

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:

ORIGINAL

APPLICATION OF EOG RESOURCES, INC.,
FOR APPROVAL OF A NONSTANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

Case No. 14722
Case No. 14724

TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Presiding Examiner
DAVID K. BROOKS, Legal Examiner

August 18, 2011

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, WILLIAM V. JONES,
Presiding Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, August 18, 2011, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
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1 EXAMINER JONES: Let's call Cases 14722
2 and 14724. They're both the application of EOG
3 Resources, Incorporated, for approval of a nonstandard
4 oil spacing and proration unit and compulsory pooling in
5 Eddy County, New Mexico. Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce, of
7 Santa Fe, representing the applicant. I have two
8 witnesses.

9 EXAMINER JONES: Any other appearances?

10 MR. BASSORE: Brad Bassore, pro se.

11 EXAMINER JONES: I did get your prehearing
12 statement, Mr. Bassore. It came on a Monday, and we were
13 supposed to get it on a Thursday. So what we do then is
14 defer to the applicant to see if it's okay with them to
15 admit this.

16 MR. BRUCE: Well, if he wants to enter an
17 appearance, I would object to him testifying.

18 EXAMINER BROOKS: You know, there are
19 different rules about this for the Commission and the
20 Division, and I never remember what's what. But we'll
21 let you go ahead and start your presentation. And I know
22 I can cross-examine your witness, so --

23 MR. BRUCE: I have two witnesses to be
24 sworn in.

25 (Two witnesses were sworn.)

1 DOUGLAS HURLBUT

2 Having been first duly sworn, testified as follows:

3 DIRECT EXAMINATION

4 BY MR. BRUCE:

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

7 A. Douglas W. Hurlbut.

8 Q. Where do you reside?

9 A. Midland, Texas.

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

11 A. EOG Resources. I'm a landman with them.

12 Q. Have you previously testified before the
13 Division?

14 A. Yes.

15 Q. Were your credentials as an expert petroleum
16 landman accepted as a matter of record?

17 A. Yes, they were.

18 Q. Are you familiar with the land matters
19 involved in this case?

20 A. Yes, I am.

21 MR. BRUCE: Mr. Examiner, I tender
22 Mr. Hurlbut as an expert petroleum landman.

23 EXAMINER JONES: So qualified.

24 Q. (By Mr. Bruce) Could you identify Exhibit 1
25 for the Examiner?

1 A. Okay. Exhibit 1 is a plat, and it's of
2 Section 23. I believe that's in 1929. And it's in Lea
3 County -- no.

4 MR. BASSORE: Eddy County. The com
5 agreement you sent me said Lea.

6 A. Okay. And basically what this depicts is
7 Section 23, which is subject to a joint operating
8 agreement that's been around since I think in the '70s.
9 I don't know the exact date. It was originally a well
10 drilled -- several wells drilled in 23.

11 One that we drilled was a Morrow well called
12 the Parkway 23 State Com Number 1 Well. And we drilled
13 that quite a few years ago, and it's still producing in
14 the Morrow. And the north half was communitized.

15 At that time when we drilled it, we had like a
16 potash issue. So it was deviated or directional drilled
17 for a bottomhole location up in the north half. After
18 that date, we decided we wanted to drill into the Bone
19 Spring and test the Bone Spring.

20 Q. Let's go into that. There are two wells
21 indicated, one in the north half/north half and one in
22 the south half/north half. Could you identify those?

23 A. The one in the north half/north half is called
24 our Parkway 23 State Com Number 2H Well, and the one in
25 the south half of the north half is Parkway 23 State Com

1 Number 3H Well.

2 Q. And those wells have been drilled?

3 A. Yes, they have.

4 Q. And in what formation are they completed?

5 A. They're completed in the Bone Spring.

6 Q. Now, you said that -- are all of the working
7 interests in both wells committed under a JOA?

8 A. Yes, they are. In fact, just to make sure
9 I've got that right, the JOA is dated August 18th, 1978.

10 Q. Now, if everybody is committed to a JOA, why
11 are we here today?

12 A. Well, the reason we're really here is I have
13 failed to get the signature of Basin Petroleum, who's a
14 working interest owner in Section 23 through the JOA.
15 Basin agreed to participate in the first well, with the
16 2H well, and they participated with their working
17 interest, subject to the JOA.

18 And in the second well -- I mean the third
19 well, which is the 3H well, they went nonconsent on that
20 well. And we actually drilled a well in south half/south
21 half, which is not part of this deal because it's not a
22 com deal. It's nonconsent on that one also.

23 But what happened is I have failed to get his
24 signature. All the parties that are involved have signed
25 the communitization agreement that's required by the

1 State.

2 Q. This is all State acreage?

3 A. Correct. And all the parties have signed
4 that, and it's -- record title owners must sign the com
5 agreement. And if they do not sign the com agreement, I
6 can't get the com agreement approved by the State.

7 Q. So you are here today seeking to force pool
8 Basin Petroleum solely to get the com agreement approved
9 by the State of New Mexico?

10 A. Correct. I just need his signature on the com
11 agreement and -- so I can hand that over to the State so
12 we can get that all lined up. And that's all that is.

13 Q. And Mr. Bassore introduced himself. He is
14 Basin -- Basin Petroleum is apparently a corporation;
15 correct?

16 A. No, I don't think it is. It's a sole
17 proprietorship.

18 Q. Okay. Owned by Mr. Bassore, to the best of
19 your knowledge?

20 A. As far as I know, it is. Correct.

21 Q. So you're not seeking any -- since there's a
22 JOA in place, you're not seeking any penalty under the
23 force pooling statutes?

24 A. No, no. Like I said, he's -- under the terms
25 of the JOA, he participated in the first well, and he's

1 nonconsent in the other two wells.

2 Q. Will the force pooling order substitute for
3 Mr. Bassore's signature for the Commissioner of Public
4 Lands?

5 A. Correct. I mean if he -- yeah. Either his
6 signature on the com agreement, you know, will work, or
7 if he doesn't sign, then an order from the OCD will
8 satisfy the State office, according to Jeff Alberts and
9 Scott Dawson.

10 Q. What are Exhibits 2A and 2B, Mr. Hurlbut?

11 A. 2A is a letter I sent out in June, and it was
12 for the communitization agreement. We sent this out to
13 all the parties. And this was on the 3H well.

14 Of course, I guess your Exhibit 2B, that's the
15 one dated prior to that, that is for the 2H. So we
16 drilled the 2H well, we sent out the com agreement. And
17 then we drilled the 3H, and we sent the com agreement out
18 on it.

19 Q. So you have requested in writing
20 Mr. Bassore's signature on the com agreements for the two
21 wells?

22 A. Correct.

23 Q. And without going into detail, have there been
24 other emails or other communication was Mr. Bassore?

25 A. Yes, there has, as many, I believe, as three

1 emails that I've sent to him requesting that he please
2 sign the com agreement and that we need to have that
3 thing signed and sent to the State.

4 Q. Okay. And again, Basin Petroleum Company is
5 the record title owner in a State oil and gas lease which
6 is involved in each of the well units?

7 A. Correct.

8 MR. BRUCE: Mr. Examiner, Exhibit 3 is
9 simply my affidavit of notice, showing notice of the
10 hearing was sent to Basin Petroleum Company.

11 MR. BASSORE: It was received on Friday.

12 MR. BRUCE: It was mailed out July 28th.

13 Q. (By Mr. Bruce) Exhibit 4, Mr. Hurlbut, does
14 this accurately reflect the offset operators or working
15 interest owners to the two well units?

16 A. Yes, it does.

17 MR. BRUCE: And Mr. Examiner, Exhibit 5 is
18 my affidavit of notice to the offsets, which is required
19 by the Division, showing all the offsets did receive
20 actual notice of the application.

21 Q. Again, Mr. Hurlbut, the Commissioner of Public
22 Lands will not approve the two com agreements until
23 either Mr. Bassore signs or until we've got a force
24 pooling order?

25 A. Correct.

1 Q. And do you request that the Division -- unless
2 Mr. Bassore signs, request that the Division enter a
3 pooling order?

4 A. Yes.

5 Q. Were Exhibits 1 through 5 prepared by you or
6 under your supervision or compiled from company business
7 records?

8 A. Yes, they were.

9 MR. BRUCE: Mr. Examiner, I move the
10 admission of Exhibits 1 through 5.

11 EXAMINER JONES: Exhibits 1 through 5 are
12 admitted.

13 (Exhibits 1 through 5 were admitted.)

14 EXAMINATION

15 BY EXAMINER JONES:

16 Q. So this the first well is all signed -- all
17 interests are in on it. Is this the record title signed
18 on for the com agreement; is that correct?

19 A. We're talking about the 2H?

20 Q. Right.

21 A. Correct. All of the parties have signed.
22 There weren't that many, but we've got all their
23 signatures. I just don't have Basin's on the 2H.

24 Q. But you have -- they're participating in the
25 well --

1 A. Correct.

2 Q. -- on that one?

3 A. Correct. Under the JOA, they're
4 participating.

5 Q. So you're not asking for anything but a record
6 title signing for the com agreement on that one?

7 A. Correct.

8 Q. But on the 3H --

9 A. It's the same thing.

10 Q. But you said he hasn't signed yet?

11 A. No, no. On the 3H, he elected not to
12 participate in the drilling of the well under the JOA,
13 and he went nonconsent. So that's still under the JOA.

14 Q. So the JOA has a provision for handling
15 nonconsent interests?

16 A. Correct.

17 Q. And the Division doesn't need to address that
18 at all?

19 A. No. It's just that he still needs to sign the
20 com agreement on that one, as well, because he's still a
21 record title owner.

22 Q. And the 4H, which is in the southern part of
23 the section --

24 A. It's not a com well. It's all on one lease.
25 We're not communitizing that, so we don't need a com

1 agreement on that.

2 EXAMINER JONES: Okay. I better turn this
3 over to David here.

4 EXAMINER BROOKS: You want to
5 cross-examine, ask questions?

6 Did you pass the witness?

7 MR. BRUCE: That's fine. I did.

8 EXAMINER JONES: The applicant objects
9 to --

10 EXAMINER BROOKS: He can cross-examine the
11 witnesses. If you're going to object to him testifying,
12 then you and I will have to look through this rule. And
13 I think somebody screwed it up, and it's probably me.

14 MR. BRUCE: I don't have any objection to
15 Mr. Bassore questioning Mr. Hurlbut.

16 EXAMINER BROOKS: I believe he has that
17 right, in any case. You may proceed and cross-examine.

18 I do need to establish that you're a party of
19 interest. You're the principal of this organization that
20 they're trying to force pool?

21 MR. BASSORE: Yeah.

22 EXAMINER BROOKS: Are you a corporate
23 officer?

24 MR. BASSORE: It's a sole proprietorship.

25 EXAMINER BROOKS: Okay. You may go ahead.

1 MR. BASSORE: Me, myself and I. I'm the
2 garbage man and everything.

3 EXAMINER BROOKS: You may ask questions of
4 the witness.

5 CROSS-EXAMINATION

6 BY MR. BASSORE:

7 Q. Doug, when you stated that both of the wells
8 were in the Bone Spring, are they in two separate Bone
9 Springs, the first -- the Number 2 is in the second Bone
10 Spring and the Number 3 is in the first Bone Spring; is
11 that correct?

12 A. Yeah. One is in the first Bone Spring sand
13 and one is in the second Bone Spring. But for all
14 practical purposes, it's Bone Spring.

15 Q. On the com agreement in the south half of the
16 north half, are you seeking to be able to produce the
17 Parkway Number 1 in its vertical extent? Because you
18 guys aren't a party. You don't have standing to pool
19 that 40 acres of vertical because you don't own any Bone
20 Spring rights in that 40 acres.

21 A. I'm confused what you're talking about.

22 Q. See what -- this well here.

23 A. Are you talking about the Number 1 well?

24 Q. Yeah.

25 A. That's a Morrow well.

1 Q. Right. But it has Bone Spring behind the
2 pipe, which you guys don't own any Bone Spring rights in.
3 So are you seeking to pool that?

4 MR. BRUCE: Mr. Examiner, we're not
5 seeking to force pool anything regarding Well Number 1.
6 It is a producing Morrow well.

7 EXAMINER JONES: The deviated well?

8 MR. BRUCE: Yeah.

9 THE WITNESS: That's been producing for
10 quite a long time. And I believe you're nonconsent in
11 that well.

12 Q. (By Mr. Bassore) It still affects me because
13 there's third Bone Spring behind pipe, in case you wanted
14 to recomplete it, and you guys don't have interest in the
15 Bone Spring.

16 A. I doubt that we'd be recompleting that well.

17 Q. I might be interested when you guys abandon
18 it.

19 A. We'll address that situation at the time.

20 Q. Are you aware of my request to sign a com
21 agreement to establish -- to show me a copy of the
22 central tank battery? Do you recall that?

23 A. I got that on -- if I remember correctly, I
24 got that on Monday of this week.

25 Q. I believe it was last Thursday.

1 A. I didn't get it until Monday.

2 Q. That's possible.

3 A. In fact, when I talked to you or sent you
4 email on Thursday, you said you had some other
5 requirements and you were going to send that to me. And
6 I did not get that Friday. By the time I left the
7 office, I had not received that. And I actually got it
8 Monday, when I came into the office.

9 And I do have a schematic of that central tank
10 battery, which I'll be glad to give you. I guess that's
11 it there.

12 Q. Are you aware of any inspectors being on the
13 lease and certifying that it's --

14 A. I don't have a clue.

15 Q. Okay. I believe it has been inspected and
16 found to be producing into one tank battery without
17 any -- there's a surface commingling problem. Are you
18 aware of that?

19 A. No, I'm not aware of it.

20 Q. Okay. Were the com agreements, either of the
21 two com agreements you sent me, would the State have
22 approved them, had I executed them as they were? I've
23 got the --

24 A. Well, here's the deal. We sent those com
25 agreements down, and I realize there was a few little

1 errors.

2 EXAMINER BROOKS: Excuse me, gentlemen.
3 You have to talk one at a time. You finish your answer,
4 and he can do his next question. Go ahead.

5 A. I understand that after I had sent those com
6 agreements out, several months had rolled by, and I
7 requested again that you sign them. And then we got a
8 glaring email from you saying that there were some
9 problems with them.

10 And if you called me and said, "Hey, we have a
11 problem with the plat," or something like that, we would
12 have fixed that all up. That's all. That's all that
13 would have been.

14 So I did send that out to you last week. I
15 believe on Monday I did send you an email attached to
16 those other two com agreements that had been corrected
17 and asked that you please sign those, and we need three
18 original signatures and notaries on those each. And I
19 requested you put those in the overnight and send them to
20 me.

21 Q. Executed pages only, not the -- I've got them
22 here. They're executed. And the State wouldn't approve
23 these because the legal descriptions are completely
24 incorrect.

25 A. Okay. The county was wrong.

1 Q. Yeah. But --

2 A. There was one of them on the last one that was
3 screwed up. That's my fault.

4 Q. Well, but --

5 EXAMINER BROOKS: One at a time, please,
6 gentlemen. Finish your answer.

7 A. I apologize that this caused a problem. But
8 if you would have called us and told us, we would have
9 fixed it.

10 We're in the oil and gas business. We've got
11 lots of wells we're drilling. We're doing com agreements
12 everywhere. And I've got one lady helping me shuffling
13 paper back and forth. And it's just --

14 MR. BASSORE: I just --

15 EXAMINER BROOKS: Excuse me. Do not cut
16 the witness off.

17 A. I'm sorry it caused some confusion. If you
18 would have called me, we would have straightened it out
19 and I would have realized there was a problem. Some of
20 the people in the office didn't catch it, either.

21 Because we have a series of ways our
22 agreements are signed, and they go from one person to the
23 next, I didn't catch it. Pat didn't catch it, and -- but
24 you know, the other parties that signed didn't catch it,
25 either. They signed it.

1 But we would have corrected the pages, which
2 would have been that exhibit, and filed the correct pages
3 was the State. If we had not filed the correct pages
4 with the State, Jeff Alberts or Scott Dawson, with the
5 State Office, would have called me and said, "There's a
6 problem here," and we would have then got it straightened
7 out.

8 Q. Okay. So when I sent you emails stating why I
9 hadn't returned these and I needed some other things done
10 before I returned the corrected ones, you sent me PDF
11 files of the corrected ones which are correct now?

12 A. Right.

13 Q. I stated I needed to have this before I signed
14 it, which I just now received for the first time. And
15 not having a chance to look at it, I don't know if, you
16 know, there's meters on the wells. Because I'm in
17 consent and want -- these are 500-barrel-a-day wells, and
18 there's three of them out there. I might want to know if
19 I'm getting paid on the production from the well I've
20 consented on.

21 And I'm told by the State Inspector that
22 they're not in compliance. There's no meters. They're
23 all going into the same tank battery. That's a big
24 problem, in my view.

25 The reason we're here is to see that these

1 three wells are in compliance with the State of New
2 Mexico's rules and regulations of production practices.
3 That's it.

4 We've got the executed com agreements here.
5 The State Inspector is aware of the situation. He's
6 talked to the attorney up here. I don't know what
7 they're going to do, but they're going to do something.
8 So whenever they see fit to issue the pooling order or
9 tell me that it's all corrected, I'll hand off the signed
10 signature pages. Pretty simple.

11 EXAMINER BROOKS: Okay. Anything further,
12 Mr. Bruce?

13 MR. BRUCE: Mr. Examiner, I have nothing
14 further on this matter. Regardless of the surface
15 commingling, if I could follow up with a question?

16 EXAMINER BROOKS: You may.

17 REDIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. You have personnel in your Midland office who
20 handle these regulatory matters, surface commingling and
21 downhole commingling; do you not?

22 A. Correct.

23 Q. And are you aware of any violations at this
24 point, or would you presume that your regulatory affairs
25 people are taking care of these issues?

1 A. I was not aware of any problems. I've not
2 been told of any problems. I mean I guess if there is
3 one, we need to look at it. But I'm not aware of
4 anything.

5 Q. In your opinion, is that separate from a
6 signature on a com agreement?

7 A. Correct.

8 Q. Even if Mr. Bassore handed you the signature
9 pages today, you would still have to go back and make
10 sure there is compliance with surface commingling?

11 A. Correct. We still need to get to the bottom
12 of that. If he feels there's a problem, we need to get
13 to the bottom.

14 Q. That's separate and distinct from getting the
15 com?

16 A. Correct.

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

19 EXAMINER BROOKS: Very good. Have you
20 said everything you wanted to say, Mr. Bassore?

21 MR. BASSORE: More or less. Except my
22 point about that 40 acres, there's actually three -- if
23 these pooling orders are granted, does that entitle them
24 to -- for all three Bone Springs?

25 EXAMINER BROOKS: Well, I don't think so,

1 but I'm not sure.

2 MR. BRUCE: All we're seeking is for these
3 two wells. We're not trying to seek anything regarding
4 the Number 1.

5 Furthermore, despite what Mr. Bassore says,
6 this whole section is under a JOA. So even though EOG
7 doesn't own a specific interest in that 40 acres where
8 the Number 1 well is bottomed, under the JOA, they own a
9 contractual interest.

10 EXAMINER BROOKS: That interest would be
11 covered by the JOA, whatever the JOA says. But I
12 don't -- a pooling order basically only authorizes them
13 to pool for the purpose of the well that's stated in the
14 pooling order. If they want to propose a different well
15 or do something with another well under the pooling
16 order, then they have to follow the provisions under the
17 rule.

18 MR. BRUCE: That's correct. And EOG will
19 do that, if necessary.

20 EXAMINER JONES: But you're only asking
21 for a pooling of the 160s?

22 MR. BRUCE: Yes

23 EXAMINER JONES: That well would probably
24 be a 40-acre -- different spacing.

25 MR. BASSORE: It would be a separate

1 spacing.

2 EXAMINER JONES: Separate deal.

3 EXAMINER BROOKS: Very good. I think Mr.
4 Bassore has probably said -- you've said everything you
5 want to say?

6 MR. BASSORE: I guess I'd ask a question.
7 I have signed these. If I hand these to you, can you see
8 that they're put together properly?

9 EXAMINER BROOKS: They're between you and
10 Mr. Hurlbut. If you have a problem with the surface
11 commingling issue, then you need to take that up with the
12 Artesia District Office.

13 MR. BASSORE: Okay.

14 EXAMINER BROOKS: So I think I will turn
15 it back to you, and you can take the case under
16 advisement.

17 MR. BRUCE: Mr. Examiner, just for record
18 title, for the next case, we also have a geologist. I
19 don't know that it's necessary, but it's up to you.

20 EXAMINER BROOKS: You're asking for us to
21 form a nonstandard unit. So I think as of now, the
22 rules, the way they are, we need a geologist.

23 MR. BRUCE: That's fine.

24 MR. BRUCE: I'll call Mr. Morris to the
25 stand.

1 EXAMINER JONES: And your trip is not
2 wasted this morning.

3 MR. BASSORE: I'm not a formal legal guy,
4 but I had a reason. I didn't do it just arbitrarily.

5 (Mr. Bassore exited the hearing.)

6 JAMES MORRIS

7 Having been first duly sworn, testified as follows:

8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. Would you please state your name and city of
11 residence for the record?

12 A. My name is William James Morris. I live in
13 Midland, Texas.

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

15 A. Geologist for EOG.

16 Q. Have you previously testified before the
17 Division?

18 A. I have.

19 Q. Were your credentials accepted as a matter of
20 record?

21 A. Yes.

22 Q. Are you familiar with the geology involved in
23 this case?

24 A. I am.

25 MR. BRUCE: Mr. Examiner, I tender Mr.

1 Morris as an expert petroleum engineer.

2 EXAMINER JONES: He is so qualified.

3 Q. (By Mr. Bruce) Mr. Morris, there's already
4 been discussion about the first and second Bone Spring.
5 Could you identify Exhibit 6 for the Examiner and discuss
6 those zones?

7 A. Exhibit 6 is a cross-section of all the five
8 pilot holes or vertical wells in Section 23. And the
9 section colored in pink near the top part of that is the
10 first Bone Spring sand interval. That's where we drilled
11 our 3H well. And the lower section that's colored green
12 is the second Bone Spring sand that we drilled our 2H and
13 4H wells laterally in.

14 Q. And the zones are continuous across all of
15 Section 23?

16 A. Yes, they are.

17 Q. What is Exhibit 7?

18 A. Exhibit 7 is a structure map on the top of the
19 first Bone Spring sand. Throughout the area surrounding
20 Section 23, it shows that the formation dips to the
21 southeast largely.

22 Q. Is structure important for these wells?

23 A. Just to assist you in keeping the well in the
24 zone of the first Bone Spring.

25 Q. What is Exhibit 8?

1 A. Exhibit 8 is a net pay Isopach map of the
2 porosity greater than 10 percent in that pink zone across
3 the section there that -- and it shows that across
4 Section 23 there is net pay of 50 to 150 feet in that
5 interval.

6 Q. What is Exhibit 9?

7 A. Exhibit 9 is a gross Isopach interval map of
8 of the first Bone Spring sand. It includes the entire
9 interval shown in pink on the cross-section. And it
10 shows that the first Bone Spring sand interval is 150 to
11 over 200 feet thick across the entire Section 23. It
12 shows continuity of the reservoir or the section across
13 there.

14 Q. What is Exhibit 11?

15 A. Exhibit 11 is a structure map on the base of
16 the second Bone Spring sand, and it again shows the
17 formation dips off to the southeast. And it's used
18 essentially to keep -- assist keeping the well in the
19 zone, in the second sand.

20 Q. Based on your maps, are the first and second
21 Bone Spring continuous across the wellbores of the two
22 wells we're here for today?

23 A. Yes, they are.

24 Q. You would expect each quarter/quarter section
25 to contribute to production?

1 A. Yes, they should.

2 Q. Finally, could you identify Exhibit 12 and
3 maybe just briefly describe how --this is for the Parkway
4 23 Number 2H well. Describe just very briefly how EOG
5 has been drilling and completing the -- it's horizontal
6 Bone Spring well?

7 A. Started off drilling a pilot hole, getting a
8 log on that, picking a spot to go horizontal. And then
9 engineers design a well path curve to drill it down and
10 drill 4,000 feet essentially across the 160-acre spacing
11 in there.

12 Q. Do you have -- approximately how many
13 completion stages are there?

14 A. They're going to have six stages, with four
15 clusters per stage.

16 Q. And there was some comment about the wells.
17 Have these been successfully completed?

18 A. Yes, they have.

19 Q. Were Exhibits 6 through 12 prepared by you or
20 under your supervision?

21 A. Yes, they were.

22 MR. BRUCE: Mr. Examiner, I move the
23 admission of Exhibits 6 through 12.

24 EXAMINER JONES: Exhibits 6 through 12
25 will be admitted.

1 (Exhibits 6 through 12 were admitted.)

2 EXAMINATION

3 BY EXAMINER JONES:

4 Q. Mr. Morris, the Delaware above the Brushy
5 Canyon, is that a clean line?

6 A. The first Bone Spring lime section sets above
7 the first sand. So there is several hundreds of feet of
8 carbonate above this sand zone.

9 Q. You call them Bone Spring?

10 A. Yes, it's Bone Spring.

11 Q. All of a sudden, you get to sand. Is it
12 marine sand?

13 A. It's -- yes. Yes it would be a marine sand.
14 It's a low system track type sand.

15 Q. Low energy?

16 A. Low sea level. Sea level would drop, and it
17 would be deposited during a low stand.

18 Q. You're targeting the top part of that?

19 A. Yes, the upper 50 feet of that.

20 Q. Is that where you got your mud log shows?

21 A. Right. On this cross-section, you see those
22 little green and red boxes out on the right there? Those
23 are where there were mud log shows. In the first well
24 there, there's one right at the very top of the first
25 Bone Spring. So there was a little show there.

1 Q. It wouldn't be very good for a vertical well,
2 but you think a horizontal well will do it?

3 A. Yeah. There on the maps, I think, if you look
4 on Exhibit 7, there's a Parkway field located in Section
5 34. All those wells that are circled in light green,
6 those are vertical wells that haven't been perforated in
7 the first. Some have been commingled with the second
8 Bone Spring sand. But those are probably 30 to 80,000
9 barrels per well. And we've determined that we could be
10 much more profitable to go horizontal.

11 Q. So in your horizontal well, how much do you
12 expect from that well?

13 A. Probably 250 to 300,000 barrels. There is --
14 the well in Section 23 that is colored green, I think
15 that well has made -- the vertical well has made like
16 100,000 barrels out of the first Bone Spring sand. So I
17 believe -- I could be wrong on those numbers.

18 Q. So you could drill one horizontal across
19 cheaper than 40 verticals and get more production?

20 A. Right, get more bang for your buck overall.

21 Q. But you probably can't draw it down as low as
22 you could these vertical wells because you can get your
23 pump deeper in the vertical wells than the horizontal?

24 A. That's probably correct. I'm not an expert
25 there.

1 Q. Well, do you expect all four of those normal
2 40-acre units that's being bisected by the well to
3 contribute to the well?

4 A. Absolutely, yes. I mapped some of those sands
5 individually. I didn't bring those maps with me. But
6 they do continue across the full section.

7 EXAMINER BROOKS: I think you asked all
8 the right questions, Mr. Jones. I don't think I need to
9 add anything.

10 EXAMINER JONES: I never pass up a chance
11 to question a geologist.

12 MR. BRUCE: I did have one question I
13 forgot to ask Mr. Morris, since I know you're interested,
14 Mr. Jones.

15 REDIRECT EXAMINATION

16 BY MR. BRUCE:

17 Q. Is there the potential -- we're here just
18 force pooling these two wellbores. Is there potential
19 when you say there are two wells in the second Bone
20 Spring and one in the first Bone Spring at this point?

21 A. Horizontal wells, yes.

22 Q. Is there the opportunity at a later date to
23 come in and flip those situations and drill additional
24 wells to test the untested zones?

25 A. Well, yes. We plan to drill a first Bone

1 Spring sand about at the same location as the 2H well and
2 a second where the third well is located, yes. We have
3 plans to drill those.

4 EXAMINER JONES: Will you drill them at
5 different surface wellbores?

6 THE WITNESS: Yes. It will be a different
7 surface hole.

8 EXAMINER JONES: Why is that? Why don't
9 you drill a bigger hole vertically and drill two
10 horizontal?

11 THE WITNESS: Having two -- producing two
12 zones out of the same wellbore just adds complications to
13 it. So I think to make it simpler is why we're doing it
14 separately.

15 EXAMINER JONES: Okay. Thank you very
16 much. Thank you Mr. Morris and Mr. Hurlbut.

17 If nothing further --

18 MR. BRUCE: Nothing further in these two
19 cases.

20 EXAMINER JONES: -- we'll take cases 14722
21 and 14724 under advisement.

22 * * *

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____.

_____, Examiner

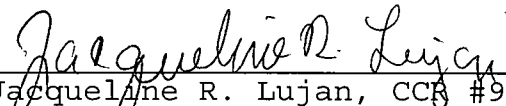
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on August 18, 2011, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 30th day of August, 2011.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2011