REDIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q. Just a couple of questions, Ms. Ramoutar.

16 Basically what Cimarex is concerned about is over-
17 development --

18 A. Yes.

19 Q. -- of the reservoir; right?

20 A. Yes.

21 Q. And if you are drilling more wells, it's going to
22 be in a huge incremental cost to drill additional wells?

23 A. Yes, sir.

24 MR. BRUCE: That's all I have, Mr. Examiner.

25 HEARING EXAMINER BRANCARD: Anything more, Mr.

1 Rose-Coss, come to mind?

2 TECHNICAL EXAMINER ROSE-COSS: No, sir.

3 HEARING EXAMINER BRANCARD: Thank you.

4 Mr. Bruce, I believe you have one more witness.

5 MR. BRUCE: Mr. Examiner, can I ask for a
6 10-minute break?

7 HEARING EXAMINER BRANCARD: All right. Let's get
8 back here at 4:10, hopefully finish up.

9 MR. BRUCE: Thank you.

10 (Recess taken.)

11 HEARING EXAMINER BRANCARD: Mr. Bruce, I believe
12 you have another witness.

13 MR. BRUCE: One more.

14 HEARING EXAMINER BRANCARD: Excellent. Please
15 proceed.

16 MR. BRUCE: And I'm calling Mr. Brett Stewart.

17 MR. STEWART: Yes, sir I am here.

18 BRETT STEWART

19 (Sworn, testified as follows:)

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Mr. Stewart, you have have already been sworn in,
23 but let's go through a few preliminaries. Who do you work
24 for and in what capacity?

25 A. I work for Coterra, formerly known as Cimarex

1 Energy. I have been a reservoir engineer at this company
2 for almost four years now.

3 Q. Okay. Have you previously testified before the
4 Division?

5 A. I have not.

6 Q. Could you please describe your educational and
7 employment background?

8 A. Yes. I graduated from University of Tulsa in May
9 of 2018 with a chemical engineering degree. I started with
10 Cimarex in June of 2018 as a reservoir engineer. The first
11 two years I was working in Oklahoma assets, and the last,
12 coming up on two years, I have been working on New Mexico
13 assets.

14 Q. And does your area of responsibility at Cimarex
15 include this area of Southeast New Mexico?

16 A. Yes, sir.

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

19 A. Yes, sir.

20 MR. BRUCE: Mr. Examiner, I tender Mr. Stewart as
21 an expert petroleum engineer.

22 HEARING EXAMINER BRANCARD: Any objection?

23 MR. FELDEWERT: No objection.

24 HEARING EXAMINER BRANCARD: Thank you. So
25 recognized.

1 BY MR. BRUCE:

2 Q. And Mr. Stewart, what has been submitted as your
3 Exhibit D, was this exhibit and the attachments, were they
4 prepared by you or under your supervision?

5 A. Yes.

6 Q. And have you prepared these under your
7 supervision?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I tender Mr. Stewart as
10 an expert petroleum engineer.

11 HEARING EXAMINER BRANCARD: You have already done
12 that. I think you want to admit the exhibits.

13 MR. BRUCE: And I would request the admission of
14 Exhibit D.

15 HEARING EXAMINER BRANCARD: Any objection to
16 that? Exhibit D, combined with the attachments; correct?

17 MR. BRUCE: Correct, please, thank you.

18 MR. FELDEWERT: Mr. Examiner, it looks like it's
19 Slide 25 through 36. Is that right, Mr. Bruce?

20 MR. BRUCE: That is correct.

21 MR. FELDEWERT: I have no objection, thank you.

22 HEARING EXAMINER BRANCARD: Exhibit D and
23 attachments are admitted. Thank you. Please proceed.

24 (Exhibit Cimarex D and attachments admitted.)

25 BY MR. BRUCE:

1 Q. Mr. Stewart, normally I wouldn't ask you any
2 questions, but let's get into these. From an engineering
3 standpoint, do you believe that it's your opinion, your
4 expert opinion, that Cimarex's development plan is superior
5 to Chevron's development plan?

6 A. Yes, it is.

7 Q. I wouldn't ask you this many questions except
8 because you were also responding to Chevron's --

9 A. Yes.

10 Q. -- Chevron's presentation. Let's start off with
11 this, do you believe that Chevron's, Chevron's plan for
12 development would result in over development of the east
13 section in the Upper Wolfcamp?

14 A. Yes, I think eight wells is just too many wells
15 in the Wolfcamp A. I think that will destroy capital and
16 only marginally increase the total resources recovered, if
17 any.

18 Q. And another question, will Cimarex's plan result
19 in less surface use in this, in this particular area?
20 Forget the north Chevron -- forget Chevron's Northwest
21 Heyhurst development area, we are just looking at these
22 particular wells.

23 A. Yes, sir.

24 Q. Will -- will Cimarex's development result in less
25 surface use?

1 A. Yes. On our development plan we would be able to
2 fully develop the Bone Spring and the Wolfcamp if we are
3 operator of Section 8, 17 and 20, with two well pads.

4 If Chevron is operator of 17 and 20, and we are
5 operator of Section 8, it would take five total surface pads
6 to develop those three sections based off of Chevron's
7 proposal of their surface hole location.

8 **Q. Does Cimarex have plans in place not only for the**
9 **surface development, but for takeaway of oil, gas and water?**

10 A. Yes, we do.

11 **Q. And do you have agreements with Black Buck to**
12 **take away --**

13 A. Yes.

14 **Q. Go ahead.**

15 A. Yes. These sections are already dedicated to
16 Black Buck to take our water.

17 **Q. Do you believe that Cimarex's development plan**
18 **will decrease the surface use in this particular area?**

19 A. Yes, I do.

20 **Q. Let's get down to some of the engineering**
21 **matters. With respect to over-development, are you familiar**
22 **with COG's Dominator area to the east in Lea County?**

23 A. Yes.

24 **Q. And could you briefly explain the problems that**
25 **occurred there that you know about?**

1 A. Yes. So I believe that they drilled actually 23
2 wells between those Upper Wolfcamp and the Third Sand, and
3 we had -- this is a development just a few miles west of
4 that at eight wells per section, and that eight-wells-per-
5 section development recovered almost the same total amount
6 of oil out of that section as the 23 wells did.

7 Now, that area where we think that the right
8 amount of wells is eight or nine wells, that is the some of
9 the best acreage in the basin. That, that is very -- those
10 are very strong wells. We don't think we can put eight or
11 nine wells in the White City Sections 8, 17, 20 like we can
12 over there in South Lea County.

13 **Q. And so, again, you are worried about**
14 **over-development, aren't you?**

15 A. Yes, I am.

16 **Q. And under your plan -- and you have been**
17 **listening to all the testimony today, haven't you,**
18 **Mr. Stewart?**

19 A. Yes, I have.

20 **Q. And under Cimarex's plan, the four wells in the**
21 **Upper Wolfcamp, if, if it's needed, you could add more**
22 **wells; is that correct?**

23 A. That's correct. If we did think that we were
24 stranding reserves behind in that Lower A, we could come
25 back later and develop that. And I do not believe the total

1 section recovery would be much less than if they were
2 developed together.

3 Q. And so what you are saying is that your
4 development plan is reasonable, and if you needed to do a
5 little more development, that would be reasonable?

6 A. Yes, we could come back.

7 Q. But if you -- and you heard one of their prior
8 witnesses say they are going to develop -- they are going
9 to drill all of these wells at one time. But what if they
10 did that and it wasn't reasonable, what is your opinion of
11 that?

12 A. Yeah. If they drilled them all at one time and
13 they drilled too many wells, there is no going back on that.
14 You can't go back and undo that. You have already
15 drilled -- you have already spent all the capital, those
16 wells are -- those wells are already gone, so you can't go
17 back.

18 Q. And Chevron has stated that over to the east,
19 that Cicada area, they are drilling two-and-a-half-mile
20 laterals; correct?

21 A. Correct.

22 Q. Do you see any real problem with increasing well
23 lengths from two-and-a-half miles, which Chevron has been
24 doing, to increase the well lengths to two miles -- to
25 three miles?

1 A. I do not.

2 **Q. The risk is minimal?**

3 A. Right. A lot of the argument that I've heard
4 today from going from drilling two miles to three miles,
5 several years ago a lot of companies in our industry were
6 having that same argument when going from one mile to two
7 miles.

8 Chevron, my assumption is they could have
9 developed that two-and-a-half-mile unit with one-mile wells
10 and one-and-a-half-mile wells, but they chose to develop
11 that unit with two-and-a-half-mile wells because they felt
12 that that was the better strategy, to go to longer laterals.

13 **Q. And in your opinion will Cimarex's plan result in**
14 **better capital efficiency and better economics for all**
15 **parties involved, not just Cimarex, but all parties**
16 **involved?**

17 A. Yes. I think this is the best strategy for all
18 parties.

19 **Q. And as already been testified to, down in**
20 **Culberson County, Cimarex agreed to three-mile development**
21 **areas; correct?**

22 A. Yes. They participated in 14 three-mile wells.
23 Half of those are already drilled. Our drilling and
24 completions guy, they love the idea of three miles wells.
25 You get dollar per completed foot of lateral length way

1 down. Those were all -- we didn't have any issues so far on
2 the first half of those wells that we drilled that we can
3 attribute to the three-mile lateral lengths.

4 So that project is doing well. Chevron was on
5 board with it. It's my understanding that they like it, and
6 their expected total capital investment in that project is
7 over \$70 million, so it seems to me like they think that,
8 that is a good, solid strategy.

9 **Q. And so, in your opinion, will Cimarex's plan in**
10 **the White City area result in better -- higher capital**
11 **efficiency and better economics for all parties involved?**

12 A. Yes. That is what I do think.

13 **Q. Now, let's go to surface use for a minute. Could**
14 **you discuss that and, and the -- how Cimarex's plan results**
15 **in less surface use?**

16 A. Yes. So -- can I share my screen?

17 **Q. Do whatever you need to do.**

18 A. Well, Page 33 of the exhibits, can't seem to
19 figure out how -- oh, I can't figure out how to share my
20 screen. Thank you, Dylan.

21 **Q. I have no idea how to do that, by the way, so --**

22 A. So here is a picture of the surface location, so
23 you see those two blue pads on the top of that image, if we
24 were to be granted operatorship in Section 8, 17 and 20, it
25 would take two well pads to develop all three of those

1 sections.

2 If Chevron is granted ownership in Section 17 and
3 20, they will have two pads on the south end of Section 20
4 for the Wolfcamp wells, and they will have another pad that
5 is on the north part of 17 for the Bone Spring wells. So if
6 we are operators, it would take two surface pads to develop
7 all three of these sections. If we don't operate Section 17
8 and 20, it will take five surface pads.

9 In addition, we -- as I mentioned Black Buck,
10 this acreage is already dedicated to Black Buck. You can
11 see in the southeastern part of Section 6, that's our --
12 that's our Scoter -- there's a Scoter pad there. We already
13 have lines for pipe takeaway of oil, gas and water on that
14 pad. So the lines, the infrastructure that we would use
15 from our surface pad to our takeaway is very, very low.
16 It's less than a mile away.

17 **Q. So if your applications are granted, you already**
18 **have facilities in place to deal with all the takeaway?**

19 A. We would -- so that's going to be a little bit
20 smaller takeaway since we are going to have a lot of wells
21 here, you can see on the well pad there is an on-pad CTB, so
22 that pad would be a little bit extended, and we would have
23 that pad -- so we would have a pad there on the south part
24 of the E/2 well pad, and that's where we would put the CTB
25 because we need a bigger facility than what we currently

1 have existing.

2 **Q. Okay.**

3 A. Yeah, I don't -- I don't think we could
4 commingle if we wanted to with the Scoter in Section 6.
5 Those are not the same federal unit. I don't believe we
6 could even commingle those facilities. I don't -- I don't
7 know how Chevron's commingling will work where they will
8 commingle those six sections. I'm not aware of anything
9 like that in this area. I'm not saying that there -- there
10 necessarily isn't any commingling in the six sections in
11 this area, but to my knowledge that would be very hard to
12 get approved by all parties and actually go execute on.

13 **Q. Okay. And, and would your central tank battery**
14 **be, actually, would it be a tankless facility?**

15 A. Yes. So that would be a tankless facility.
16 That's something we are doing to reduce methane emissions.
17 We have seen really strong results from that. We also would
18 not have a high pressure flare on that facility because we
19 also don't want to -- we don't want to flare. We place
20 value on the environment being a good steward of the
21 environment.

22 **Q. Insofar as the infrastructure lines, would you**
23 **have piped gas, oil, water takeaway in the area?**

24 A. Yes. So we already have oil, gas, water takeaway
25 in the southeast corner of Section 6.

1 Q. Okay.

2 A. It's just a small -- it will be less than a mile
3 length for those lines to have pipe takeaway for our 17, 20
4 wells.

5 Q. And, you know, I'm looking at your exhibit on
6 your Pages 28 and 29. You have been preparing to drill
7 these wells for quite some time?

8 A. Yes. So we actually first submitted permits to
9 drill Bone Spring wells back in 2018. This is an area we
10 like. We know it takes some time to get APD approvals from
11 the federal government -- if you actually go up one more
12 slide it shows we have submitted I think 13 total APDs, and
13 we have four of those approved with right now we estimate --
14 and these other nine that have not been approved, these are
15 on our high priority list to get approved, and it still
16 takes about a year for those to get approved.

17 So if Chevron has not submitted APDs for Section
18 17 and 20, I would guess it's going to be, I mean, at the
19 very earliest, 12 to 18 months before they can actually go
20 execute on those wells.

21 Q. And once you get your APDs, you are ready to go;
22 right?

23 A. Yes.

24 Q. Let's go on to the economics. Let's go on to the
25 economics. First of all, would Cimarex -- does Cimarex want

1 **to drill one mile Wolfcamp wells in Section 8?**

2 A. We do not. We -- yeah, your dollar per
3 completed lateral foot for one-mile wells is going way up.
4 That's why you are seeing the industry move away from
5 drilling one-mile wells. We are seeing more two-mile wells,
6 less one-mile wells, and now we are seeing more
7 two-and-a-half and three-mile wells. Your costs are coming
8 down, your economics are getting much better.

9 And the view at our company is there if no EUR
10 degradation. You are not stranding any reserves by a longer
11 lateral length. That's the consensus view at our company.
12 So, yeah, we like the longer laterals. We think you are
13 getting the same ultimate recovery at a much lower dollar
14 per foot as with shorter laterals.

15 **Q. And you are not having to spend extra dollars on**
16 **more vertical well holes?**

17 A. Correct. That's where most of your cost saving
18 is going to be because drilling the vertical portion of your
19 laterals is a big part of your AFE.

20 **Q. That's several million bucks per well; correct?**

21 A. A few million, yes.

22 **Q. You don't want to deal with that. You want to**
23 **get the well done and go to the vertical and that is the**
24 **primary thing, get to the vertical and do the completion**
25 **cost and you are much better off?**

1 A. Correct.

2 Q. In your opinion, will drilling these three-mile
3 laterals be in the interest of prevention of waste and
4 protection of correlative rights?

5 A. Yes, I do.

6 Q. Another question, Chevron has already agreed that
7 they are drilling two-and-a-half-mile laterals not too far
8 east or southeast of here.

9 A. Yes.

10 Q. Do you see any increased risk from drilling
11 two-and-a-half-mile laterals to drilling three-mile laterals
12 in this area?

13 A. There a lot of upside to doing that, yes, I think
14 there is a lot of upside to drilling three miles. I do not
15 see a significant increase in this.

16 Q. And insofar as your proposed drilling plans, as
17 an engineer, do you see -- got to remember how to describe
18 this -- you are going to drill the four Upper Wolfcamp
19 wells; correct?

20 A. Correct.

21 Q. And in Cimarex's experience in this area, is that
22 a proper development plan?

23 A. Yes. So we developed the Crawford at five wells
24 per section. On looking back on that development, if we
25 could go back, we would only drill four wells per section.

1 We've taken a learning we got on the Crawford and we want to
2 apply that to 8, 17 and 20.

3 **Q. And once again, insofar as takeaways from**
4 **everything, you've got the facilities in place or will soon**
5 **be in place to drill the wells, put them on production and**
6 **get all the takeaway?**

7 A. Yes. We could -- my time line on 28, we are on
8 track for that time line. These two wells in the Bone
9 Spring are on our schedule to spud in September of 2022, so
10 prior to those wells coming on line we would go out there
11 and we'd have our facilities and our takeaway, and all of
12 that would be built ready for to go for first production it
13 looks like in April of 2023 is estimated first production
14 for that project.

15 **Q. And you do not see -- well, let's put it this**
16 **way: Drilling four Upper Wolfcamp -- four Upper Wolfcamp**
17 **wells, that is a reasonable way to develop this project?**

18 A. Yes, we think it's -- it makes the most economic
19 sense for us to develop the four. If you -- we didn't --
20 if you put any more wells, any additional reserves you are
21 getting are very small and do not justify the cost. Yeah,
22 we think the incremental reserves you're adding with more
23 wells is not a whole lot, so we think four wells per section
24 is best for all parties.

25 **Q. So in other words, you are saying four wells will**

1 recover economic reserves. If you add another four you are
2 adding the additional -- you might get some additional
3 reserves, but you are drilling \$10 million wells to get
4 those additional reserves?

5 A. That's correct.

6 Q. And this is not one of Cimarex's exhibits, but at
7 this point does Chevron have in place the surface facilities
8 to take care of the takeaway?

9 A. I do not believe they have any surface facilities
10 that are made for their proposed wells.

11 Q. And Cimarex is ready to take care of those
12 contingencies; correct?

13 A. Can you clarify that?

14 Q. Cimarex has contacts in place or contracts in
15 place and is already negotiating contracts to take -- to
16 take care of the takeaways from these wells?

17 A. Yes. So water takeaway, that is dedicated. That
18 is -- we have that in place. Gas takeaway we have our own
19 infrastructure up less than a mile away, it isn't going to
20 be a major issue. Oil takeaway, we would go third-party
21 takeaway here. Again, it's less than a mile away. I don't
22 know for sure that that's contracted out, but it would be a
23 fairly simple process.

24 Q. And in your attachments going to -- on your
25 attachments Pages 34, 35 and 36, does that represent your

1 reasons for having four wells per section rather than eight
2 wells per section in the Upper Wolfcamp?

3 A. Yes, it does. We -- so we drilled the Crawford,
4 like I mentioned, that five wells per section, and then
5 looked back on that project based off of what we analyzed.
6 We think if we back off wells, we are going to get a similar
7 total section recovery with less -- the individual well
8 economics are going to get better, but the reserve that you
9 are leaving behind are very minimal for not drilling more
10 than four wells.

11 Q. So it's all a matter of economics; correct?

12 A. Correct, these are economic decisions.

13 Q. You might get a little more recovery, but the
14 money you are spending is not, not reasonable for what you
15 are seeking to do?

16 A. Correct, yes.

17 Q. Thank you, Mr. Stewart.

18 MR. BRUCE: I pass the witness.

19 THE WITNESS: Thank you.

20 HEARING EXAMINER BRANCARD: Thank you. Mr.
21 Feldewert, are you still there?

22 MR. FELDEWERT: I am.

23 HEARING EXAMINER BRANCARD: I believe it's your
24 opportunity.

25 CROSS-EXAMINATION

1 BY MR. FELDEWERT:

2 Q. Mr. Stewart, I've heard a lot of opinions, seen a
3 lot of data, but let me ask you this: You mentioned you've
4 been involved in New Mexico assets for I think you said
5 almost two years?

6 A. That's correct.

7 Q. And how long have you been involved in the assets
8 in Southeast New Mexico?

9 A. So a couple months I have been with the assets in
10 Southeast New Mexico.

11 Q. A couple of months?

12 A. Yeah.

13 Q. So have you overseen any drilling or completions
14 in Southeast New Mexico in that couple of months?

15 A. So we're drilling wells right now. My -- as a
16 reservoir engineer, my oversight is on the planning side of
17 things and then the drilling and completions engineers are
18 the ones that would go execute. But my side is the
19 planning, the well spacing, the frac design, that's my area
20 of expertise.

21 Q. Have any of the projects that you have been
22 working on for the last couple of months where you worked on
23 been drilled and completed?

24 A. So I worked several projects in New Mexico, and
25 that's Lea County, and, yes, so I have overseen several

1 projects in Lea County, New Mexico, from spud to first
2 production. But Southeast New Mexico as you are referring
3 to, yes, that's -- so Southeast New Mexico, yes, I have
4 worked that for almost two years. My focus was Lea County.
5 Recently my focus is now Eddy County.

6 **Q. And I'm just curious, how many wells have you**
7 **overseen that have been completed?**

8 A. Off the top of my head --

9 **Q. In New Mexico.**

10 A. Thirteen, off the top of my head.

11 **Q. And have any of those included three-mile wells?**

12 A. They have not, No.

13 **Q. Two-and-a-half-mile wells?**

14 A. Yes.

15 **Q. Two-and-a-half-mile?**

16 A. Yes. We have some two-and-a-half-mile wells in
17 Eddy County that are completed now.

18 **Q. Completing now, not finished yet; right?**

19 A. I believe they are done complete -- yeah, they
20 are done complete. We are drilling out plugs and those
21 wells will be on line next week.

22 **Q. We don't know the results yet?**

23 A. We don't know the results.

24 **Q. Okay. All right. You mentioned in your**
25 **affidavit in Paragraph 13 -- let's see, you state in**

1 Paragraph 13, I am on the last page of your affidavit at the
2 top, you say, "Coterra will only be able to drill one-mile
3 laterals which may strand acreage." That's your statement?

4 A. Yes.

5 Q. Okay. When you say may strand acreage, what are
6 you talking about?

7 A. Yeah, so the economics of longer laterals, two-
8 and three-mile laterals, two-and-a-half-mile laterals are a
9 lot better than one-mile laterals. That's what Chevron went
10 and executed in their Cicada unit, they drilled two-and-
11 a-half instead one-mile and one-and-a-half-mile. So the
12 economics are a lot better for two-mile, three-mile
13 development. If we have to develop Section 8 as a one-mile
14 unit, the economics are going to get a lot worse. There is
15 better projects that we can go execute elsewhere with better
16 economics.

17 Q. You are not suggesting that Cimarex is not going
18 to drill one-mile wells, are you?

19 A. It would be very low on our inventory list.

20 Q. Okay. You're aware that they have drilled -- I
21 recognize you weren't around, but they drilled the
22 Cottonberry wells in Section 20, right, five of those
23 one-mile wells?

24 A. Yes.

25 Q. Okay. In as late at 2018 they drilled a one-mile

1 well in Section 20?

2 A. Yes.

3 Q. Okay. Do you have any information as to why they
4 chose to drill one-mile wells there and not extend that well
5 into Section 29 where Cimarex recognizes also has an
6 interest?

7 A. I do not know why we made that decision, that was
8 before my time of working in New Mexico. I know today we
9 would not make that same decision if we could -- we want to
10 drill longer laterals where we can.

11 Q. Okay. And also Cimarex owns majority interest in
12 Section 32 in the south, right, of the Cottonberry?

13 A. Yes.

14 Q. Okay. And the company chose not to even try to
15 experiment with a three-mile well in 2019; right?

16 A. We did not. Three-mile wells are relatively new.
17 There is a lot --

18 Q. Especially for you; right?

19 A. Well, we have these two-and-a-half-mile wells
20 coming on line. I'm not the drilling and completions
21 engineers on those projects, but our drilling and
22 completions engineers, they are really happy with how the
23 three-mile wells have gone so far.

24 Q. Section 8 where you have your existing one-mile
25 development pattern, you have pads in the S/2 of the S/2 of

1 **Section 8; correct?**

2 A. Yes.

3 **Q. And I'm assuming then as a result you have**
4 **existing infrastructure in the S/2 of the S/2 of Section 8?**

5 A. It's going to be really small. It's not going to
6 be able to handle these wells.

7 **Q. But someone was considering using that**
8 **infrastructure to drill north into Section 5, was it not?**

9 A. We would have to build a new pad. We would have
10 to build a new central facility.

11 **Q. You would have to add onto the existing**
12 **facilities that you have down there in the S/2 S/2 of 8?**

13 A. How we have done it in other areas, we have just
14 built a completely new pad rather than renovating the older
15 pad and adding on to it. When we have a super old pad like
16 those, a super old facility like this would be, we just
17 build a completely new facility.

18 **Q. What do you consider to be super old?**

19 A. 2015.

20 **Q. Okay. Turn to Slide 32. Are you there?**

21 A. Yes.

22 **Q. So if I'm now looking at what's existing in the**
23 **S/2 of S/2 of Section 8, you would then looking at a new set**
24 **of facilities in the N/2 N/2 of 8.**

25 A. Yes. We would need to build a new pad, or we

1 would need to build a new facility regardless if we're on
2 the S/2 of Section 8 or the N/2.

3 **Q. But down in the S/2 S/2 of Section 8, I'm**
4 **looking at your Slide 32, you already have right-of-way for**
5 **gas, water and power; is that right?**

6 A. Yes. My guess those lines might be large enough
7 to handle our new volumes. That's not my area of expertise.
8 I would have to reach out to the facilities engineer to
9 confirm that though, but that's how we have done it in other
10 areas where we had similar types of situations.

11 **Q. The location you have there in the S/2 S/2 of**
12 **Section 8?**

13 A. We would have to build a new one, yes, and new
14 lines.

15 **Q. Okay. What about compression, are you going to**
16 **need additional compression?**

17 A. Yes, I believe, yes, I believe we would need
18 additional compression.

19 **Q. Okay. Now, the -- when you talk about your**
20 **connections for your gas, is that the same facility or**
21 **pipeline that you use for your wells in section -- one-mile**
22 **wells in Sections 8 and 20?**

23 A. That is not my area of expertise. I do not
24 believe so.

25 **Q. Didn't you put this slide together that said that**

1 **you had takeaways for gas?**

2 A. Yes. So that's referring to Section 6. So in
3 Section 6, the Scoter wells, those are on our what we refer
4 to as our Triple Crown gas takeaway system, our mid-stream
5 system, and those in Section 8, I do not believe they are on
6 that system. I believe our system is a little bit newer.

7 **Q. Is somebody sending you notes here, Mr. Stewart?**

8 A. That, I do not know what e-mail I just got.

9 **Q. All right. Okay, good. So now, with respect to**
10 **these, these -- this connection for gas, you are saying**
11 **that's in Section 6?**

12 A. Yes.

13 **Q. Okay. And is there sufficient capacity there to**
14 **handle this proposed new facility in the N/2 of the N/2 of**
15 **8?**

16 A. It depends on how many wells we bring on at the
17 same time. With our current plan of two wells, I think that
18 the takeaway would be enough.

19 **Q. Your current plan of two wells?**

20 A. Two wells, yeah, two wells coming on line in
21 2023.

22 **Q. Those were Bone Spring wells?**

23 A. Yes, those are Bone Spring wells, yes, but --

24 **Q. So hold on, Mr. Stewart, what about your Wolfcamp**
25 **wells?**

1 A. So our rig schedule is planned basically a year
2 out, after that it's always kind of in flux, like projects
3 are moving, coming up, moving back. If we got permits here
4 in White City, so we expect to get those back -- yeah,
5 basically in 2-4-2022 -- or 2-1-2023, if we get those back,
6 we are more than likely going to go execute those within two
7 years of those APD approvals or else they will expire, but
8 let me --

9 **Q. Hold on. Let me stop you. My question was about**
10 **pipeline capacity for gas. Have you checked into that to**
11 **see if you have capacity?**

12 A. It depends on how many wells we are bringing on
13 line. I have not checked into that. It's not my area of
14 expertise.

15 **Q. And you are not talking about the Wolfcamp**
16 **because none of these Wolfcamp wells are on the drilling**
17 **schedule?**

18 A. They are currently not on our drilling schedule
19 within the next year.

20 **Q. And you said it might take up to a few years**
21 **before you would be prepared to drill the Wolfcamp wells?**

22 A. At most. I mean, I don't believe Chevron has
23 permits here. If they haven't even submitted for APD,
24 that's going to --

25 **Q. I'm going to get to the permits. I'm just asking**

1 about you, okay?

2 A. Yes.

3 Q. Now, with respect to the water takeaway that you
4 have for your development, you said that's a Black Buck?

5 A. Yes.

6 Q. That's trucking?

7 A. No, that's is pipe.

8 Q. What about oil, you said that's not quite set up
9 yet?

10 A. That would be piped as well. It's just -- it's
11 set up for our Scoter facilities and we would just have to
12 send that to the White City facility.

13 Q. Now, when you made your statements about the
14 amount of surface disturbance in talking about ten right-of-
15 ways, ten well pads, and two sets of tank batteries, that
16 was before you were aware of Chevron's Northwest Heyhurst
17 development plan; right?

18 A. Yes.

19 Q. Okay. With its corridor facilities and central
20 tank battery and central compression?

21 A. Yes.

22 Q. So you made those statements without knowledge of
23 that planned development?

24 A. I did. I made the assumption that they would
25 have their own facilities in that 12-80 unit of Section 17

1 and 20 if they were granted operatorship. I understood -- I
2 think it would be very difficult to commingle that with
3 another 12-80.

4 Q. Okay. But, and I'm not faulting you, I just saw
5 that you made a statement that you don't appear to be
6 accurate now in light of what you know about the Northwest
7 Heyhurst facility, okay? Now, part of that is the use of
8 electrical power for their development. Is Cimarex in a
9 position to be able to use electrical power for its
10 development?

11 A. Yes. We will run power lines, we will use
12 electrical power for our development.

13 Q. Are you going to have -- are you going to be
14 using electrical power for drilling?

15 A. Yes, we will.

16 Q. From what source?

17 A. From the power lines, we just -- from electrical
18 grids.

19 Q. Is it existing there?

20 A. We would have to extend those power lines from
21 our Scoter section to the nearest current infrastructure.

22 Q. Okay. All right. Now, you've talked about --
23 and I think you answered that -- the, the wells that you
24 actually suggest they are going to be ready for drilling in
25 later this year is not Wolfcamp wells, it's the two Bone

1 **Spring wells; right?**

2 A. Yes.

3 **Q. Okay. You mentioned that you have APDs that you**
4 **filed applications to drill?**

5 A. Yes.

6 **Q. Okay. Are aware of the horizontal well rules and**
7 **limitations that they impose on when you can submit**
8 **applications to drill?**

9 A. Can you clarify that?

10 **Q. Are you aware of the restrictions in the**
11 **horizontal well rules that restrict when an operator can**
12 **file applications to drill?**

13 A. I am not aware.

14 **Q. Okay. Are you aware that they require the**
15 **operator to have an interest in each tract in which the**
16 **wellbore is going to be located for by the interest owner**
17 **signed up for each tract where the wellbore is located?**

18 MR. BRUCE: Mr. Examiner, I would object simply
19 because the APDs that were filed before did not involve
20 three-mile laterals, and at the time that Cimarex filed its
21 applications for permit to drill were for two-mile laterals
22 where they owned interests. So obviously they would have to
23 amend those APDs?

24 BY MR. FELDEWERT:

25 **Q. Let me step back. Mr. Stewart when you say that**

1 **you have APDs approved, are they for three-mile laterals or**
2 **not?**

3 A. From my understanding they were submitted as
4 two-mile wells. We are making adjustments to the APD to
5 make them three-mile wells.

6 Q. **Two-mile wells, which would mean then the last**
7 **take point would be in the S/2 of Section 17?**

8 A. Yes, sir. We don't want to strand Chevron with
9 shorter lateral ones. We think it's best if they
10 participate in three miles with us.

11 Q. **Your company does not own an interest in the S/2**
12 **of Section 17, does it?**

13 A. They do not.

14 Q. **Okay. Which means also then they don't have an**
15 **interest in the last take point for the wells that you --**
16 **for which you filed applications to drill?**

17 A. We do not.

18 Q. **Have you seen the certifications that are**
19 **associated with the applications to drill that are filed by**
20 **the company?**

21 A. I think that's outside of my area of expertise.

22 Q. **Let me show you what's been marked as -- hold on**
23 **a second -- as the -- give me a minute, please. Can I have**
24 **share capabilities?**

25 **TECHNICAL EXAMINER ROSE-COSS: I had them**

1 transferred to me.

2 MR. FELDEWERT: Oh, okay. This is Houston. I
3 need share capabilities.

4 TECHNICAL EXAMINER ROSE-COSS: Houston, we have a
5 problem.

6 MR. FELDEWERT: Dylan, is in charge now.

7 BY MR. FELDEWERT:

8 Q. Let me do it this way: We are trying to save
9 time. Mr. Stewart, I'm going to represent to you that the
10 applications to drill that were filed by a company are
11 required to have a certification that said under oath that
12 they certify that they have interest in the land including
13 the proposed bottom hole location. Or have the right to
14 drill this well at this location pursuant to a contract with
15 an owner of each such mineral working interest. That is not
16 true with respect to the APDs that you said you filed for
17 your two-mile wells; isn't that right?

18 HEARING EXAMINER BRANCARD: Mr. Feldewert, I
19 believe this also says, or has a compulsory pooling order.

20 MR. FELDEWERT: Which they do not.

21 MR. BRUCE: Mr. Examiner, I simply state that's
22 an issue for the BLM. And BLM doesn't really care, and for
23 the OCD, but obviously we are in a procedure to compulsory
24 pool these applications, and Cimarex will do what it --
25 whatever is -- if they have to refile the APDs, it's

1 perfectly fine.

2 But it's no big deal because ultimately it's the
3 OCD that is in control of this when they approve the --
4 they approve the filing of the APD.

5 MR. FELDEWERT: So I'm not going to comment, Mr.
6 Brancard on the suggestion that companies don't have to
7 worry about following the Division's rules or submitting
8 accurate certifications, I think that's self-explanatory.

9 BY MR. FELDEWERT:

10 Q. My point, Mr. Stewart, is that your company, in
11 filing those APDs did not have the ownership interest that
12 is necessary to file those; correct?

13 A. I do not know the answer to that question.

14 Q. The -- you mentioned that your four well station
15 is, I think in your affidavit it says that's a new model for
16 Cimarex in the Upper Wolfcamp; is that right?

17 A. That's our current model, yes.

18 Q. I think you said it was a new model?

19 A. I mean, we are constantly updating our models
20 with new data.

21 Q. Let me go to I don't your Paragraph 12,
22 Mr. Stewart. Would you go there for me?

23 A. Yes.

24 Q. You say that your spacing is based on actual well
25 performance as well as model well performance new to well

1 spacing; right?

2 A. Yes.

3 Q. Slide 34 shows that your Coterra Crawford 27-6
4 development, how that compares to your new model. When you
5 say new model, you are talking about four wells per section?

6 A. Yes.

7 Q. Only in the Wolfcamp Sands?

8 A. Yes.

9 Q. Now, when I go to Slide 34, let's go to that
10 slide 34, this is what you are offering to support your new
11 model?

12 A. Yes.

13 Q. Okay. When I see a line in there in Slide 34
14 that says four wells per section, that's not based on any
15 actual data; correct?

16 A. That is a model, correct.

17 Q. You used the model. What model was used?

18 A. So we have what we call -- we have -- there is
19 different models. What we was used here is what we call --
20 we actually look at it two ways. It's called a net parent
21 well model, and basically -- so if you drill one well, like
22 in the case of the Crawford we drilled one well, and that
23 well is going to have -- we'll call it -- let's just say for
24 math simplification a million barrels. And then let's say
25 we drilled four more wells in that section, and those four

1 additional wells were 500 MBO, so half of that.

2 So your total section recovery is now 2.5 million
3 barrels, and so that is -- we call that 2.5 net parent
4 wells. And so we looked at data comparing to the Crawford
5 as well as some other developments in -- kind of north --
6 in that area, vicinity, in Eddy County, and that's how we
7 came with our model.

8 Q. But you call it the net parent well model?

9 A. Yes.

10 Q. Okay. All right. Then the five well -- well,
11 let me ask you this. In your net parent well model that you
12 use to create that line, the four wells per section, what
13 lateral length did you use?

14 A. So these are two miles.

15 Q. Two miles?

16 A. Yes. These are these are two miles -- this is
17 two-mile curve because we wanted to compare it to the
18 Crawford which is also two miles.

19 Q. Okay. So you took your net parent model, used a
20 two mile lateral length to generate its projection for four
21 wells per section?

22 A. Yes.

23 Q. And you compared that to the five wells per
24 section in the Crawford area?

25 A. Yes.

1 Q. That's the area that your geologist testified the
2 lithology is not as good as we see in 17 and 20?

3 A. Marginally.

4 Q. Okay. And in the Crawford area, am I -- am I
5 correct in pointing out that you chose as to drill the
6 initial parent well in October of 2018?

7 A. Yes.

8 Q. Okay. And then you waited 26 months to drill --
9 for drilling and completing the remaining four wells?

10 A. Yes.

11 Q. Did you -- won't that have a parent-child effect
12 on your recovery there?

13 A. Yes.

14 Q. Okay. And perhaps lowers the recovery?

15 A. That -- I don't know that -- that there is
16 conclusive data to support that statement, that it lowers
17 the total section recovery.

18 Q. You are telling me with your company, with its
19 drilling experience, has not experienced a decline in
20 production for a particular area when you drill a parent
21 well and then wait a long period of time to drill additional
22 wells? Is that what you are saying?

23 A. So what I'm saying is that the total section
24 recovery. So to use my previous example, let's say you
25 drill a parent well and you get a million barrels. And then

1 you come back 26 months later and you drill a well right
2 next to it and you get 500,000 barrels. So the sum of those
3 two wells is 1.5 million barrels. We think if you drill
4 those two -- my opinion -- there is different opinions out
5 there -- my opinion is that if you drill those two wells at
6 the same time, they are probably going to be pretty close to
7 700,000 barrels for those two wells at 1.5 million total.

8 **Q. Have you studied that, Mr. Stewart?**

9 A. That is my -- I haven't taken a deep dive into
10 it. The data is very complicated. We have done some
11 modeling that shows that from reservoir engineering Ph.D.s
12 that we have at our company, we have done some modeling that
13 said we don't think there a huge drop off total section
14 recovery.

15 **Q. So what we don't know is how much recovery you**
16 **would have obtained in the Crawford area with your five**
17 **wells per spacing if you had completed those wells**
18 **simultaneously?**

19 A. Not with a hundred percent certainty.

20 **Q. Okay. Now I heard you talk a lot today about**
21 **economic threshold, better economics. Okay?**

22 A. Yes.

23 **Q. Let me ask you, what is Cimarex's economic**
24 **threshold for drilling wells?**

25 A. I -- I think that's proprietary. I don't think

1 I'm allowed to share that information.

2 Q. Well, you brought it up Mr. Stewart. You all
3 brought it up coming in and saying, "We don't think it's
4 economic. We don't think it meets an economic threshold."
5 What threshold, what threshold do you use?

6 A. That information is proprietary.

7 Q. So you are refusing to tell us what threshold are
8 you using?

9 A. I mean, I don't know that, that I'm allowed to
10 share that. I might -- I mean, yeah, I don't know that I'm
11 allowed to share that information.

12 MR. BRUCE: Mr. Examiner, I would just simply say
13 that proprietary information is precluded.

14 MR. FELDEWERT: Not when you bring it up and rely
15 upon it to take a position, I would object to that. When
16 you bring it in and you make a decision and you take a
17 position based on what you call an economic threshold
18 authority, that better capital efficiency, then you have
19 waived that, and we have the right to know what you consider
20 to be the economic threshold to be and what you think the
21 better economics are.

22 A. I do wonder if Chevron has access to that
23 information with our joint development agreement in
24 Culberson. Every company has their own -- I mean, their own
25 threshold, I would say.

1 Q. Yeah.

2 A. Chevron may know that through the joint
3 development agreement in working with them.

4 Q. Mr. Stewart, do you know it?

5 A. Yes, I do.

6 Q. What is it?

7 HEARING EXAMINER BRANCARD: Mr. Feldewert, I
8 believe he said he is not going to tell you.

9 MR. FELDEWERT: Are you going to compel him to do
10 that, Mr. Brancard?

11 HEARING EXAMINER BRANCARD: Why would I do that?

12 MR. FELDEWERT: Because they brought it up.

13 HEARING EXAMINER BRANCARD: I mean, it's, you
14 know, if he said it's proprietary, I guess it's proprietary.
15 But I mean, on the other hand, they lose a chance to tell us
16 what that number is and defend it.

17 A. It's my opinion that other companies, if they
18 were to participate in 17-20 wells with us, that they would
19 be happy with the economic threshold. It's my opinion that
20 other companies have similar economic thresholds. I do not
21 think that our decision based off of our economic threshold
22 is very different from Chevron's or Premier's or other
23 companies with an interest in these sections.

24 Q. Mr. Stewart, Getting back to your opinion, you
25 haven't offered in the record to the Division any analysis

1 of the economics to your proposed space; correct?

2 A. I have not offered economics, yes.

3 Q. Okay.

4 A. I don't believe Chevron has offered that either.

5 Q. If you drill wells in the -- let's say you drill
6 your -- you drill your four wells in the Wolfcamp A Sand,
7 okay, Mr. Stewart?

8 A. Yes.

9 Q. And if you follow Chevron's plan, and you also
10 drill four wells in Wolfcamp A Shale in a wine rack
11 pattern --

12 A. Yes.

13 Q. -- would those eight wells per section, are they
14 going to be profitable?

15 A. Not as profitable as if you drill four.

16 Q. What's the delta?

17 A. I would have to run that.

18 Q. You haven't done that; right?

19 A. I -- I do not have that delta.

20 Q. But you said they are going to be profitable,
21 correct, Mr. Stewart?

22 A. So the incremental wells, I do not believe, will
23 be profitable. If that makes sense. So if you drill seven
24 wells -- so for example, the Dominator they drilled 23
25 wells --

1 Q. I'm not taking about the Dominator, and we are
2 not in the Dominator --

3 MR. BRUCE: I object. Let the witness answer the
4 question.

5 BY MR. FELDEWERT:

6 Q. My question is, if you drill with Chevron's
7 pattern, four wells in the Wolfcamp A Sand and four
8 additional wells in the Wolfcamp A shale in a wine rack
9 pattern in 17 and 20, are they going -- are those wells
10 going to be profitable?

11 A. I do not think the Lower A wells would be
12 profitable.

13 Q. And have you done a study to reach that
14 conclusion?

15 A. Yes.

16 Q. And where is that study?

17 A. That study is internal. We have done a lot of
18 work on that. I just did an analysis on a development
19 nearby. And yes, it -- they proposed four wells, and if
20 they would have proposed eight, I would not have
21 participated in that project.

22 Q. And you haven't provided that analysis, you say
23 you have it?

24 A. I have not provided that.

25 Q. Okay. Will they be -- if you look at -- let's go

1 to your model. You look at the per section, right, analysis
2 per section?

3 A. Yes.

4 Q. If you follow Chevron's pattern and drill the
5 four wells in Wolfcamp A Sand and drill the additional wells
6 in Wolfcamp A Shales in a wine rack pattern in Section 17
7 and 18 in that, are those -- will that pattern result in a
8 higher net present value per section?

9 A. I do not think so.

10 Q. On what -- you don't --

11 A. On my net parent well model. It would say that,
12 no, it does not.

13 Q. So in your opinion, if we look at sections -- net
14 present value to 17 and 20, that the four wells per section
15 at the same level lateral length is going to have a higher
16 net present value per section than eight wells --

17 A. Yes.

18 Q. -- of the same lateral length?

19 A. Yes.

20 Q. Okay. And you are basing that on what analysis?

21 A. That's based off of our Crawford wells, as well
22 as tying that into some of the work that we've done.

23 Q. And when you say the Crawford, you are talking
24 about the Crawford wells that you did five wells with the
25 parent-child?

1 A. Yes.

2 Q. I want you to turn to slide 35.

3 A. I'm there.

4 Q. This is another slide you created, right,

5 Mr. Stewart?

6 A. Yes.

7 Q. Now, you've looked at Chevron wells?

8 A. Yes.

9 Q. Okay. And you know that they were drilled at six
10 wells per section?

11 A. Yes.

12 Q. Do you recognize these wells drilled in the
13 Wolfcamp A Shale; right?

14 A. Yes.

15 Q. Okay. And not in a wine rack pattern with the
16 Wolfcamp A Sand?

17 A. Some of those landings, I believe, are right
18 below the sand, yeah. But yes, yes, that is correct.

19 Q. All right. The -- you -- were you here for the
20 testimony -- let me ask you this because you did it. When
21 you projected that green line, did you take into account the
22 lateral length?

23 A. I did not.

24 Q. Okay. I see that somebody put on there a little
25 black dash line that says approximate northeast stance of

1 **Wolfcamp A Shale place delineation.**

2 A. Yes.

3 **Q. Did you do that?**

4 A. So I took that from the previous slides that our
5 geologist had made.

6 **Q. All right. And do you know what data they relied
7 upon for that line?**

8 A. I do. Yeah, they -- so this black line, believe
9 it or not, was made per this -- for these exhibits. That
10 line we made prior to getting official approval from our
11 executives to drill the Crawford infill wells.

12 So it was based off the net shale with some
13 porosity cutoff and resistivity cutoff basically hydrating
14 good quality reservoir, we saw pretty significant thinning
15 right there at that dash line.

16 **Q. Do you have any -- is it your suggestion that the
17 Wolfcamp A Shale is not potentially productive above that
18 dash line?**

19 A. It will make oil, but I do not believe that it is
20 an economic target.

21 **Q. And what do you mean by economic?**

22 A. Something that we would want to go drill or
23 participate in.

24 **Q. Okay. What would make it something that you
25 would want to drill or participate in?**

1 A. That, that goes back to our economic threshold.

2 Q. Which you are not going to disclose.

3 A. I do not think I'm allowed to disclose that.
4 That's, I mean, that's coming from the top. That's coming
5 from the CEO, so --

6 Q. Do you have any -- have you presented any data,
7 any analysis of production data to support that meandering
8 line?

9 A. So if you take this map and go up, like if you
10 took that map and extended it north, I don't think there is
11 any middle A-1 or lower A-1 shale wells anywhere north of
12 that line. So anything north of that would be a step-out
13 test, it's not proven what that result is going to look
14 like.

15 Q. Okay. Well, we'll get to that with our rebuttal
16 witness, okay, Mr. Stewart? Let me ask you then, finally,
17 if I look at your Slide 36, that has nothing to do with the
18 Upper Wolfcamp dispute or sand and shale; right?

19 A. That's, yes, that's Lower Wolfcamp.

20 Q. Has nothing to do with what we're talking about
21 here today, you and I?

22 A. On Chevron's proposals we saw eight wells
23 proposed at the same TVD in the Upper Wolfcamp, the upper
24 part of the Upper Wolfcamp. So I was not aware that they
25 wanted to drill Wolfcamp CD, but where they have, we believe

1 that they have over-drilled those sections.

2 Q. Okay. But just so I understand, this deals with
3 the Wolfcamp CD area; right?

4 A. Yes. It's still covered under Wolfcamp
5 operatorship that we are discussing today.

6 Q. And it was put together before you had an
7 understanding of what Chevron would do, at least today, if
8 they get to infill drilling in the Wolfcamp?

9 A. Yes. They did not propose any Lower Wolfcamp.

10 Q. Okay. I want to get back to the Upper Wolfcamp
11 now. Are you familiar with Cimarex's outer draw area?

12 A. At a surface level. I'm not super familiar with
13 it.

14 Q. Are you familiar with the -- you are not familiar
15 with the spacing down there, or the Upper Wolfcamp
16 development?

17 A. Northern Culberson, we think it's around eight
18 wells per section.

19 Q. Let me turn to what's been marks as Chevron
20 Exhibit G. Do you have that available to you?

21 A. Chevron Exhibit G.

22 Q. Hold on. I can screen share -- I don't have
23 share capability.

24 TECHNICAL EXAMINER ROSE-COSS: I am unable to
25 switch the share capability to you.

1 MR. FELDEWERT: Can everyone find their
2 Chevron --

3 TECHNICAL EXAMINER ROSE-COSS: I can assign it to
4 you, Mr. Feldewert, if that will work.

5 MR. FELDEWERT: Either that, or we can all turn
6 to Chevron G, which is in our package. There, I see it.

7 TECHNICAL EXAMINER ROSE-COSS: I can make you a
8 presenter, but not the Houston icon.

9 MR. FELDEWERT: That's my bad. I should have
10 told you me, not Houston, that's why.

11 BY MR. FELDEWERT:

12 Q. If I turn to what's been marked as Chevron
13 Exhibit G, I have it on the screen now, Mr. Stewart. Do you
14 see that?

15 A. Yes, I do.

16 Q. Okay. This is Cimarex area?

17 A. Yes.

18 Q. Okay. And am I -- when you look at this and the
19 well spacing, doesn't this look like very similar to what
20 Chevron has proposed in Section 17 and 20.

21 A. Yeah, I think eight wells per section makes sense
22 in Culberson County. It's, geologically, I don't think you
23 can compare the two.

24 Q. Okay.

25 HEARING EXAMINER BRANCARD: Mr. Feldewert, there

1 is no map about where this is. Where is this?

2 **Q. Where is the Owl Draw? Where is the Owl Draw?**

3 A. It's Culberson. Northern Culberson County.

4 HEARING EXAMINER BRANCARD: That's not part of
5 our country.

6 MR. FELDEWERT: Let me double check. I think I
7 may be finished here, Mr. Examiner. That's all I have.
8 Thank you.

9 HEARING EXAMINER BRANCARD: Thank you. Let me
10 see, where are we at? Mr. Rose-Coss?

11 EXAMINER QUESTIONS

12 TECHNICAL EXAMINER ROSE-COSS: Yes, I do believe
13 it's my turn. I know I put -- Mr. Feldewert covered a lot
14 of my questions, so I'm debating what my remaining questions
15 are.

16 I suppose what I would like to say or see that
17 I -- I do feel like, to make an appropriate opinion on the
18 Division's side, that we are lacking maybe some evidence,
19 mainly, you know, we are talking about a percentage shale
20 versus percentage carbonate and like the cutoff of when or
21 when that might not be economic, and the economics of the
22 four versus eight wells, the ultimate recovery. And so I
23 don't know if it's appropriate to ask for Chevron and
24 Cimarex to provide some of that information to us as
25 supplemental exhibits. Mr. Brancard, is that something we

1 can do?

2 HEARING EXAMINER BRANCARD: Well, I think that
3 would be difficult without continuing the hearing to allow
4 both to ask questions about the submittals.

5 TECHNICAL EXAMINER ROSE-COSS: Sure. And, you
6 know, I'm -- I feel like I am a little confused on this
7 exhibit, Page 16 of 18, Page 34 of your exhibits. Can you,
8 -- I know you and Mr. Feldewert have been speaking about
9 this -- oh, here, now I'm sharing -- have been speaking
10 about this, but what exactly am I looking at here?

11 THE WITNESS: Okay. So that blue line there, is
12 the average of our Crawford infills. The black dash line is
13 my model for four wells per section. So in the bottom
14 right, that is the -- that blue line, that is the average
15 Crawford infill well performance versus my model.

16 In the model on the left, that is the average
17 Crawford well performing times five to get it to the total
18 section oil, and then my four wells per section model times
19 four to get it to the total section model.

20 TECHNICAL EXAMINER ROSE-COSS: And what is it
21 showing me?

22 THE WITNESS: So it's showing you that we think
23 we can back off a well and get a similar amount of total oil
24 recovery out of that section. We think the reserves you are
25 adding from adding additional wells, over four wells, is

1 minimal.

2 TECHNICAL EXAMINER ROSE-COSS: So that's the
3 take-home point there?

4 THE WITNESS: Yes.

5 TECHNICAL EXAMINER ROSE-COSS: And okay, I might
6 need a little more clarification on the APD situation that
7 Mr. Feldewert brought up. So the APDs that Cimarex has
8 filed to get the ball rolling, and they are basing the
9 argument of being kind of ahead in the paperwork game on
10 aren't actually for the wells we are talking about, and
11 these APDs are probably filed incorrectly?

12 THE WITNESS: They are -- so they have been
13 submitted, that is kind of ahead of the game, because just
14 to submit them takes some work, and what we are seeing now
15 is a minimum of 12 months to get them approved. I talked to
16 the -- the regulatory manager yesterday. The APDs as they
17 are now for the Bone Spring -- I'm sorry, not for the Bone
18 Spring -- for the Wolfcamp are all three miles that are
19 pending.

20 TECHNICAL EXAMINER ROSE-COSS: Okay. But then
21 it's -- is it slightly jumping the gun because they weren't
22 supposed to be filed until the compulsory pooling order was
23 issued because there is acreage that Cimarex doesn't have
24 like control over that it's trying to impose on?

25 THE WITNESS: I don't know the answer to that.

1 My experience has been wells are proposed, and then there is
2 some type of JOA agreement. That's the experience that I
3 have. We got proposals, then a JOA was formed, and then
4 they went and executed the project.

5 TECHNICAL EXAMINER ROSE-COSS: So will or won't
6 these APDs need to be refiled to --

7 THE WITNESS: At the very most we would need to
8 sundry these APDs if there are any changes that we make, and
9 that would be a two- to three-month process.

10 TECHNICAL EXAMINER ROSE-COSS: Okay. Those are
11 all my questions, thank you.

12 THE WITNESS: Okay.

13 HEARING EXAMINER BRANCARD: Thank you. So here
14 is -- here is where I think we're at. Chevron is willing to
15 take the risk of drilling lots of wells, but they are afraid
16 to drill three-mile wells.

17 And Cimarex is willing to take the risk of
18 drilling three-mile wells, but they are afraid to drill a
19 lot of wells, and frankly, as Mr. Rose-Coss has pointed out,
20 we haven't had a lot of data to support the facility and
21 risk here for either.

22 But I do think that -- let me get back to where
23 Mr. Rose-Coss was with your exhibits, Mr. Stewart, and this
24 is the whole key, I think, to your not wanting to drill too
25 many wells is your experience with Crawford; is that

1 correct?

2 THE WITNESS: Yes. That is the key data point
3 for us.

4 HEARING EXAMINER BRANCARD: All right. So
5 really, and looking at Page 34 by itself is somewhat
6 meaningless because as Mr. Feldewert brought out, that's
7 just a model, the dash line is just a model.

8 But if you had taken that right-hand graph and
9 combined it with the graph on the next page, it might be a
10 little more meaningful, right, because there you show six
11 wells per section performing better than your model in some
12 cases to the south, southeast, whereas five wells per
13 section in the previous slide to the northwest performs
14 below the model. Is that basically a summary of --

15 THE WITNESS: That's changing reservoir quality.

16 HEARING EXAMINER BRANCARD: Right, but I mean
17 that's what's going in the ground, and what you are
18 representing is that the reservoir as it goes southeast to
19 northwest would likely smack in the middle is declining --

20 THE WITNESS: That is correct.

21 HEARING EXAMINER BRANCARD: -- per number of
22 wells.

23 THE WITNESS: That is correct.

24 HEARING EXAMINER BRANCARD: So that's your whole
25 argument right there.

1 THE WITNESS: Yes.

2 HEARING EXAMINER BRANCARD: Thank you. Okay.

3 All right. I think that's all I'm going to try to ask
4 because I'm getting to 5:30, 5:35. All right. Mr. Bruce,
5 did you have redirect?

6 MR. BRUCE: Just a couple of questions, Mr.
7 Examiner.

8 REDIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. Mr. Stewart, what you are basically -- is this
11 what you are basically saying is --

12 MR. FELDEWERT: Mr. Examiner, I'm going to
13 object at the outset for the obvious leading question.

14 MR. BRUCE: Mike, you know me too well. Okay.

15 MR. FELDEWERT: That's why I'm objecting. Let
16 the witness talk.

17 BY MR. BRUCE:

18 Q. Mr. Stewart, is your basic point is, adding the
19 additional wells at this point is -- adding incremental
20 wells, although they may recover more reserves, is it not
21 worth the cost?

22 A. Yes. That is -- yes.

23 Q. And this is not your area of responsibility, but
24 obviously when it comes to OCD filings, they are different
25 from BLM filings with respect to APDs?

1 A. Yes.

2 Q. So respect to APDs filings with the BLM, it takes
3 them a long time to get approval; right?

4 A. That's correct.

5 Q. And so often, not only Cimarex, but other
6 operators file APDs because they know it takes so long to
7 get approval?

8 A. Correct.

9 Q. So you are not trying to game the system, you are
10 just filing APDs with the BLM?

11 A. Yes.

12 MR. BRUCE: And, Mr. Examiner -- and I didn't ask
13 this question of the witness before --

14 BY MR. BRUCE:

15 Q. But, Mr. Stewart, I didn't think I introduced the
16 exhibits but with respect to your exhibits, your testimony
17 and your exhibits, were they prepared by you or under your
18 direction?

19 A. Yes.

20 Q. And do you adopt those as your testimony in this
21 case?

22 A. Yes.

23 MR. BRUCE: And, Mr. Examiner, I would ask the
24 admission of Mr. Stewart's exhibits -- exhibits.

25 HEARING EXAMINER BRANCARD: I think we already

1 admitted them, but if not, they are in.

2 MR. BRUCE: That would be my final question.

3 HEARING EXAMINER BRANCARD: Thank you, Mr. Bruce.

4 All right. We are done with the direct testimony here. Mr.
5 Rose-Coss, do you have all the information you need to make
6 a decision?

7 TECHNICAL EXAMINER ROSE-COSS: Yes, I
8 have (inaudible) I'm going to get to make a decision.

9 MR. FELDEWERT: Mr. Examiner, I would like the
10 opportunity to address a point that came up with Mr. Stewart
11 about the shale north of that line, and we have prepared
12 rebuttal exhibits on that point. It's one to be introduced
13 by Mr. Hulme.

14 MR. BRUCE: I have no objection, Mr. Examiner.

15 HEARING EXAMINER BRANCARD: Okay, well first --

16 MR. BRUCE: I just want to go home -- of course,
17 I am home, but --

18 HEARING EXAMINER BRANCARD: Let me ask the most
19 important person.

20 (Discussion with reporter.)

21 (Recess taken.)

22 HEARING EXAMINER BRANCARD: Mr. Rose-Coss, are
23 you there?

24 TECHNICAL EXAMINER ROSE-COSS: I am here.

25 HEARING EXAMINER BRANCARD: Mr. Bruce?

1 (No audible response.)

2 HEARING EXAMINER BRANCARD: Mr. Bruce?

3 MR. BRUCE: I'm back.

4 HEARING EXAMINER BRANCARD: Excellent. All
5 right. Mr. Feldewert?

6 MR. FELDEWERT: Yes, sir.

7 HEARING EXAMINER BRANCARD: Please proceed.

8 MR. FELDEWERT: We would like to call back to the
9 stand Mr. Hulme who has already been sworn.

10 BRADLEY HULME

11 (Previously sworn, was recalled and testified as follows:)

12 DIRECT REBUTTAL EXAMINATION

13 BY MR. FELDEWERT:

14 Q. Mr. Hulme, you were here for the testimony
15 presented today?

16 A. Yes, sir.

17 Q. Did you -- did you hear the discussion with Mr.
18 Stewart about what they identify as the approximate north
19 extent of the Wolfcamp A Shale delineation?

20 A. Yes, sir.

21 Q. When you saw that exhibit, did you agree with
22 that?

23 A. I did not.

24 Q. Okay. And why is that?

25 A. Because there is proven production north of that

1 line in the Wolfcamp A-1.

2 Q. When you say A-1, that's the shale?

3 A. It's what Cimarex has called Cimarex, what we
4 would call the A-1.

5 Q. The A-1, okay, all right. When you say there is
6 proven production, there is data to indicate that?

7 A. Yes, sir.

8 Q. From what company?

9 A. There is at least four operators that have landed
10 in the A-1 interval, including Marathon, XTO, Mewbourne as
11 well as even Cimarex.

12 Q. Okay. Did you put together an exhibit to
13 identify the shale play or the A-1 play north of their --
14 cimarex's proposed line?

15 A. Yes, sir.

16 Q. Turn to what's been marked as Chevron Exhibit L,
17 as in Larry, is that the exhibit that you put together?

18 A. I did.

19 Q. Can I share my screen?

20 TECHNICAL EXAMINER ROSE-COSS: Yes, let me pass
21 it to you real quick.

22 MR. FELDEWERT: Thank you.

23 TECHNICAL EXAMINER ROSE-COSS: You should have
24 the privilege here shortly.

25 MR. FELDEWERT: Thank you, sir.

1 **Q.** So I put up on the screen the exhibit that YOU
2 put together here, Mr. Hulme. It's -- would you please
3 explain to us what this shows?

4 A. Yes, sir. This is a map on the left of South
5 Eddy, New Mexico, highlighting the rectangle of interest,
6 Section 17-20. And then we highlight two developments to
7 the northeast focusing on Mewbourne's and Cimarex's
8 development. Mewbourne's development named Kansas 21-28 is
9 a half section development at eight wells per section
10 spacing in both the A Sand as well as the Wolfcamp A-1.

11 And then a bit to the south of Kansas, directly
12 to the east of Section 17-20 is Cimarex's River Bend,
13 Section 12-13, which is, again, landing in both the A Sand
14 as well as the Wolfcamp A-1 and is actually higher than 12
15 wells per section spacing, really closer to 13 or 14.

16 **Q.** Okay. Let me stop you right there. So you
17 mentioned that you have Section 17-18 bracketed on the
18 left-hand side of this exhibit?

19 A. Section 17-20.

20 **Q.** 17-20. So that black line we looked at that
21 could have been located at the south end of that township
22 and range?

23 A. That's right. It's been covered, it fell just
24 Township Ranges 25 South 27 East and 26 South 27 East.

25 **Q.** Okay. And now you see there is some well lines

1 **that appear just north of where that meandering line would**
2 **be.**

3 A. That's right.

4 **Q. And what wells are those?**

5 A. Those are Chevron wells that have been already
6 drilled and are what are considered back drilled,
7 uncompleted, planning to be completed in mid summer of this
8 year. And as we discussed, we are drilling two-and-a-half
9 milers just directly east on the eastern third of this
10 section, also in the A-1 Shale to be completed mid this
11 summer.

12 **Q. So those wells were in the A-1 Shale?**

13 A. In that section, so --

14 **Q. So that a shale play?**

15 A. Yes, sir.

16 **Q. Just to the north of their line?**

17 A. That's right.

18 **Q. Okay. Now, you mentioned there is some other**
19 **operators, XTO and Marathon that are engaged in developing**
20 **both the sand and the shale north of the line in Cimarex**
21 **throughout there?**

22 A. Yes.

23 **Q. Where are XTO's and Marathon's developments?**

24 A. Their wells are farther northeast, the wells that
25 we called out, those are in Township Range 24 South 28 East,

1 and in the northwest part of 25 South 29 East.

2 Q. Up there in the area where we see the Kansas --

3 A. Yes.

4 Q. -- development? Okay. And you depicted on here
5 the fact that these companies are placing wells in not only
6 the Wolfcamp A Sand but the Wolfcamp A Shale?

7 A. What we would call the A-1, yes.

8 Q. And they are putting them in a similar pattern?

9 A. In a similar wine rack pattern, yes, at eight
10 wells per section or greater.

11 Q. Okay. In your opinion, are the Wolfcamp A Shales
12 likewise productive in 17 and 20 based on the data and
13 information that we have available?

14 A. I think they will be productive similarly to
15 these wells.

16 Q. Okay. And based on that information, to maybe be
17 developed in conjunction with the Wolfcamp A Shale?

18 A. Yes.

19 Q. And in fact the Chevron pattern for 17 and 20
20 pattern after the success that you are seeing by these other
21 operators when they are in Wolfcamp A Sand and Wolfcamp A
22 Shale?

23 A. That's correct.

24 Q. If I turn to the next page of this Exhibit L,
25 does this also explain why you would want to drill those

1 **wells simultaneously?**

2 A. It does.

3 **Q. And tell me what this shows on the second page of**
4 **this exhibit.**

5 A. Yes, sir, it's similar to what has been shown
6 before. On the Y axis we have cumulative production
7 unconstrained to the month it's been producing. And the X
8 axis would be the time line, the number of months producing.

9 And we colored the lines by the company that's
10 operating the wells. Each line is an individual well.
11 Starting with Chevron in pink, these are the same wells that
12 have been shown in all exhibits in Cimarex's or Chevron's
13 exhibits.

14 And then what we highlight is Mewbourne's green
15 wells, there is two wells performing higher than Chevron
16 wells, and then it might be difficult to see, but there are
17 two additional wells that are children, younger wells, not
18 as much production that are also developed by Mewbourne
19 (inaudible).

20 **Q. So they were drilled and completed after the two**
21 **initial wells by Mewbourne?**

22 A. That's right they drilled one well in the sand
23 and one well in the Wolfcamp A-1, so two wells, and then
24 followed just directly east of it additional two wells, so
25 still following the wine rack pattern but, yes, with a

1 parent-child relationship.

2 Q. With a parent. And same thing as Cimarex
3 themselves like they saw in the Crawford area, they
4 experienced a parent-child effect in the River Bend
5 development?

6 A. Similar strategy, similar results, yes.

7 Q. Okay. And as you had initial well, and then you
8 with waited until months or a period of time later to drill
9 a child well?

10 A. Correct.

11 Q. So first off, what does this tell you, Mr. Hulme,
12 in terms of the data? Is there evidence of a parent-child
13 effect when it comes to completing these wells in these
14 types of zones?

15 A. Yes. I strongly believe that if you develop
16 these concurrently, the net result, any net resource
17 developed would have been increased rather than the sum of
18 all of the wells.

19 Q. And does the shale play that we see by other
20 operators align with what Cimarex proposed, does that
21 indicate, is that evidence that at least multiple operators
22 believe that you should be developing the sand and shale
23 together?

24 A. This proves that wells in the A-1 interval north
25 of the line that Cimarex has called the shale play are

1 indeed productive and are indeed viable.

2 Q. And if you don't do simultaneous drilling, and
3 place wells in both intervals in the Upper Wolfcamp, in your
4 opinion will there be reserves left in the ground?

5 A. Correct. As per my previous testimony, the
6 fractures would be left deficient, asymmetrical and would
7 leave reserves in the ground resulting in that parent-child
8 relationship.

9 Q. And based on the recovery that you are seeing
10 here in the second page of this slide, are those types of
11 recoveries that warrant the capital expense to produce those
12 reserves and not leave them wasted in the ground?

13 A. Correct.

14 MR. FELDEWERT: Mr. Examiner, with that I would
15 move the admission of Chevron Exhibit L. I would also move
16 the admission of H, I, J and K which were the additional
17 exhibits that were referenced throughout the day in our
18 supplemental package.

19 MR. BRUCE: I have no objection to the admission
20 of the exhibits, Mr. Examiner.

21 HEARING EXAMINER BRANCARD: Thank you. The
22 exhibits will be admitted.

23 (Exhibits Chevron H, I, J, K, L and attachments
24 admitted.)

25 MR. FELDEWERT: And I pass the witness.

1 MR. BRUCE: And, Mr. Examiner, I would like to
2 recall one of my witnesses just very briefly.

3 HEARING EXAMINER BRANCARD: All right. Well,
4 first let's have questions for this witness. Mr. Bruce?

5 MR. BRUCE: I have no questions for the witness.

6 HEARING EXAMINER BRANCARD: Mr. Rose-Coss?

7 EXAMINER QUESTIONS

8 TECHNICAL EXAMINER ROSE-COSS: No. Thanks for
9 this additional testimony here. Just to be clear -- these
10 points aren't taking into consideration two versus three
11 miles, this is kind of just two miles. Am I correct, or are
12 these three-mile wells?

13 THE WITNESS: A good thing to clarify that this
14 chart that we plotted this production is all normalized as
15 if the wells were completed on a two-mile basis. These
16 wells that were completed, Cimarex's were two miles and
17 Mewbourne's were one-and-a-half miles.

18 TECHNICAL EXAMINER ROSE-COSS: Okay. Well,
19 that's my only question then. Thanks for clarifying.

20 HEARING EXAMINER BRANCARD: What was the length
21 of the Chevron wells?

22 THE WITNESS: Chevron wells are predominantly two
23 miles. There is two wells that I think that are a
24 mile-and-a-half, but again the production that is being
25 plotted is normalized so that they are plotted as if they

1 were two milers, that way we were comparing apples to
2 apples.

3 HEARING EXAMINER BRANCARD: It says here on the
4 next page, it says Chevron wells used in Coterra exhibits.

5 MR. FELDEWERT: Mr. Examiner, that's --

6 HEARING EXAMINER BRANCARD: What are those?

7 MR. FELDEWERT: Sorry, I was trying to rest this,
8 but if you look at Coterra Exhibit 35, Slide 35, that's
9 where they compare their four-well-per-section model dash
10 line with Chevron's six wells per section development, right
11 along there, their shale line, that's what those wells
12 represent. Right, Mr. Hulme?

13 THE WITNESS: Correct. Their exhibit takes an
14 average of those wells and are plotting them consolidated.
15 What this plot is showing you is each individual well.

16 HEARING EXAMINER BRANCARD: I'm going to go back
17 and forth here. Well, it looks like -- and this is Cimarex
18 River Bend wells, that's 12 per section just in the Upper
19 Wolfcamp?

20 THE WITNESS: Lower Wolfcamp.

21 HEARING EXAMINER BRANCARD: Lower Wolfcamp, okay,

22 THE WITNESS: It's in the Wolfcamp Camp A Sand
23 and Wolfcamp A-1 which Cimarex is calling the Upper
24 Wolfcamp.

25 HEARING EXAMINER BRANCARD: Mr. Feldewert knows

1 how I love these spaghetti string drawings, but they do,
2 those Cimarex wells do seem to be under producing from the
3 Chevron wells.

4 THE WITNESS: If I may --

5 HEARING EXAMINER BRANCARD: Way over-producing
6 the Mewbourne wells, which were just two of them.

7 THE WITNESS: That's right. I would not
8 recommend 12 wells per section. Again, in reality this is
9 closer to 13 or 14. I would not recommend that. In my
10 opinion they are underperforming as a result of that entire
11 spacing which Cimarex does not deny (inaudible).

12 HEARING EXAMINER BRANCARD: Okay. And then you
13 have those Mewbourne wells, but there are just two of them?

14 THE WITNESS: There is four, there is four wells.
15 There is two very easy to see, and then there is two more
16 that are younger and are mixed in with the pink wells. I
17 don't know if there is any way to zoom in on that, Mike?

18 HEARING EXAMINER BRANCARD: I have it on my
19 screen so it's bigger, I can see that and they are well
20 below, so that's the parent-child --

21 THE WITNESS: Yes, sir.

22 HEARING EXAMINER BRANCARD: -- that you are
23 talking about here?

24 THE WITNESS: Yes, sir.

25 HEARING EXAMINER BRANCARD: So these two areas,

1 the Cimarex and the Mewbourne looking at your previous page,
2 they are about ten miles away?

3 THE WITNESS: Yes, sir.

4 HEARING EXAMINER BRANCARD: As opposed to the
5 Chevron wells which are only about three miles away?

6 THE WITNESS: That's correct.

7 HEARING EXAMINER BRANCARD: And you don't have
8 the ones that -- you don't have the Crawford in there. You
9 are not comparing the Crawford?

10 THE WITNESS: Did not compare the Crawford.

11 HEARING EXAMINER BRANCARD: Okay. All right.
12 Thank you.

13 REDIRECT REBUTTAL EXAMINATION

14 BY MR. FELDEWERT:

15 Q. Mr. Hulme, Mr. Brancard asked you about Cimarex
16 wells where they have the eight wells plus per section.
17 Were those done in that density, but did they also do a
18 parent and child drilling --

19 A. Yes.

20 Q. -- process?

21 A. Yes. You can see the parent wells have been
22 producing at least 12 months, if I recall, if not more
23 longer than when they came back to drilling, which I believe
24 hindered the results and reduced the reserves recovered.

25 Q. And the Chevron wells Mr. Brancard talked about a

1 couple of miles away, those are the ones Chevron has drilled
2 in same pattern as here; right?

3 A. Those are in the six wells per section A-1 Shale
4 only. In the future, all future development will be in the
5 four by four wine rack pattern.

6 Q. But those are in the Wolfcamp A Shales north of
7 what Cimarex has designated as the shale play delineation?

8 A. That's right.

9 Q. Okay.

10 HEARING EXAMINER BRANCARD: I'm sorry, what were
11 you saying was --

12 MR. FELDEWERT: So we look at this Exhibit L, you
13 will find Section 17 and 20 in the purple, right,
14 Mr. Brancard?

15 HEARING EXAMINER BRANCARD: Yes.

16 MR. FELDEWERT: In that Exhibit 30, Slide 35,
17 this is where the bottom half of this township is where
18 Cimarex had put their northern delineation of the shale
19 line, shale play, what they call the shale play, these wells
20 that Chevron has drilled are above that line.

21 HEARING EXAMINER BRANCARD: So wait a second.
22 The wells that are on your exhibit --

23 MR. FELDEWERT: Right here.

24 HEARING EXAMINER BRANCARD: -- all the red
25 spaghetti strings --

1 MR. FELDEWERT: In 25 South 27 East, Just to the,
2 one, two, three sections over from Section 20. Okay. Keep
3 an eye on that and then you got Slide 35?

4 HEARING EXAMINER BRANCARD: Yeah. They are all
5 south of that line.

6 THE WITNESS: These wells have been drilled, they
7 have not yet been put on production. They are in the A-1
8 Shale and north of that line.

9 MR. FELDEWERT: North of that line, Mr. Brancard.
10 So they are north -- I just pulled up Slide 35 -- they are
11 up in here, north of that.

12 HEARING EXAMINER BRANCARD: You are not doing
13 those in CVS 8-5, 10-5?

14 MR. FELDEWERT: Those are what, the slide over
15 here on the right-hand side, those are the wells that Mr.
16 Hulme indicated he plotted on the second page of Exhibit L.
17 The spaghetti strings, as you call them, which have not
18 drilled in the shale is up in here -- is that right?
19 Yeah -- just to the north of the, what is in the green
20 rectangle on Slide 35.

21 THE WITNESS: Again, to be clear --

22 HEARING EXAMINER BRANCARD: Those are plotted on
23 your exhibit?

24 MR. FELDEWERT: They are already -- plotted on
25 the second page of L are the wells that are in the green

1 rectangle, the blue rectangle and blue rectangle on Slide 35
2 (inaudible) completion information.

3 HEARING EXAMINER BRANCARD: Right. Below the
4 dotted line.

5 MR. FELDEWERT: Below the dotted line, yes.

6 HEARING EXAMINER BRANCARD: Okay.

7 MR. FELDEWERT: Does that make sense? All right.
8 Mr. Rose-Coss, any questions? Have I thoroughly confused
9 everyone?

10 TECHNICAL EXAMINER ROSE-COSS: No, no, but
11 thanks for clarifying and confusing us more.

12 HEARING EXAMINER BRANCARD: Thank you. Mr.
13 Bruce, what do you have for us?

14 MR. BRUCE: I would like to recall Brett Stewart.
15 This will be extremely short, I would like to recall him as
16 a witness.

17 HEARING EXAMINER BRANCARD:

18 BRETT STEWART

19 (Previously sworn, was recalled and testified as follows:)

20 DIRECT REBUTTAL EXAMINATION

21 BY MR. BRUCE:

22 Q. Mr. Stewart, are you there?

23 A. Yes, sir.

24 Q. Now, you would agree that the A-1 well produced
25 additional oil; correct?

1 A. Yes, that is correct.

2 Q. But do you, do you think it's economically
3 reasonable to drill eight wells per section in that zone in
4 the Wolfcamp to recover those reserves?

5 A. I do not.

6 Q. And the wells that they are talking about are --
7 are -- are -- they are far east of what we are talking about
8 here today; correct?

9 A. Correct. Nothing that was just shown came as any
10 surprise to me. We are well aware of the River Bend. We
11 like the River Bend. We think we drilled too many wells
12 there, but if we go back we'll complete the shale. In
13 general, as you move south and east, you are getting more of
14 a continuous development of the A-1 Shale. So those wells
15 are too far east to compare to, to the White City sections
16 that we're, that we're looking at.

17 Q. And as with the Culberson County wells, they are
18 not geologically analogous, are they?

19 A. Yes. The same kind of thing going on here. It's
20 a completely different area. You can't compare Culberson
21 County to White City, you can't compare River Bend to White
22 City.

23 Q. And so, and you know, there is discussion about
24 well interference, but landing in these intervals, will they
25 really add that many wells -- that many barrels to the

1 wells -- to the wells to justify drilling those wells?

2 A. They won't. I think the incremental reserves
3 added from additional wells would be marginal at White City.

4 Q. And you are talking about whatever, whatever the
5 number is, \$10 million wells to add very incremental
6 reserves; is that correct?

7 A. That is correct.

8 MR. BRUCE: Thank you. That's all the questions
9 I have, Mr. Examiner.

10 HEARING EXAMINER BRANCARD: Thank you. Mr.
11 Feldewert, did you have any follow-up questions?

12 MR. FELDEWERT: No, they haven't presented any
13 data. There's been none.

14 HEARING EXAMINER BRANCARD: Thank you. All
15 right, so where are we at?

16 MR. BRUCE: Well, Mr. Examiner, I'm almost dead,
17 okay?

18 HEARING EXAMINER BRANCARD: Oh, come on, I was
19 hoping for a brilliant closing argument from you.

20 MR. BRUCE: I'm not capable of that right now.
21 And this -- it's an important case, and I have not talked
22 with Mike about this, but what I would request is that after
23 the transcript comes out we can do some written closing
24 arguments on this.

25 HEARING EXAMINER BRANCARD: Well, I will go to

1 Mr. Rose-Coss and see what he thinks might be helpful at
2 this point.

3 TECHNICAL EXAMINER ROSE-COSS: If we take that
4 time, do we get a chance for the sides to present any
5 additional details or data in those closing arguments, kind
6 of -- I think you summarized it well earlier, Mr. Brancard,
7 but it's -- we are debating between Cimarex wanting to drill
8 three miles and four wells or Chevron wanting to drill eight
9 wells and two miles.

10 Cimarex thinks the risk lies in too many wells
11 per section, and Chevron thinks the risk lies in extending
12 the wells so long. And I don't know that I have seen
13 anything, at least in terms of some of the geology, that
14 kind of seals the deal one way or the other for me. I
15 suppose what sounds nice is eight wells per section, 3 miles
16 long, and --

17 HEARING EXAMINER BRANCARD: Drill, baby, drill.

18 TECHNICAL EXAMINER ROSE-COSS: But that hasn't
19 been proposed because either way it seems like there is a
20 loser. So a little more detail in terms of, you know, does
21 the rock quality specifically here -- because this last
22 presentation -- and it did seem compelling that, okay, to
23 the east they are doing more wells per section when it
24 seemed like it was the north to south argument that the
25 shales were going to be better with the wine rack pattern,

1 so -- it's late for me here, too. I am thinking out loud.
2 And again, I don't know what all the options are here,
3 Mr. Brancard.

4 HEARING EXAMINER BRANCARD: Well, I think if we
5 want more evidence we have to continue the hearing. And
6 what Mr. Bruce is proposing is simply the parties sort of
7 summarizing their positions and what existing evidence
8 supports it.

9 I frankly think the parties have done a pretty
10 nice job today, and you know, some of these issues aren't
11 issues where there is not a lot of data, there is not a lot
12 of data on three-mile wells. You know, there may not be a
13 lot of data, when look at this map, the last exhibit, there
14 is not a lot of wells drilled right around this area.

15 MR. BRUCE: Correct.

16 HEARING EXAMINER BRANCARD: So it makes it,
17 there is no sort of killer evidence that either side has
18 presented here one way or the other, so we need to balance
19 it given the information that's available.

20 MR. FELDEWERT: And Mr. Brancard --

21 HEARING EXAMINER BRANCARD: I do thank the
22 parties for not trying to make things up, we have had that
23 in the past, so -- or having poor data, I think the parties
24 have done a decent job of what they have available to them
25 in presenting their position. Mr. Feldewert, you have not

1 jumped in yet.

2 MR. FELDEWERT: I have not. Thank you for the
3 opportunity, thank you for the discussion. You are correct,
4 I mean the parties have presented what they have. If this
5 was an easy case we wouldn't be here, okay, so we presented
6 what's out there.

7 And it seems to me that the job of the Division
8 here is to apply the facts of this case into account in
9 citing these cases recognizing that its obligation is to
10 prevent waste and protect correlative rights.

11 Now, if you feel, there are a number of factors,
12 including ownership, which of course favors Cimarex when you
13 look at the acreage that is at issue here which is 17 and
14 20. So I think you have what you need to decide this case.
15 I mean, I guess Mr. Bruce and I could spend more time
16 briefing it, I'm not sure you need that. We presented what
17 we got, spent all day doing this and getting ready for this,
18 this is what we have and we need you to make your decision.

19 HEARING EXAMINER BRANCARD: All right. So Mr.
20 Feldewert, heads or tails?

21 MR. FELDEWERT: Oh, man. I will go --

22 MR. BRUCE: Mr. Feldewert is trying to avoid
23 extra work on a closing argument. I'm sorry, but --

24 MR. FELDEWERT: Well, I think that -- you are
25 exactly right, Mr. Bruce. You and I both spent a lot of

1 time on this, we appreciate it, everybody did a great job.

2 MR. BRUCE: I'm getting a little punch drunk
3 here, Mike.

4 MR. FELDEWERT: It's up to you Mr. Brancard and
5 Rose-Coss. I mean, I do think we need to get to the end
6 line here.

7 MR. BRUCE: I don't think we need a continuance,
8 but defer to the Division. If you want to just take it
9 under advisement, I would, I would appreciate the right to
10 submit a written closing argument. That's all.

11 HEARING EXAMINER BRANCARD: Okay. There was only
12 one thing I think that we needed which I explained earlier
13 was Cimarex to do a little better job explaining the
14 ownership --

15 MR. BRUCE: Correct. Correct. Correct. I'm
16 sorry.

17 HEARING EXAMINER BRANCARD: I think the last set
18 of exhibits, Mr. Stewart actually had the numbers in there,
19 if you can just sort of set it out a little better. I think
20 Mr. Feldewert, I think you misspoke and Chevron had the
21 ownership advantage in the two --

22 MR. FELDEWERT: If I said Cimarex, then it must
23 be late in the day.

24 HEARING EXAMINER BRANCARD: Yes.

25 MR. FELDEWERT: Thank you, Mr. Brancard, I

1 certainly meant to say Chevron. That is undisputed.

2 MR. BRUCE: It's at your pleasure, Mr. Brancard.

3 HEARING EXAMINER BRANCARD: All right. I think
4 what I will rule here is that we will take this case under
5 advisement with that one additional submittal there, and I
6 guess I agree with Mr. Feldewert, that I don't see a need
7 for further summaries. I think each of you in your either
8 prehearing statements or in some of the affidavits laid out
9 exactly what your main issues were.

10 And I do also thank you for, even though, you
11 know, we have orders with seven criteria, you didn't go
12 through all seven criteria, you focused on what are the main
13 issues in this case, which is developing questions on the
14 geology, a little bit on the ownership issues. So I
15 appreciate that, we don't have a lot of fluff to ignore in
16 this case. So I, I would say we should take this case under
17 advisement.

18 TECHNICAL EXAMINER ROSE-COSS: Second it.

19 MR. BRUCE: Thank you.

20 HEARING EXAMINER BRANCARD: Thank you all for a
21 very nice job today.

22 MR. FELDEWERT: Thank you for the time.

23 MR. BRUCE: Good night and have a good weekend.

24 HEARING EXAMINER BRANCARD: Thank you. I have to
25 go rescue my dog.

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MR. BRUCE: Take care everyone.
(Concluded.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 REPORTER'S CERTIFICATE

5

6 I, IRENE DELGADO, New Mexico Certified Court
7 Reporter, CCR 253, do hereby certify that I reported the
8 foregoing virtual proceedings in stenographic shorthand and
9 that the foregoing pages are a true and correct transcript
10 of those proceedings to the best of my ability.

11 I FURTHER CERTIFY that I am neither employed by
12 nor related to any of the parties or attorneys in this case
13 and that I have no interest in the final disposition of this
14 case.

15 I FURTHER CERTIFY that the Virtual Proceeding was
16 of poor to reasonable quality.

17 Dated this 18th day of March 2022.

18

/s/ Irene Delgado

19

Irene Delgado, NMCCR 253
License Expires: 12-31-22

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