

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 DEVON ENERGY PRODUCTION CASE 15273  
COMPANY, L.P., FOR A NON-STANDARD OIL  
SPACING AND PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 16, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM JONES, CHIEF EXAMINER  
ALLISON MARKS, LEGAL EXAMINER

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This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, and Allison Marks, Legal Examiner, on  
Thursday, April 16, 2015, at the New Mexico Energy,  
Minerals, and Natural Resources Department, Wendell  
Chino Building, 1220 South St. Francis Drive, Porter  
Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: ELLEN H. ALLANIC  
NEW MEXICO CCR 100  
CALIFORNIA CSR 8670  
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500 Fourth Street, NW  
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## A P P E A R A N C E S

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

JAMES G. BRUCE, ESQ.  
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 Santa Fe, New Mexico 87504  
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 jamesbruc@aol.com

## I N D E X

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CASE NUMBER 15273 CALLED

DEVON ENERGY PRODUCTION COMPANY, L.P.  
 CASE-IN-CHIEF:

WITNESS JOE HAMMOND

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Mr. Bruce	5		

	CROSS	RECROSS	FURTHER
Examiner Jones	11		

WITNESS CURT MCKINNEY

	DIRECT	REDIRECT	FURTHER
Mr. Bruce	15		

	CROSS	RECROSS	FURTHER
Examiner Jones	22		

Reporter's Certificate

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1 (Time noted 8:35 a.m.)

2 EXAMINER JONES: Let's call cases 15273, and  
3 combine the two cases --

4 MR. BRUCE: Well, let's do 15273 first. And  
5 15286 is a little different land ownership, but it will  
6 be a very brief case.

7 EXAMINER JONES: Okay. Let's call the first  
8 case, Case 15273, application of Devon Energy Production  
9 Company LP for a non-standard oil spacing and proration  
10 unit and compulsory pooling in Eddy County, New Mexico.

11 Call for appearances.

12 MR. BRUCE: Mr. Examiner, Jim Bruce of  
13 Santa Fe representing the applicant. I have two  
14 witnesses.

15 EXAMINER JONES: Any other appearances in  
16 this case?

17 (No response.)

18 EXAMINER JONES: Will both witnesses please  
19 stand and will the court reporter please swear the  
20 witnesses.

21 (Whereupon the court reporter administered  
22 the oath to the witnesses.)

23 MR. BRUCE: Ready?

24 EXAMINER JONES: Yes.

25 ---oOo---

1                                 JOE HAMMOND

2       having been first sworn under oath, was questioned and  
3       testified as follows:

4                                 DIRECT EXAMINATION

5       BY MR. BRUCE:

6           Q.   Would you please state your name and city of  
7       residence.

8           A.   Joe Hammond, H-a-m-m-o-n-d, Edmond, Oklahoma.

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

10          A.   I work for Devon Energy Production Company LP as  
11       a landman.

12          Q.   As a landman.

13               Have you previously testified before the  
14       Division?

15          A.   I have, but it's probably been ten or twelve  
16       years since I've been here.

17          Q.   Were your credentials as an expert landman  
18       accepted as a matter of record?

19          A.   Yes, they were.

20          Q.   And are you familiar with the land matters  
21       involved in this application?

22          A.   Yes, I am.

23               MR. BRUCE:   Mr. Examiner, I tender  
24       Mr. Hammond as an expert petroleum landman.

25               EXAMINER JONES:   He is so qualified.

1 Q. Mr. Hammond, could you identify Exhibit 1 for the  
2 examiner.

3 (Devon Energy Production Company, L.P.  
4 Exhibit 1 introduced and identified.)

5 A. Exhibit 1 is a C-102 highlighting the north half  
6 of the south half of section 10, 19 south, 31 east, Eddy  
7 County, New Mexico. And this is the project area that  
8 we wish to pool.

9 Q. And what is the name of the well and the  
10 formation being pooled?

11 A. It is the Hadar 10 Fed Com 3H Well. And the  
12 formation is Bone Spring.

13 Q. And the well's surface location and terminus is  
14 given on the C-102, is it not?

15 A. Yes, it is.

16 Q. Will the producing interval of the well bore be  
17 orthodox?

18 A. It will.

19 Q. Who do you seek to pool?

20 A. I seek to pool Occidental Permian LP and Enduro  
21 Operating LLC.

22 Q. And looking at page 2 of Exhibit 1, does that set  
23 forth the various working interest ownership in the well  
24 unit?

25 A. It does. For Occidental -- what I call "Oxy" --

1 they own 12-1/2 percent working interest. And then for  
2 Enduro, they own 25 percent working interest.

3 (Devon Energy Production Company, L.P.  
4 Exhibit 2 introduced and identified.)

5 Q. What is Exhibit 2?

6 A. Exhibit 2 contains the letters that I sent to the  
7 parties being pooled, that are proposing the well. And  
8 they're dated December 30th, 2014.

9 Q. And was there a follow-up letter?

10 A. Yes, there was. The follow-up letter provided  
11 them with the joint operating agreement.

12 Q. Have you had contact with Enduro and Oxy other  
13 than these letters?

14 A. Yes. For Enduro, I've had three or four phone  
15 calls, probably six or seven e-mails. And the last  
16 correspondence that they provided me was that they had  
17 received the forced pooling notice and they would not be  
18 participating.

19 Q. What about Oxy?

20 A. Again, a couple of calls to Oxy and about eight  
21 e-mails. Oxy has indicated they will not be  
22 participating. We are talking to them about a possible  
23 farm-out. But at this present date, there's no terms  
24 that we have been able to agree on.

25 Q. If you do come to terms with Oxy, will you notify

1 the Division so that they would not be deemed pooled  
2 under the pooling order?

3 A. Yes, I will.

4 Q. In your opinion, has Devon made a good faith  
5 effort to obtain the voluntary joinder of the interest  
6 owners in the well?

7 A. Yes.

8 (Devon Energy Production Company, L.P.

9 Exhibit 3 introduced and identified.)

10 Q. Could you identify Exhibit 3 and discuss the cost  
11 of the proposed well?

12 A. Exhibit 3 is the AFE that was provided to the  
13 parties being pooled. And it indicates an estimated dry  
14 hole cost of \$3,459,000 and an estimated completion cost  
15 of \$7,694,006.

16 Q. And are these costs in line with the cost of  
17 horizontal wells drilled to this depth in this area of  
18 New Mexico?

19 A. Yes, they are.

20 Q. Do you request that Devon be appointed operator  
21 of the well?

22 A. Yes, I do.

23 Q. And is there a recommendation for the amounts  
24 which Devon should be paid for their supervision and  
25 administrative expenses?



1       A. Yes. It is \$7,500 per month for a drilling well  
2       and \$750 per month for a producing well?

3       Q. And are these amounts equivalent to those  
4       normally charged by Devon and other operators in this  
5       area for wells of this depth?

6       A. Yes, they are.

7       Q. And do you request that the rates be adjusted  
8       periodically as provided by the Copas accounting  
9       procedure?

10      A. Yes, I do.

11      Q. And do you request the maximum cost plus 200  
12      percent risk charge of interest owner non-consents to  
13      the well?

14      A. Yes.

15      Q. And were Enduro and Oxy notified of this hearing?

16      A. Yes, they were.

17      Q. And is that reflected in Exhibit 4 of my  
18      affidavit of notice?

19               (Devon Energy Production Company, L.P.

20               Exhibit 4 introduced and identified.)

21      A. Yes, it is.

22      Q. And what is Exhibit 5?

23               (Devon Energy Production Company, L.P.

24               Exhibit 5 introduced and identified.)

25      A. Exhibit 5 is a list of the offsetting operators

1 or owners.

2 Q. And were the offsets, other than Devon, given  
3 notice of this hearing?

4 A. Yes, they were.

5 (Devon Energy Production Company, L.P.  
6 Exhibit 6 introduced and identified.)

7 Q. And is that reflected in Exhibit 6?

8 A. Yes, it is.

9 Q. Were Exhibits 1 through 6 either prepared by you  
10 or under your supervisor or compiled from company  
11 business records?

12 A. Yes, they were..

13 Q. In your opinion, is the granting of this  
14 application in the interest of conservation and the  
15 prevention of waste?

16 A. Yes, it is.

17 MR. BRUCE: Mr. Examiner, I move the  
18 admission of Exhibits of 1 through 6.

19 EXAMINER MARKS: I just have a question on  
20 the -- if you've reached an agreement with Oxy, would  
21 you advise the other working interests of that?

22 It seems that it may -- that Exhibit 2 would  
23 change. Would the other persons reflected in Exhibit 2,  
24 would they be advised of that?

25 THE WITNESS: The other -- I am not sure I

1 understand your question. But the other parties are  
2 not covered under a prior JOA so there is no need to  
3 pool them. And so Oxy and Enduro were the only two  
4 parties not covered under some previous agreement of  
5 some sort.

6 EXAMINER JONES: So your farm-out would not  
7 include terms that would skew the other interests in the  
8 other tracts?

9 THE WITNESS: No, no. Does that answer your  
10 question?

11 EXAMINER MARKS: Yes.

12 EXAMINER JONES: Exhibits 1 through 6 will  
13 be admitted.

14 (Devon Energy Production Company, L.P.  
15 Exhibits 1 through 6 were admitted into  
16 evidence.)

17 MR. BRUCE: I have no further questions for  
18 Mr. Hammond.

19 CROSS-EXAMINATION BY EXAMINER JONES

20 EXAMINER JONES: This Exhibit 1 has got --  
21 the second page -- I get confused by colors -- that  
22 yellow, is that Devon? Everybody uses yellow as their  
23 personal --

24 THE WITNESS: If you look to the left side  
25 there, the darker orange color is what is called held by

1 production.

2 EXAMINER JONES: HBP?

3 THE WITNESS: Yes. And then the yellow is  
4 not held by production but has a lease term on it.

5 EXAMINER JONES: Are those all four  
6 different, separate federal leases?

7 THE WITNESS: No. That is where we would  
8 look at the C-102.

9 EXAMINER JONES: So there are three leases  
10 there?

11 THE WITNESS: Yes -- I believe there's two  
12 leases. There is 128832 and 98186.

13 EXAMINER JONES: 128832, and then 055493 on  
14 the right north half southeast quarter; is that correct?

15 MR. BRUCE: Yes, that's correct.

16 THE WITNESS: Yes.

17 EXAMINER JONES: So you are dealing with the  
18 feds here now?

19 THE WITNESS: Yes.

20 EXAMINER JONES: All the land is leased and  
21 it's all federal?

22 THE WITNESS: Yes, it is.

23 EXAMINER JONES: And it's three different  
24 tracts. Well, the Bone Spring, your C-102s say nothing  
25 about splitting the vertical Bone Spring or that pool.

1 You didn't say what pool it is, did you?

2 THE WITNESS: It's West Lusk.

3 EXAMINER JONES: It's the Lusk Bone Spring?

4 MR. BRUCE: West Lusk.

5 THE WITNESS: Or Lusk West.

6 EXAMINER JONES: Okay. Any special pool  
7 rules with that pool?

8 MR. BRUCE: I looked and I didn't find any.  
9 There are for the West Bone Spring but not for the West  
10 Lusk.

11 EXAMINER JONES: So you're pooling the whole  
12 vertical section of the pool?

13 THE WITNESS: Yes, we are.

14 EXAMINER JONES: The AFE, from back in  
15 December, is it going to change any? Did the cost come  
16 down for you guys?

17 THE WITNESS: Again, this was quite a while  
18 back, and I can tell you -- I don't have numbers but I  
19 can tell you that our cost structure is declining.

20 EXAMINER JONES: Do you think that would  
21 influence Oxy's decision to participate, they just don't  
22 have the money or something?

23 THE WITNESS: I will tell you that they  
24 asked us if there was any way that we could delay the  
25 well until prices come back up. And our answer was no.

1 I don't know -- and they never told me what  
2 their reasons were for not participating.

3 EXAMINER JONES: What is your schedule for  
4 drilling this well? It is not permanent yet, is it? I  
5 didn't see an API number.

6 MR. BRUCE: It's on Exhibit 1.

7 EXAMINER JONES: Okay. My Exhibit 1 doesn't  
8 have it.

9 THE WITNESS: The Hadar 3 is pushed back  
10 till -- it's in the next couple of months that we'll be  
11 drilling.

12 EXAMINER JONES: Is this the Hadar 3?

13 THE WITNESS: Yes.

14 EXAMINER JONES: So it's in a couple of  
15 months you'll be drilling this well?

16 THE WITNESS: Yes, yes.

17 EXAMINER JONES: Okay.. So that's Oxy.

18 The Enduro, can you say one more time. I'm  
19 getting older.

20 THE WITNESS: Yes. Enduro Operating LLC, I  
21 had not dealt with them before till this time.

22 EXAMINER JONES: But they haven't signed  
23 your --

24 THE WITNESS: They have indicated to me they  
25 have no desire to participate and would be going under

1 the pooling once we got it done.

2 And, again, they -- I think they are a small  
3 company. I don't know too much about them.

4 EXAMINER JONES: If you had an AMI with some  
5 of these people, would the AMI terms include  
6 participating in wells automatically or would you still  
7 have to propose the wells to each party?

8 THE WITNESS: It would depend on the terms  
9 of the AMI. But, normally, I would want to have the  
10 option on each one.

11 EXAMINER JONES: Okay, okay.

12 You do have another witness, don't you?

13 MR. BRUCE: I do, yes.

14 EXAMINER JONES: Thank you very much.

15 CURT McKINNEY

16 having been first duly sworn, was questioned and  
17 testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you, please, state your name and city of  
21 residence.

22 A. My name is Curt McKinney, and I live in Edmond,  
23 Oklahoma.

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

25 A. I work for Devon Energy Corporation as petroleum

1 geologist.

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

4 A. I have.

5 Q. And were your credentials as a geologist accepted  
6 as a matter of record?

7 A. Yes.

8 Q. And does your area of responsibility at Devon  
9 include this area of southeast New Mexico?

10 A. Yes.

11 Q. Are you familiar with the geology involved in  
12 this case?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I tender  
15 Mr. McKinney as an expert petroleum geologist.

16 EXAMINER JONES: He is qualified as an  
17 expert petroleum geologist.

18 BY MR. BRUCE (cont'd):

19 Q. Mr. McKinney, what is Exhibit 7?

20 (Devon Energy Production Company, L.P.,  
21 Exhibit 7 introduced and identified.)

22 A. It is a structure map on top of our objective  
23 that will be drilling this Hadar 10 Fed Com 3H, 4.

24 Just to briefly scroll through this. The  
25 objective section is right in the middle of the map,



1 section 10. And I've highlighted with a red dash line  
2 the producing area that would be associated with Hadar  
3 10 Fed Com 3H. That is the north half of the south half  
4 of 10.

5 And then I have approximated the planned drilling  
6 path with a black dash line that essentially bisects  
7 that lay-down unit across the entire section.

8 I've got a type log for you on the left side of  
9 the exhibit and the structure, the Subsea structure that  
10 is depicted on the map, you can see the point about  
11 halfway through that log. It is a blue line. It would  
12 be the top of the middle sand of the second Bone Spring  
13 sand of the Bone Spring formation.

14 And that's where we land our wells. In fact,  
15 every well that you see on this exhibit that has a green  
16 dot on it was landed in that sand and they all  
17 produce -- the wells with the green dots, they all  
18 produce from that member of the second Bone Spring sand.

19 And I also would draw your attention to the blue  
20 line that connects three wells in the middle of the  
21 exhibit. That is the index line for a cross-section,  
22 which is the subsequent exhibit.

23 Q. Why don't you move on to the cross-section,  
24 Exhibit 8, and discuss that.

25 (Devon Energy Production Company, L.P.,

1           Exhibit 8 introduced and identified.)

2           A. All right. The cross-section, it's just a  
3 three-well cross-section to try to demonstrate  
4 continuity of this objective reservoir across the  
5 subject area.

6           These are conventional logs, gamma ray. On the  
7 left tract, the middle tract adjacent to the depth --  
8 the depth is the blank white tract.

9           The middle tract is the resistivity tract. And  
10 then on the right for each well is the porosity and PE,  
11 so every well has the same.

12           I color filled the gamma ray tract on the left.  
13 So where you see the gold and yellow colors, that's the  
14 sand. And you can see by the dark blue lines that that  
15 is the second Bone Spring that I've highlighted on this  
16 cross-section. We just sort of focused on that so that  
17 you could see some level of detail.

18           And there are a couple of members of the second  
19 Bone Spring sand. And I've labeled them -- it's kind of  
20 cryptic, perhaps, if you're not used to this  
21 nomenclature. But it is an upper sand. It is 2BSSS\_U.  
22 And a middle sand, 2BSSS\_M.

23           So there are two sands in this area we seek to  
24 produce. And we'll land our wells in the middle sand.  
25 But I think you can see from the cross-section that that

1 sand -- in fact, both sands are contiguous across the  
2 area shown in this cross-section.

3 Q. And they are both second Bone Spring sand?

4 A. Yes, that's correct.

5 Q. Why don't you move on to your next two exhibits,  
6 Exhibit 9 and Exhibit 10, and discuss the detail.

7 (Devon Energy Production Company, L.P.,  
8 Exhibits 9 and 10 introduced and identified.)

9 A. Exhibit 9 and Exhibit 10, they are very similar.  
10 Exhibit 9 is an isopach of a porosity of the middle  
11 sand -- which is the sand that we will land our well  
12 in -- using a ten percent or greater cut-off for the  
13 porosity.

14 Again, the cross-section index is shown and the  
15 other things I noted on that first exhibit. The green  
16 dots are your producing wells from this objective.

17 And we can see from this exhibit that there's a  
18 thick, as mapped, across this area, so that the lateral,  
19 the Hadar 10 Fed Com 3H, will see approximately 30 to as  
20 much as 60 feet of porosity across this lateral with  
21 greater than ten percent porosity. So it's effectively  
22 a net pay map.

23 And then, finally, Exhibit 10 -- not finally.  
24 But Exhibit 10 is similar, very similar except it is the  
25 sand immediately above it, the upper sand, which we

1 believe we drain also with our frack stimulation, even  
2 though we land in the middle sand.

3 And on Exhibit 10 you can see that across the  
4 lateral, we anticipate encountering 30 to greater than  
5 40 feet of net sand in the upper sand of the second Bone  
6 Spring sand.

7 Q. Based on Exhibits 8, 9, and 10, is the second  
8 Bone Spring sand continuous across the well unit?

9 A. Yes, it is.

10 Q. And from a geologic standpoint, will each quarter  
11 quartered section of the well unit contribute more or  
12 less equally to production?

13 A. Yes, they should.

14 Q. Is there any geologic impediment to drilling a  
15 horizontal Bone Spring well in this area?

16 A. No, there is not.

17 Q. In looking at just any one of these, but, let's  
18 say, Exhibit 10, I notice there are both lay-down and  
19 stand-up wells in this area. Based on production  
20 results, does it really matter whether they are lay-down  
21 or stand-ups?

22 A. We have not seen a consistent difference between  
23 the two patterns. There's extremely good wells and then  
24 there's poor wells for either one.

25 We don't think that it's a critical factor in

1 drilling these wells. So we are conforming to the  
2 pattern already established in the north half of this  
3 section by drilling these proposed wells west to east.

4 Q. And, finally, what is Exhibit 11?

5 (Devon Energy Production Company, L.P.,  
6 Exhibit 11 introduced and identified.)

7 A. That is our proposed drilling plan for this  
8 well, the directional drilling plan for this horizontal  
9 well.

10 Q. How many completion stages does Devon use in  
11 wells of this type?

12 A. We are planning, I believe, on 15 stages in these  
13 wells.

14 Q. Were Exhibits 7 through 10 prepared by you or  
15 under your supervision?

16 A. Yes, they were.

17 Q. And was Exhibit 11 simply compiled from company  
18 business records?

19 A. That's correct.

20 Q. And in your opinion is the granting of this  
21 application in the interest of conservation and the  
22 prevention of waste?

23 A. Yes.

24 MR. BRUCE: Mr. Examiner, I move the  
25 admission of Exhibits 7 through 11.

1 EXAMINER JONES: Exhibits 7 through 11 are  
2 admitted.

3 (Devon Energy Production Company, L.P.,  
4 Exhibits Exhibits 7 through 11 were  
5 admitted into evidence.)

6 MR. BRUCE: I have no further questions of  
7 Mr. McKinney.

8 CROSS-EXAMINATION BY EXAMINER JONES

9 EXAMINER JONES: You want to put your  
10 surface hole location right on the section line there?

11 THE WITNESS: It's inside section 10 but it  
12 is very close. I forgot the precise footage. It's in  
13 the other documents.

14 Yes, that's correct.

15 We like to set it out that way so we can  
16 have what we find is a reasonable build rate and still  
17 land the well so we can have stages to complete that  
18 occur almost coincidental with the set-back, so we don't  
19 essentially waste some of the potential pay by not  
20 having actually penetrated the formation by that footage  
21 position.

22 EXAMINER JONES: But this will be orthodox  
23 with the completed location?

24 THE WITNESS: Yes. It will be within the  
25 set-backs all the way.

1 EXAMINER JONES: Within a 330 set-back?

2 THE WITNESS: Yes, yes.

3 EXAMINER JONES: If you had what you wanted,  
4 would you go ahead and drill the well a little further  
5 to the toe of it and frack it closer than 330, kind of  
6 like you are doing in Texas, I believe?

7 THE WITNESS: Well, you know, sure we would  
8 like to produce every piece of pay that we can, but  
9 that's just the nature of the regulations. There is a  
10 little strip there that you can't touch, just to protect  
11 everybody else.

12 And there are cases and other operators as  
13 well as us where we'll have longer units so we can  
14 actually access that.

15 EXAMINER JONES: So you talk to them and  
16 agree on something like that?

17 THE WITNESS: If you can. It's a number of  
18 issues. But the land issue is the primary one that  
19 makes that difficult to accomplish.

20 EXAMINER JONES: So you would need to work  
21 with the landman to let him know your wants and then  
22 they would talk to these people?

23 THE WITNESS: Yes. And when you add more  
24 parties, it becomes increasingly difficult to establish  
25 that and so forth.

1 EXAMINER JONES: Are you going to angle  
2 upwards a little bit with the toe of your well, with the  
3 heel to the toe?

4 THE WITNESS: I think it is going to be toe  
5 down in this case. Because what we try to do is stay in  
6 the formation and if the formation dips away from us,  
7 we'll follow that dip.

8 Some companies always want to drill toe up.  
9 We would like to drill toe up, but we don't see that as  
10 a dominating factor in the performance of these wells.  
11 I mean, in a perfect world, we would drill them toe up.  
12 But we have done a lot of statistical analysis of our  
13 wells and other peoples' wells in the play to see if  
14 that makes a really material difference. And we have  
15 concluded that it's not the dominating factor of  
16 performance of the wells.

17 EXAMINER JONES: Are you expecting a lot of  
18 water?

19 THE WITNESS: Absolutely. Always. These  
20 wells tend to make -- they tend to make three barrels of  
21 water for every barrel of oil. That is fairly common in  
22 this particular township. We have disposal wells.

23 EXAMINER JONES: Okay. What township are we  
24 in?

25 THE WITNESS: 19 South, 31 East.



1 EXAMINER JONES: Oh, okay. So if you get  
2 closer to the state line, you get a lot more water then,  
3 right?

4 THE WITNESS: Yes. This area behaves itself  
5 in the second Bone Spring.

6 EXAMINER JONES: And how are you going to  
7 know where you are at here? Is this all the control  
8 you've got, is these three wells?

9 THE WITNESS: No, if you look at the -- for  
10 instance, Exhibit 9, and you'll a see -- well, it is the  
11 same color, but it is a larger font size. You can see  
12 where I've got some control points.

13 But the formation dips at a fairly mild dip,  
14 and we've mapped it in a much larger area than this, so  
15 we feel like we have an understanding of how predictable  
16 it is. So we are comfortable doing it this way.

17 EXAMINER JONES: But your management was  
18 okay with that 60-foot thick peak you got there and  
19 based on the control that you got?

20 THE WITNESS: I am not going to deny that  
21 there's risk associated with it.

22 EXAMINER JONES: So it is risky.

23 THE WITNESS: Always.

24 EXAMINER JONES: And even after you drill  
25 this well, you are not going to know the different --

1     how this map changes, are you?

2                 THE WITNESS: That's correct. That's true  
3 across the play. There is never enough data to be  
4 totally confident of this. But that's the nature of the  
5 play. It is the nature of a horizontal play.

6                 EXAMINER JONES: It costs a lot more to  
7 drill a pilot hole here?

8                 THE WITNESS: I think we may have plans to  
9 drill a pilot hole in either the 3H or the 4H, to try  
10 to --

11                EXAMINER JONES: Okay.

12                THE WITNESS: -- fill out our grid and see  
13 if it really is as we think it is. The 60 is built upon  
14 data that I got off the map to the south and off the map  
15 to the north, and then mapping over multiple townships  
16 to see what these -- how these sands trend and what's  
17 sort of the normal thickness -- excuse me -- I mean  
18 width of these sands.

19                So you can kind of get a statistical picture  
20 of what is reasonably normal for width of the sands and  
21 try to incorporate all of that into the maps. But  
22 there's risk.

23                EXAMINER JONES: And you use the density log  
24 for your --

25                THE WITNESS: That's proved to be a fairly

1 reasonable proxy for net pay.

2 EXAMINER JONES: Only in sandstones?

3 THE WITNESS: Yes.

4 EXAMINER JONES: And you are not going to do  
5 logging while drilling, just gamma ray --

6 THE WITNESS: Yes.

7 EXAMINER JONES: And what about on your  
8 fracking, are you going to use chemical tracers to see  
9 where your production is coming from?

10 THE WITNESS: I don't think that's the plan  
11 in this one. We do that in some wells. But this  
12 particular one, we're trying to manage our costs, so we  
13 don't do that in every well.

14 EXAMINER JONES: Any questions?

15 EXAMINER MARKS: No.

16 EXAMINER JONES: Thank you very much.

17 With that, we'll take case 15273 under  
18 advisement.

19 (Time noted 9:04 a.m.)

20

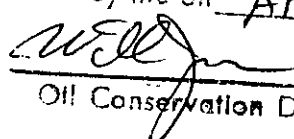
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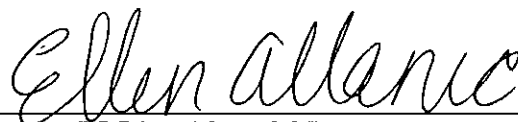
I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15273  
heard by me on APRIL 16 2015  
, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )  
4  
5  
6

7 REPORTER'S CERTIFICATE

8  
9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR  
10 No. 100, DO HEREBY CERTIFY that on Thursday, April 16,  
11 2015, the proceedings in the above-captioned matter were  
12 taken before me, that I did report in stenographic  
13 shorthand the proceedings set forth herein, and the  
14 foregoing pages are a true and correct transcription to  
15 the best of my ability and control.

16  
17 I FURTHER CERTIFY that I am neither employed by  
18 nor related to nor contracted with (unless excepted by  
19 the rules) any of the parties or attorneys in this case,  
20 and that I have no interest whatsoever in the final  
21 disposition of this case in any court.

22  
23  
24  
25  


ELLEN H. ALLANIC, CSR  
NM Certified Court Reporter No. 100  
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