

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

ORIGINAL

5 APPLICATION OF DEVON ENERGY
6 PRODUCTION COMPANY, L.P. FOR
7 A NONSTANDARD OIL SPACING AND
8 PRORATION UNIT AND COMPULSORY
9 POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 15129
Consolidated With
CASE NO. 15130

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 May 15, 2014

12 Santa Fe, New Mexico

2014 MAY 19 P 3: 19

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14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, on Thursday, May 15, 2014, at the New
21 Mexico Energy, Minerals and Natural Resources
22 Department, 1220 South St. Francis Drive, Porter Hall,
23 Room 102, Santa Fe, New Mexico.

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APPEARANCES

FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.:

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1 (8:36 a.m.)

2 EXAMINER EZEANYIM: At this point, we are
3 going to call -- I think, Counsel, that we are going to
4 consolidate these cases for purposes of testimony?

5 MR. BRUCE: Yes.

6 EXAMINER EZEANYIM: At this time, I call
7 the first case, Number 15129, application of Devon
8 Energy Production Company for a nonstandard spacing and
9 proration unit and compulsory pooling, Lea County, New
10 Mexico.

11 Again, in Case 15130, application of Devon
12 Energy Production Company for a nonstandard oil spacing
13 and proration unit and compulsory pooling, Lea County,
14 New Mexico.

15 For purposes of this morning, these two
16 cases will be consolidated.

17 Call for appearances.

18 MR. BRUCE: Mr. Examiner, Jim Bruce of
19 Santa Fe representing the Applicant. I have two
20 witnesses.

21 EXAMINER EZEANYIM: Any other appearances?

22 Okay. May the witnesses stand up, state
23 your name to be sworn in, please?

24 MS. ALLEN: Cari Allen, C-A-R-I, Allen.

25 MR. BURNS: Steve Burns, B-U-R-N-S.

1 (Ms. Allen and Mr. Burns sworn.)

2 CARI J. ALLEN,

3 after having been first duly sworn under oath, was
4 questioned and testified as follows:

5 EXAMINER EZEANYIM: Go ahead,
6 Mr. Counselor.

7 DIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. Ms. Allen, would you please state your full
10 name and city of residence?

11 A. Cari Jean Allen, Purcell, Oklahoma.

12 Q. Who are you employed by and in what capacity?

13 A. Devon Energy Corporation as a senior staff
14 landman.

15 Q. And have you previously testified before the
16 Division?

17 A. No.

18 Q. Would you please summarize your educational and
19 employment background for the Examiner?

20 A. I have a bachelor's of business administration
21 from Southern Nazarene University from 2010.

22 And as far as my employment background, I
23 started in 1981 with Cities Service Oil & Gas and worked
24 there until 1996 in different levels in the land
25 department. In 1996, I went to Louis Dreyfus Natural

1 Gas and worked there five years. The last title I had
2 was associate landman there.

3 In 2011, I started with Devon Energy and
4 have worked there since then.

5 Q. And does your area of responsibility at Devon
6 include this portion of southeast New Mexico?

7 A. Yes.

8 Q. And are you familiar with the land matters
9 regarding these applications?

10 A. Yes.

11 Q. And are you a certified professional landman?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I'd tender
14 Ms. Allen as an expert petroleum landman.

15 EXAMINER EZEANYIM: Ms. Allen is so
16 qualified.

17 Q. (BY MR. BRUCE) Can you please identify Exhibit
18 1 very briefly for the Examiner?

19 A. It's an oil and gas plat, and it shows our
20 locations in -- that encompass parts of Section 33 and
21 28, 21 South, 32 East, Lea County, New Mexico.

22 Q. Please identify Exhibits 2A and 2B for the
23 Examiner.

24 A. 2A is the C-102 form for the Bilbrey 33 Fed Com
25 3H, and 2B is the C-102 for the Bilbrey 33 Fed Com 4H.

1 Q. And the C-102 has the pertinent -- which
2 formation do you seek to force pool?

3 A. Bone Spring.

4 Q. And the C-102 sets forth the name of the pool;
5 do they not?

6 A. Yes, the Bilbrey Basin Bone Spring.

7 Q. And both wells have approved applications for
8 permit to drill?

9 A. Yes. Yes.

10 MR. BRUCE: And, Mr. Examiner, the API
11 numbers are on the C-102s.

12 EXAMINER EZEANYIM: Okay. Thank you.

13 Q. (BY MR. BRUCE) Ms. Allen, let's get this out of
14 the way. You're drilling 240-acre units, it looks like,
15 more or less from the same well pad?

16 A. Yes.

17 Q. Why are you drilling from the south half of
18 Section 33?

19 A. This is a potash area where I dealt with
20 Intrepid Potash, and they wouldn't allow us to have
21 anything north of the half section line in Section 33.

22 Q. Now, even though the surface location locations
23 are in the south half of Section 33, the producing
24 intervals will be in the north half of Section 33 --

25 A. Right.

1 Q. -- and then Section 28?

2 A. Right. Right. Yes, sir.

3 MR. BRUCE: Mr. Examiner, our next witness
4 will have the beginning of the producing interval for
5 you.

6 EXAMINER EZEANYIM: Let me get the name of
7 the pool, since we're here. Is it on this exhibit?

8 MR. BRUCE: Yes, the Bilbrey Basin Bone
9 Spring pool.

10 THE WITNESS: 5695 and --

11 EXAMINER EZEANYIM: Is it on Form C-102?

12 MR. BRUCE: Yes.

13 EXAMINER EZEANYIM: I'm looking for it.
14 5695?

15 THE WITNESS: Well, it has -- they have two
16 different numbers on them.

17 MR. BRUCE: We'll get you the correct pool
18 code for that, Mr. Examiner.

19 EXAMINER EZEANYIM: But the name of the
20 pool code is Bilbrey Basin, right?

21 THE WITNESS: Bilbrey Basin Bone Spring.

22 Q. (BY MR. BRUCE) Who do you seek to pool? And I
23 refer you to Exhibit 3.

24 A. Devon seeks to pool ConocoPhillips, Mazel Oil &
25 Gas Company, Sheridan Holding Company, II, LLC Nominee,

1 Vincero Resources, Inc., or Raven -- let me see their
2 entire name -- Raven Resources, LLC, Fasken Acquisitions
3 '02, Limited. And OXY USA, Inc. has already elected to
4 participate.

5 Q. So OXY has agreed to participate --

6 A. Yes.

7 Q. -- and so has --

8 A. Paladin Energy Corporation.

9 Q. And Magnum-Hunter is farming out?

10 A. Farming out to Devon.

11 Q. So you do not seek to force pool those?

12 A. No.

13 Q. Let me ask you this. We have Vincero Resources
14 down as an interest owner. Apparently there is some
15 issue as to whether this is owned by Vincero Resources
16 or Raven Resources?

17 A. Right. My title opinion has Vincero Resources,
18 Inc. as owning title, but they do have a stranger
19 in [sic] title of Raven. And ConocoPhillips did that
20 for their wells in Section 33; it has Raven Resources.
21 And also there is -- on the Magnum-Hunter Production,
22 Inc., which is Cimarex, there is a stranger -- well,
23 there is a conflict there, where Matador Petroleum
24 Corporation or Joseph William Foran could possibly have
25 a claim to that interest.

1 Q. Okay. And we'll mention that a little bit
2 later.

3 Now, you've just listed one interest for
4 the total working interest for each interest owner. Are
5 the working interests the same in each well unit?

6 A. Yes.

7 Q. And just briefly, what is Exhibit 4?

8 A. Exhibit 4 is my first proposal on this to the
9 parties that we believe to have a working interest, and
10 it's for both wells.

11 Q. So one proposal letter was sent out for both
12 wells?

13 A. Yes, sir.

14 Q. And then the parties who may claim an interest,
15 or are strangers to the title, I think is a better way
16 to put that --

17 A. Uh-huh. I sent out individual letters to them
18 in April -- April 28th.

19 Q. And that was Matador, Raven Resources, Lynx
20 Production and --

21 A. The Redmon Oil Company and COG.

22 Q. And COG Operating. Have you spoken to COG?

23 A. Yes. And they do not believe they have an
24 interest.

25 Q. With respect to the Magnum-Hunter and the

1 Matador interest, there was a lawsuit between those
2 parties which resulted in a question --

3 A. Yes. Right. Yes. And Magnum-Hunter, or
4 Cimarex, has indicated that there was a settlement. And
5 they're supposed to be sending me that settlement, but I
6 have not received it yet.

7 Q. So besides these letters, you have had
8 telephone and e-mail communication with these interest
9 owners?

10 A. Yes. Yes.

11 Q. In your opinion, has Devon made a good-faith
12 effort to obtain the voluntary joinder of the interest
13 owners in the well?

14 A. Yes.

15 Q. Could you identify Exhibits 5A and 5B and give
16 the costs of these two wells?

17 A. 5A is the AFE, Authorization for Expenditure,
18 for the Bilbrey 33 Fed Com 3H. It has a total cost of
19 7,593,000. Exhibit 5B is the Authorization for
20 Expenditure for the Bilbrey 32 Fed Com 4H. It has an
21 estimated total cost of 7,508,000.

22 Q. Are these costs reasonable and in line with the
23 costs of other wells drilled to this depth in southeast
24 New Mexico?

25 A. Yes.

1 Q. Do request that Devon be appointed operator of
2 the wells?

3 A. Yes.

4 Q. And what is your recommendation for the amounts
5 Devon should be paid for supervision and administrative
6 expenses?

7 A. 7,500 --

8 EXAMINER EZEANYIM: What?

9 THE WITNESS: 7,500, drilling costs, and
10 750, producing well cost -- well rate.

11 Q. (BY MR. BRUCE) And are these amounts equivalent
12 to those charged by Devon and other operators in this
13 part of the state for wells of this depth?

14 A. Yes.

15 Q. And are these also the rates that Devon has in
16 its JOA with the consenting interest owners?

17 A. Yes.

18 Q. Do you request that the rates be periodically
19 adjusted as provided by the COPAS accounting procedure?

20 A. Yes.

21 Q. And does Devon request a maximum cost plus 200
22 percent risk charge if an interest owner goes nonconsent
23 in the well?

24 A. Yes.

25 Q. And were the working interest owners notified

1 of the hearing?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, there are two
4 notice letters --

5 Q. (BY MR. BRUCE) And is that reflected in the
6 Affidavit of Notice marked as Exhibit 6?

7 A. Yes.

8 MR. BRUCE: Mr. Examiner, there were two
9 notice letters. The first one, the second page of
10 Exhibit 6, was sent out to the interest owners who Devon
11 believes owns the interest, and all of those parties
12 received actual notice. There is a second notice letter
13 to those who were strangers in the title. A couple of
14 those people have not received notice, and I'm going to
15 re-send -- I have re-sent notice. So at the end of the
16 hearing, I'd like the hearing continued -- or the
17 matters continued for two weeks just to comply with
18 notice requirements.

19 And I would point out that the two parties
20 who didn't receive notice, Raven Resources and Matador
21 Petroleum, we have new addresses for them.

22 Lynx Production Company, Inc., I have not
23 received a green card back. I would note that the
24 address for Lynx Production Company is the address set
25 forth in the Division's records in its list of

1 operators. So that is the most current address we have.

2 EXAMINER EZEANYIM: Okay. Are you going to
3 find those -- you have found -- are you going to --

4 MR. BRUCE: I have re-sent notice.

5 EXAMINER EZEANYIM: Okay.

6 Q. (BY MR. BRUCE) Ms. Allen, what is Exhibit 7?

7 A. Exhibit 7 is the list of the offset owners.

8 Q. And was notice of the application sent to the
9 offset operators or working interest owners?

10 A. Yes.

11 Q. And is that reflected in Exhibit 8?

12 A. Yes.

13 Q. Were Exhibits 1 through 8 either prepared by
14 you or under your supervision or compiled from company
15 business records?

16 A. Yes.

17 Q. And in your opinion, is the granting of these
18 applications in the interest of conservation and the
19 prevention of waste?

20 A. Yes.

21 MR. BRUCE: Mr. Examiner, I'd move the
22 admission of Exhibits 1 through 8.

23 EXAMINER EZEANYIM: Exhibits 1 through 8
24 will be admitted.

25 (Devon Energy Production Corporation, L.P.)

1 Exhibit Numbers 1 through 8 was offered and
2 admitted into evidence.)

3 MR. BRUCE: I have no further questions of
4 the witness.

5 EXAMINER EZEANYIM: Thank you very much.

6 CROSS-EXAMINATION

7 BY EXAMINER EZEANYIM:

8 Q. First of all, there was something you said
9 about the working interests in wells that are identical.
10 What do you mean the working interest in both wells are
11 identical?

12 A. It's common in both wells. It's the same
13 leases in both wells. You know, they're going up --
14 they're both under the same contract, the same leases,
15 so it's the same in both, same owners, same working
16 interest percentages.

17 Q. In percentages, too?

18 A. Yes.

19 Q. So it's truly identical?

20 A. (Indicating.)

21 Q. Okay. Good.

22 Let's go back to that notice requirement.
23 I got confused. Did we get everybody noticed about
24 this?

25 MR. BRUCE: We had two bad addresses. I

1 have re-sent notice to the two bad addresses, but I had
2 to -- because of time, I had to re-notify them for the
3 May 29th hearing.

4 EXAMINER EZEANYIM: Are we going to
5 continue to May 29th?

6 MR. BRUCE: Yes. We need it continued
7 until then.

8 EXAMINER EZEANYIM: Oh. I didn't know
9 that. I thought --

10 Q. (BY EXAMINER EZEANYIM) One more question. The
11 rest of the questions will be for the geologist, I hope.
12 But there is one question I have about this 240-acre.
13 I'm glad ownership is identical. I wish you guys had
14 reached an agreement without them having to come to
15 compulsory pooling.

16 If we go back to Exhibit Number 1, this is
17 near a potash area. And we are looking at Sections 28
18 and 33, right?

19 A. Uh-huh.

20 Q. Section 28 and 33, you are going to propose
21 this to one-half-mile wells.

22 Okay. Now, I think -- because it's land, I
23 think you are going to answer this question. Can you
24 tell me if ownership in the lower Section 28 and the
25 ownership in all of Section 33 -- if possible, let me

1 know if you are aware of how those two sections will be
2 developed.

3 A. How they're going to be developed?

4 Q. Yes.

5 A. There's no risk of stranding any of these
6 tracts, because you can drill on the south half of 33
7 east-west and pick up that. And then you can do
8 mile-and-a-half laterals on the west half of 28 and then
9 northwest of 33.

10 Q. Okay. But who owns -- do you own those
11 interests?

12 A. Actually, yes. We have a contractual
13 interest in -- all in 33. But the west half of 28,
14 Devon had a lease there that recently terminated, and
15 we're trying to nominate it and get it bought back.

16 Q. On those, you know, you have two wells going to
17 the same pad. So if Devon -- my question is if Devon
18 has the well site of both sections, would they be able
19 to develop them with one-and-a-half-mile sections?

20 A. Yes.

21 Q. Is that the plan, or is it --

22 A. Well, you know, we don't have that lease, so --

23 Q. Who has the lease?

24 A. Well, it's open.

25 Q. It's open?

1 A. Uh-huh. The last well on that lease was
2 plugged last year.

3 MR. BRUCE: That's in the west half of
4 Section 28.

5 EXAMINER EZEANYIM: Yes, west half of both.

6 THE WITNESS: No. Just the west half of
7 28.

8 Q. (BY EXAMINER EZEANYIM) Yeah, the west half of
9 28, but now the northwest half of 33? Right? You know,
10 if you look this, west half of 28 and the northwest of
11 33 --

12 A. Right. The northwest of 33 is still --

13 Q. Yes.

14 A. And Devon has an interest in there.

15 Q. You have an interest there?

16 A. Uh-huh.

17 Q. But you don't have an interest in the west half
18 of 28?

19 A. No, sir.

20 Q. You know why I'm saying this? I think your
21 counsel knows why I'm saying this, because, like you
22 said -- you said it right. We don't want to strand any
23 acreage.

24 A. No.

25 Q. So I'm trying to find out how we can develop

1 that. If you don't own -- if you own the northwest of
2 Section 33 and you don't have anything northwest of
3 Section -- and you don't own in the west half of 28 --
4 so I don't know. That northwest quarter of 33 just
5 is --

6 A. Well, you can take a lease on the west half of
7 28, or whoever does get the bid on the lease on the west
8 half of 28, Devon can propose wells in the -- to be
9 drilled from the northwest of 33, and they could join
10 with us in our well.

11 Q. I'm glad this is going into the record, because
12 this is important. You know, if you are going to drill
13 one-and-a-half mile far from there, I have no problem,
14 you know.

15 A. Uh-huh. Right. Right. Whoever gets a lease
16 in the west half of 28 could join in our well.

17 Q. It's hypothetical.

18 A. Yeah.

19 Q. Okay.

20 MR. BRUCE: If I could ask Ms. Allen one
21 question.

22 REDIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. That -- that drilling -- Intrepid Potash -- is
25 there a restriction on drilling in the east half of the

1 section as also applied to the west half of the section?

2 A. Yes. Yes. You would not be able to get a
3 location in the west half of 28.

4 Q. Okay. So they would have to drill either from
5 the south of 28 or somewhere to the north of 28?

6 A. They're going to have to drill from the half
7 section line of 33.

8 RE CROSS EXAMINATION

9 BY EXAMINER EZEANYIM:

10 Q. Because Intrepid doesn't want you to come over
11 to 28?

12 A. No.

13 Q. Those are good points.

14 A. Right.

15 Q. It's good that you brought that up.

16 A. Right.

17 Q. Intrepid -- you know, maybe they have a
18 mile-and-a-half -- and they want drilling to start from
19 33. That might be a good point.

20 A. Right. Right. When we went to them for
21 locations -- originally, we actually were going to do a
22 location in the west half of 28, and then we discovered
23 our lease had essentially terminated.

24 Q. Would there be a problem if you wanted to drill
25 east-west on the south half of 33?

1 A. No, because that's outside of the potash.

2 Q. It's outside of the potash. Then it will
3 depend on the geology, whether it's really productive to
4 do east-west or west-east.

5 Okay. I think you know why I'm trying to
6 examine it.

7 A. Uh-huh.

8 Q. It's very important for us to -- but you have
9 made a good point there, that you come to the well pad
10 which is included. So you have to pump from 33 or drill
11 from Section 33. So to drill the well pad northwest of
12 Section 33, maybe we can pay you to drill one-and-a-half
13 mile again. If you happen to get the lease, you can do
14 that. And some other operator offset get it. Then --

15 A. Well, if somebody gets it going, they're going
16 to have to go south, also, because of the Intrepid.

17 Q. Well, that's hypothetical, but that's going to
18 be how it's going to have to happen.

19 All these are federal lands, right?

20 A. Yes.

21 Q. You may step down.

22 EXAMINER EZEANYIM: Call your next witness,
23 please.

24 MR. BRUCE: Call Mr. Burns.

25 EXAMINER EZEANYIM: Mr. Burns, you have

1 previously been sworn, so you are still under oath.

2 STEVE BURNS,

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

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Mr. Burns, where do you reside?

8 A. I live in Edmond, Oklahoma.

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

10 A. Devon Energy as a senior geologic advisor.

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

13 A. Yes, I have.

14 Q. And were your credentials as an expert
15 petroleum geologist accepted as matter of record?

16 A. Yes, they are.

17 Q. Does your area of responsibility at Devon
18 include this point of southeast New Mexico?

19 A. It does.

20 Q. And are you familiar with the Bone Spring
21 geology involved in these applications?

22 A. I am.

23 MR. BRUCE: Mr. Examiner, I tender
24 Mr. Burns as an expert petroleum geologist.

25 EXAMINER EZEANYIM: So qualified.

1 Q. (BY MR. BRUCE) Mr. Burns, could you identify
2 your Exhibit 9?

3 A. Exhibit 9 is a structure map on top of the 3rd
4 Bone Spring lime. It's pretty much centered on Sections
5 28 and 33 and includes the surrounding sections. It
6 shows the actual structure and that it is dipping from
7 the northwest to the southeast at approximately 75 feet
8 per mile.

9 I might also mention that the orange line
10 on the map is the potash boundary, so anything north of
11 that line is within the potash area. Anything south of
12 that line is outside the potash area.

13 EXAMINER EZEANYIM: I'm color-blind
14 (laughter).

15 THE WITNESS: Oh (laughter). It's this
16 line (indicating), that line that runs through there
17 (indicating).

18 EXAMINER EZEANYIM: I'm sorry about that.

19 THE WITNESS: My sons are color-blind,
20 yeah.

21 Q. (BY MR. BRUCE) Mr. Burns, even though that is
22 the potash line on there, oftentimes the potash bleeds
23 over outside of the oil potash area; does it not?

24 A. Yes.

25 Q. And getting back to the Examiner's final

1 questions for Ms. Allen, even though you don't have the
2 west half of Section 28 under lease, you initially were
3 thinking of drilling wells from the northwest -- from
4 the south half of 33 up into the Section 28, in the west
5 half of Section 28; is that correct?

6 A. Yes.

7 Q. And then getting to another question: In the
8 south half of Section 33, besides drilling lay-downs,
9 stand-ups could be drilled down south into Section 4;
10 could they not?

11 A. They could be.

12 And you might also note on this map down in
13 Sections 4 and 5, we actually operate those wells and
14 have drilled those in an east-west pattern. And
15 actually there has only been one drilled so far. That's
16 the 1H in Section 5. That well has been drilled in an
17 east-west direction, fairly similar to -- if you just
18 turn it on in, to what we're trying to do up in 33 and
19 28, where it's a bit of an extended lateral.

20 CROSS-EXAMINATION

21 BY EXAMINER EZEANYIM:

22 Q. Are you talking about 5H? Is that 5H?

23 A. In Section 5, the 1H.

24 Q. Oh, in Section 5, the 1H?

25 A. Uh-huh.

1 Q. Who drilled the 5H?

2 A. The 5H?

3 Q. In Section 33. Do you know?

4 A. I don't know the answer to that. I don't have
5 the operator names on this map. I'm sorry.

6 Q. But the 1H, did you drill the 1H?

7 A. Yes. In Section 5, we drilled the 1H.

8 Q. And 2H?

9 A. The 2H has not been drilled. It's a location.

10 Q. I see that running -- you're a geologist,
11 right?

12 A. Yes.

13 Q. Okay. Now, these are Devon Energy wells,
14 right?

15 A. Yes.

16 Q. And they're going east-west?

17 A. Yes.

18 Q. And you think we can strike the most productive
19 hydrocarbons that way?

20 A. I think that -- and this was drilled to protect
21 some expiring leases that we had in this area, and
22 that's why we chose to do it east-west. But I don't
23 think that with this 2nd Bone Spring Sand, which is what
24 our target is, that it is detrimental to go one
25 direction or the other.

1 Your principal stress direction is
2 generally to the northwest-southeast. So if you're
3 drilling in a north pattern and intersecting that
4 principal stress, then it's not that much different than
5 if you're drilling in an east-west pattern, because
6 you're cutting that at approximately the same angle as
7 you are whether you're doing it east-west or
8 north-south.

9 Q. I'm glad I asked that question and it's on
10 record. So what you're telling me is that whether you
11 drill east-west or north-south, you might --

12 A. In this area, I think -- I think that it's not
13 as big an issue as it could be in other areas. I'll
14 qualify that a little bit. But yeah, I do believe that
15 principal stress direction runs at such an angle through
16 here, and we always want to be perpendicular to that
17 right?

18 Q. Of course. Of course. Yeah.

19 A. So it's not such a big issue with these
20 particular wells.

21 EXAMINER EZEANYIM: Go ahead.

22 CONTINUED DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. What is Exhibit 10, Mr. Burns?

25 A. Exhibit 10 is a net isopach of what I call the

1 Lower 2nd Bone Spring Sand. It was constructed using an
2 8 percent density log porosity cutoff.

3 EXAMINER EZEANYIM: Tell me what the net
4 isopach is saying.

5 THE WITNESS: I'm sorry?

6 EXAMINER EZEANYIM: What is that net
7 isopach saying?

8 THE WITNESS: Okay. What it's telling us
9 is that if you look at it running through this area
10 right here (indicating), there is an isopach thick.

11 EXAMINER EZEANYIM: Yes, yes.

12 THE WITNESS: And that isopach thick ranges
13 from about 165 feet to 127 feet. If you move to the
14 north of that, you have an area that is somewhat
15 thinner, but still in the 70- to 80-foot range. And as
16 you move south of that thick interval again, you enter a
17 thinner area, again, but still in the 80- to 90-foot
18 range. So what it's saying is that the trend of the
19 deposition in here is kind of northwest to southeast
20 across this particular area.

21 EXAMINER EZEANYIM: Okay. And I can't see,
22 in that map, any pinch-outs, so I think it's okay.

23 THE WITNESS: That's right. No. It's
24 pretty continuous across the area. It doesn't get -- it
25 doesn't get much thinner than 80 feet or thicker than

1 165 feet, at least across the mapped area.

2 EXAMINER EZEANYIM: And you talked about 8
3 percent?

4 THE WITNESS: Uh-huh. 8 percent density
5 cutoff.

6 Q. (BY MR. BRUCE) And there is a line of cross
7 section on here that is -- that is hard to describe what
8 direction it is. More or less northwest-southeast?

9 A. Yeah. It's -- we pretty much call it north --
10 north-south. And I just included that so that, for the
11 next exhibit, 11, we could kind of see where the cross
12 section ran, and it would then correspond to the
13 thicknesses on the map.

14 Q. Okay. Please move on to Exhibit 11.

15 A. Okay. Exhibit 11, the north side of that cross
16 section would be on the left-hand side, and then the
17 south -- or the right-hand side of the cross section
18 would be on the south side of the cross-section line on
19 the map.

20 And the mapped interval that I have
21 presented on Exhibit Number 10 is the interval between
22 the purple line at the bottom of the cross section and
23 then the blue line just immediately above that. And,
24 again, we've applied a, you know, density-porosity
25 cutoff on that. Our main target sand is the sand

1 immediately above the purple line. We usually land our
2 lateral in that zone, and then typically, I think, we
3 access the sand above that with our fracks.

4 Q. Are the production figures given at the bottom
5 for Bone Spring vertical?

6 A. No, sir, they are not. They're just general
7 production in the area. It's just the way I have my
8 cross-section template set up. I always have the
9 production put at the bottom. The fact is, none of
10 those wells produce out of -- the only well in the area
11 that I can recall that produces out of this mapped
12 interval is the well in Section 5 that we drilled this
13 last year. That was pretty much a wildcat for this
14 area.

15 Q. Was there Morrow gas development in this area?

16 A. A lot of this is Morrow gas development. There
17 is a little bit of Delaware production in here, but the
18 majority of it, I believe, is Morrow gas development.

19 Q. And what is the total vertical depth of your
20 proposed well?

21 A. The TVD at the heel of the 3H is 10,596 feet,
22 and our measured depth -- total measured depth for the
23 3H will be approximately 15,100 feet.

24 Q. Based on Exhibits 10 and 11, is the 2nd Bone
25 Spring Sand continuous across the two well units?

1 A. Yes, it is.

2 Q. And from a geological standpoint, do you
3 anticipate that each quarter-quarter section in each
4 well will contribute more or less equally to production?

5 A. Yes.

6 Q. And then very briefly, what are Exhibits 12A
7 and 12B?

8 A. 12A is the well plan for the Bilbrey 33 Fed Com
9 3H. It has all the normal exhibits or information
10 included in it. You have a surface outline, a
11 cross-sectional outline and then the projected surveys.
12 And Exhibit 12B is the same for the 4H.

13 Q. So what are the approximate footages of the
14 beginnings of the producing intervals in these wells?

15 A. We will perforate no closer -- I want to make
16 sure I get this correct. On the 4H well --

17 RE CROSS EXAMINATION

18 BY EXAMINER EZEANYIM:

19 Q. Start with 3H.

20 A. You want to do the 3?

21 Q. 3H.

22 A. For the 3H, the perforations will be no closer
23 to the midsection line than 2,310 feet from the north
24 line and 1,980 feet from the east line.

25 Q. 1,980?

1 A. Uh-huh.

2 And for the 4H will be 2,310 from the north
3 line.

4 Q. On the 3H, is that the -- is that the
5 penetration point or the bottom-hole location?

6 A. I'm sorry?

7 Q. The 3H, is that the bottom-hole location of the
8 3H or the penetration point?

9 A. No. That would be -- and let's call it
10 approximately -- the heel point. So we've come down.
11 We've landed our curve. We're going to be 330 feet off
12 of that south leaseline, is how I'll phrase it.

13 Q. The beginning of your perf.

14 A. Let me say that a little differently. We will
15 be 330 feet off of that unit boundary line so that we
16 are legal with our perforation.

17 Q. Then what about the end point? I mean, what is
18 the determination of that --

19 A. Yeah. The end point will be the same.

20 Q. The same thing?

21 A. Let me get my map back in front of me. The end
22 point will be 330 feet from the north line of Section 28
23 and 1,980 feet from the east line of Section 28. So,
24 again, we are 330 feet away from the boundary.

25 Q. Thank you.

1 And 4H?

2 A. The 4H will be 300- -- the bottom-hole location
3 or the landing point?

4 Q. Yeah.

5 A. That will be -- will be 2,310 feet from the
6 north line of Section 33 and 660 feet from the east line
7 of Section 33.

8 Q. Okay.

9 A. The bottom-hole location will be 330 feet from
10 the north line of Section 28 and 660 feet from the east
11 line of Section 28.

12 CONTINUED DIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. Mr. Burns, how many completion stages do you
15 anticipate there will be in these wells? Do you recall
16 that number?

17 A. Honestly, I do not. I have not visited with
18 our completions engineer about that. Typically, for a
19 one-mile lateral, we're in the 12 to 13 interval, so
20 we'd probably add five or six to that.

21 Q. So roughly 18 completion stages?

22 A. Roughly, 18 stages. And that is just a
23 guesstimate.

24 Q. And were Exhibits 9, 10 and 11 prepared by you?

25 A. Yes, they were.

1 Q. And were Exhibits 12A and 12B compiled from
2 company business records?

3 A. Yes.

4 Q. And in your opinion, is the granting of these
5 applications in the interest of conservation and the
6 prevention of waste?

7 A. Yes.

8 MR. BRUCE: Mr. Examiner, I'd move the
9 admission of Exhibits 9 through 12B.

10 EXAMINER EZEANYIM: Exhibits 9 through 12B
11 will be admitted.

12 (Devon Energy Production Corporation
13 Exhibit Numbers 9 through 12B were offered
14 and admitted into evidence.)

15 MR. BRUCE: I have no further questions of
16 the witness.

17 EXAMINER EZEANYIM: Thank you, Counsel.

18 Did we ever find the pool code, because I
19 think these two are operating from the same pool, right?

20 MR. BRUCE: Right. I will get you that.
21 There was one digit off on the numbers that the Hobbs
22 office put on the C-102, so I'll get that.

23 EXAMINER EZEANYIM: Producing from the same
24 pool and pool code, right?

25 MR. BRUCE: Right.

1 RE CROSS EXAMINATION

2 BY EXAMINER EZEANYIM:

3 Q. Let's go back to that net isopach. Where did I
4 put it?

5 On that south half of 33 -- do you know if
6 anything is happening on the south half of 33?

7 A. South of --

8 Q. Section 33, the south half of Section 33.

9 A. And I'm sorry, your question again? I'm a
10 little bit hard of hearing.

11 Q. Is Devon developing that?

12 A. No, not that I am aware of at this point in
13 time. I'm not sure what that 5H location is. That
14 seems to be -- and it's an H, so there should be a
15 surface and a bottom-hole location there, and it's not
16 showing up.

17 Q. Yeah. It's not showing up, and you don't know
18 what direction it's going.

19 A. And we haven't -- Devon hasn't proposed
20 anything in there, and I'm not aware of anyone else.
21 But somehow I've got some data that says there may be
22 something going on. But I don't know.

23 Q. And you did this (indicating)?

24 A. I did this. That is correct. I just didn't
25 check that.

1 Q. I wish I could have known. When you put 5H, is
2 that going east-west or north-south?

3 A. I can't answer. I just don't know the answer
4 to that.

5 Q. Does Devon have any interest in the south half?

6 A. We have not proposed anything in there as of
7 yet, but assuming that we are successful in our initial
8 wells, we will.

9 Q. Okay. Good.

10 I have nothing further.

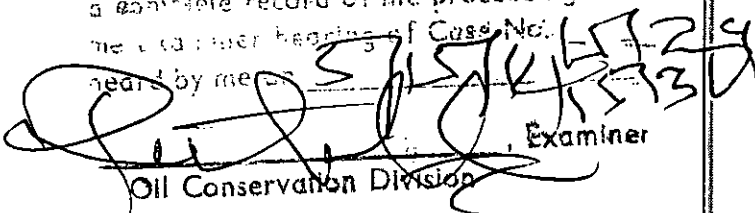
11 MR. BRUCE: I have nothing further,
12 Mr. Examiner. Request that the cases be continued for
13 two weeks for notice purposes.

14 EXAMINER EZEANYIM: Okay. For notice
15 purposes, Case Numbers 15129 and 15130 will be continued
16 for two -- that would be May 29th.

17 MR. BRUCE: There should only be about 30
18 cases on that docket, Mr. Examiner (laughter).

19 (Case Numbers 15129 and 15130 conclude,
20 9:17 a.m.)

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25

I do hereby certify that the foregoing is a complete record of the proceedings in the above hearing of Case No. 15129 and 15130 heard by me on this date.

Paul Baca, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

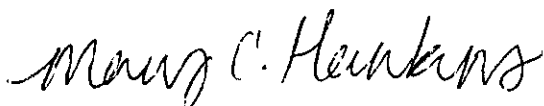
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CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

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



MARY C. HANKINS, CCR, RPR
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