## STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING



CASE NO 15666

APPLICATION OF EOG RESOURCES, INC
FOR A NONSTANDARD SPACING AND PRORATION
UNIT, COMPULSORY POOLING, AND APPROVAL
TO SURFACE (POOL-LEASE) COMMINGLE, LEA
COUNTY, NEW MEXICO

Consolidated with

AMENDED APPLICATION OF EOG RESOURCES, INC FOR A NONSTANDARD SPACING AND PRORATION UNIT, APPROVAL OF AN UNORTHODOX WELL LOCATION, COMPULSORY POOLING, AND APPROVAL TO SURFACE (POOL-LEASE) COMMINGLE, LEA COUNTY, NEW MEXICO

CASE NO 15667

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 30, 2017

Santa Fe, New Mexico

BEFORE PHILLIP GOETZE, CHIEF EXAMINER
WILLIAM V JONES, TECHNICAL EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
DAVID K BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, William V Jones and Michael McMillan, Technical Examiners, and David K Brooks, Legal Examiner, on Thursday, March 30, 2017, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico

REPORTED BY Mary C Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters

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- 1 (11 20 a m)
- 2 EXAMINER GOETZE Since we're on a roll, we
- 3 shall proceed for the next two cases, Case Number 15666,
- 4 application of EOG Resource, Inc for a nonstandard
- 5 spacing and proration unit, and compulsory pooling, and
- 6 approval to surface pool these commingling, Lea County,
- 7 New Mexico
- 8 Call for appearances
- 9 MS KESSLER Mr Examiner, Jordan Kessler,
- 10 from the Santa Fe office of Holland & Hart, on behalf of
- 11 the Applicant
- MR BRUCE Mr Examiner, Jim Bruce of
- 13 Santa Fe, representing MRC Permian I have no
- 14 witnesses
- 15 EXAMINER GOETZE And do you wish to
- 16 combine this with Case Number 15667?
- 17 MS KESSLER That is correct
- 18 EXAMINER GOETZE Very well Then the two
- 19 cases will be heard together
- 20 Witnesses stand, identify yourself to the
- 21 court reporter and be sworn in, please
- 22 MS BALINE Lorraine Baline
- MR SMITH Gavin Smith
- 24 GAVIN SMITH,
- after having been first duly sworn under oath, was

- 1 guestioned and testified as follows
- 2 DIRECT EXAMINATION
- 3 BY MS KESSLER
- 4 Q Mr Smith, please state your name for the
- 5 record and tell the Examiners by whom you're employed
- 6 and in what capacity?
- 7 A Gavin Smith I'm a landman for EOG Resources
- 8 Q Have you previously testified before the
- 9 Division?
- 10 A I have not
- 11 Q Can you please outline your educational
- 12 background?
- 13 A I graduated from the University of Oklahoma,
- 14 majored in energy management and graduated in 2013
- 15 Q What has your work history been since that
- 16 time?
- 17 A I hired on with EOG in 2013 and worked Barnett
- 18 Shale out of the Fort Worth office, and then was
- 19 transferred to Midland about two years ago to work
- 20 Permian
- 21 Q So you've been working in the Permian
- 22 approximately two years?
- 23 A Yes
- Q Do you have any professional certifications?
- 25 A Yes, my RPL

Page 6 1 Registered Professional Landman? Q Yes 2 Α 3 And are you a member of any professional Q 4 associations? 5 AAPL and PBLA Α 6 Are you familiar with the applications filed in 7 this consolidated case? Α Yes 8 9 Are you familiar with the lands in the subject 10 area? 11 Α Yes 12 MS KESSLER Mr Examiner, I tender Smith as an expert in petroleum land matters 13 MrEXAMINER GOETZE Mr Bruce? 14 15 MR BRUCE No objection 16 EXAMINER GOETZE He's so qualified 17 (BY MS KESSLER) Mr Smith, please explain what 18 EOG seeks under these two applications 19 Α We seek to form two nonstandard spacing units, 240 acres each We also seek to pool the interest in 20 21 those units, and we also seek a nonstandard location for

Is it the acreage description the same for each

The west half of the west half of Section

22

23

24

25

the 602H well

Α

of these two wells?

Yes

- 1 10 and the west half of the southwest quarter of Section
- 2 3
- 3 Q In Township 25 South, Range 34 East in Lea
- 4 County?
- 5 A Yes
- 6 Q And I understand that you're seeking to form a
- 7 spacing unit in the Bone Spring and in the Wolfcamp
- 8 Formation, is that correct?
- 9 A Correct
- 10 Q And you're seeking to pool the interest in each
- of those two formations?
- 12 A Yes
- 13 Q Has EOG requested dismissal of this portion --
- of the portion of the application related to
- 15 commingling?
- 16 A Yes, we have We'll pursue that
- 17 administratively
- 18 EXAMINER GOETZE So you are going to pull
- 19 off the surface pool-lease commingle aspect of both
- 20 cases?
- 21 MS KESSLER Of both cases
- 22 EXAMINER GOETZE Thank you
- Q (BY MS KESSLER) Mr Smith, please turn to
- 24 Exhibit 1 and identify this exhibit for the Examiners
- 25 A This is the C-102 for the Osprey 10 602H

- 1 Q Do you seek to create a nonstandard 240-acre
- 2 spacing unit for this well?
- 3 A Yes
- 4 Q You seek to pool the uncommitted interest in
- 5 the Bone Spring Formation, is that correct?
- 6 A Correct
- 7 Q What is the AFI number -- APD -- API number?
- 8 A 3002543650
- 9 Q Has the Division identified a pool and pool
- 10 code?
- 11 A Yes, Red Hills, Bone Spring, East pool
- 12 Q Will this pool be subject to Division statewide
- 13 rules?
- 14 A Yes
- 15 Q And that would be 330-foot setbacks and 40-acre
- 16 spacing for oil wells?
- 17 A Yes
- 18 Q Is EOG also seeking a nonstandard location for
- 19 the 602H well?
- 20 A We are
- 21 Q Why is that?
- 22 A In this area, our current development plan for
- 23 the 3rd Bone Spring is three wells per half section
- 24 Q Is ownership in the east half of the west half
- 25 identical to the proposed spacing unit?

Page 9 That's correct Α And I'll direct you to Exhibit 2 0 Does this show the affected tracts for -- tracts affected by the nonstandard location? Α Yes And the entire east half of the west half is identical ownership, correct? That's correct And Tract 2 is operated by Energen Resources Corporation? Α Yes Did you provide notice of this hearing to Q Energen? Α We did 0 And that notice will be reflected in a later exhibit, correct? Α Yet Is Exhibit 3 a C-102 for the 701H? Q

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- 18
- Yes 19 Α
- 20 Do you seek to create a nonstandard spacing Q
- 21 unit in the Wolfcamp Formation for this well?
- 22 Α We do
- 23 Q And do you seek to pool uncommitted mineral
- 24 interests in the Wolfcamp?
- 25 Α Yes

Page 10 Has an APD been approved for this well? 1 Q 2 Α It has 3 Are each of these two wells comprised of fee Q 4 acreage? Α 5 Yes 6 And has the Division identified a pool and pool Q 7 code for the 701H? Yes, Wildcat Wolfcamp, Pool Code 98116 8 9 That's reflected on the C-102? Q 10 Α Yes 11 Is this pool also subject to the Division Q statewide rules for oil wells? 12 13 Α It is 14 But this well will be at a standard location, 15 correct? Α Correct 16 17 Does Exhibit 4 -- do Exhibits 4 and 5 identify uncommitted interest owners for both the 602H and the 18 19 701H? The interest owners are in bold 20 Α Yes

23 It looks like the total interest that you're Q 24 seeking to pool is approximately 17 6 percent? Α That's correct

And that would be for each of the two wells?

25

Correct

Q

Α

21

22

- 1 Q And that would be for both wells, correct?
- 2 A Yes
- 3 Q Are Exhibits 6 and 7 copies of well-proposal
- 4 letters sent to the working interest owners for the 602H
- 5 and the 701H?
- 6 A They are
- 7 Q Did you propose the wells separately?
- 8 A We did
- 9 Q So there is a separate election for each well?
- 10 A Yes
- 11 Q Did both of the well-proposal letters include
- 12 an AFE?
- 13 A They did
- 14 O Are the costs reflected on these AFEs
- 15 consistent with what EOG has incurred for similar Bone
- 16 Spring wells in this area?
- 17 A Yes
- 18 Q What additional efforts did you undertake to
- 19 reach a voluntary agreement with the parties you're
- 20 seeking to pool?
- 21 A After we sent the well proposals to the
- 22 last-minute addresses for all the parties, we received
- 23 some back, and we have since gone forward trying to
- 24 reach an agreement in a JOA or trades And of the
- 25 parties that we either did not receive a response from

- 1 or were unlocatable, we hired a broker to do additional
- 2 research and got additional addresses and sent proposals
- 3 to those new addresses as well
- 4 Q And the brokers checked county records,
- 5 telephone records and did Internet searches?
- 6 A Yes
- 7 Q Have you estimated overhead and administrative
- 8 costs while drilling and producing these wells?
- 9 A Yes 7,000 while drilling and -- 7,000 a month
- 10 while drilling and 700 a month while producing
- 11 Q Is that in line with what EOG and other
- operators in the area charge for similar wells?
- 13 A Yes
- 14 Q Do you ask that the costs be incorporated in
- any order resulting from this hearing?
- 16 A We do
- 17 Q And that they be -- that those costs be
- adjusted in accordance with the COPAS accounting
- 19 procedures?
- 20 A Yes
- 21 Q For any uncommitted interest owners, do you
- 22 request the Division propose a 200 percent risk penalty?
- 23 A Yes
- 24 Q Did EOG identify the offset operators or
- lessees of record in the 40-acre tract surrounding the

- 1 proposed lease?
- 2 A We did
- 3 Q Is Exhibit 8 an affidavit prepared by my office
- 4 with attached letters providing notice for both
- 5 hearings -- both applications of the parties that you
- 6 seek to pool, the offsets, and then also the request for
- 7 nonstandard location?
- 8 A Yes
- 9 Q Did EOG publish notice of this hearing?
- 10 A We did
- 11 Q And is that because there were several parties
- 12 that were unlocatable?
- 13 A Yes
- 14 Q You mentioned before your efforts to obtain a
- valid address for these parties?
- 16 A Yes
- 17 Q Are the unlocatable parties William Horvath,
- 18 Sally Ann Cooper, Leatrice Waren, E B Larue, Jr ,
- 19 Rochonne Brenneman, and Ferinez Phelps?
- 20 A Yes
- 21 Q And each of these affidavits of publication
- 22 specifically names those parties, is that correct?
- 23 A Yes
- Q Were Exhibits 1 through 7 prepared by you or
- 25 compiled under your direction and supervision?

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- 2 MS KESSLER Mr Examiners, I move into
- 3 the record Exhibits 1 through 9, which include my two
- 4 affidavits
- 5 EXAMINER GOETZE Mr Bruce?
- 6 MR BRUCE No objection
- 7 EXAMINER GOETZE Exhibits 1 through 9 are
- 8 so entered
- 9 (EOG Resources Exhibit Numbers 1 through 9
- 10 are offered and admitted into evidence )
- 11 EXAMINER GOETZE Mr Bruce, any questions?
- MR BRUCE One question
- 13 CROSS-EXAMINATION
- 14 BY MR BRUCE
- 15 Q Exhibits 4 and 5, Mr Smith, am I correct that
- 16 MRC Permian is not being pooled in either well?
- 17 A That's correct
- 18 EXAMINER GOETZE Thank you That's all?
- 19 MR BRUCE That's it
- 20 EXAMINER GOETZE Okay
- 21 CROSS-EXAMINATION
- 22 BY EXAMINER GOETZE
- Q All right Since we're playing with two
- 24 different pools, two different formations, I'm going to
- 25 need a little more clarity The nonstandard location is

for the Bone Spring? And that is based upon the

- 2 completed interval, or is this the -- why are we
- going, I mean, for an unorthodox well location? I don't
- 4 see it clear here as to where I am going Why am I
- 5 asking for an unorthodox --
- 6 MS KESSLER If you turn to Exhibit 2,
- 7 Mr Examiner, you can see the approximate location of
- 8 the unorthodox location The footages are listed in the
- 9 application For some reason, the plat was not
- 10 contained on the C-102, but it is also on the Division's
- 11 Web site The version of the C-102 that has --
- 12 EXAMINER GOETZE You're making me go look
- on the Division Web site? Okay
- 14 MS KESSLER The version of the C-102 that
- 15 has a plat did not have the pool code and API number
- 16 EXAMINER GOETZE So as far as completed
- 17 intervals, we're conforming to both the Wolfcamp and the
- 18 Bone Spring, the first take and last take?
- 19 MS KESSLER The first --
- 20 EXAMINER GOETZE Maybe that's your next
- 21 witness I'll save that
- As far as the landman, I don't have any
- 23 other questions

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25

1 CROSS-EXAMINATION

- 2 BY EXAMINER JONES
- 3 Q Is this B ownership all around?
- 4 A Yes
- 5 Q And the is Bone Spring NSO [sic], and so your
- 6 Wolfcamp, you just try to get people to sign up? Do you
- 7 have a difference of ownership between the Wolfcamp and
- 8 the --
- 9 A No It's identical
- 10 Q All the way down?
- 11 A Yes, sir
- 12 Q Okay No JOA in this area?
- 13 A There is an existing JOA in Section 10 for some
- of the partners, and we are seeking to create a new one
- 15 to include Section 3 And then for some of the ther
- 16 partners, we are proposing a new JOA as well
- 17 Q Section 3 So that would be --
- 18 A The north portion
- 19 O -- to the north?
- 20 A Yes, sir
- 21 Q What about -- what about other wells to the
- 22 north of here in Section 3? Is there -- is there
- 23 existing wells -- lay-down wells up there, or are there
- 24 wells planned to go -- I know it's kind of a step-out
- question here, but we're supposed to ask these things

- 1 A Sure I'm not sure of the development farther
- 2 north Energen owns that north half of Section 3 there,
- 3 and we are talking with them to work out something in
- 4 the future But as far as further development, I can't
- 5 speak to that right now to the north
- 6 Q So is Energen being pooled?
- 7 A No They do not own within the south half of
- 8 3
- 9 Q Okay But they were noticed, right, because
- 10 they were in Tract 1?
- 11 A Because -- yes, sir, because of the
- 12 nonstandard
- MS KESSLER Tract 2, Examiner Jones
- 14 EXAMINER JONES Tract 2? That makes
- 15 sense, north half of -- northwest quarter of Section 3,
- 16 looks like
- 17 Q (BY EXAMINER JONES) Okay But you don't think
- 18 you're stranding any acreage by drilling -- proposing
- 19 these wells?
- 20 A No, sir
- 21 O Thanks
- 22 EXAMINER GOETZE Okay We're done with
- 23 this witness
- 24 Thank you very much
- 25 Please proceed with your next witness

Page 18 LORRAINE BALINE, 1 after having been previously sworn under oath, was 2 questioned and testified as follows 3 DIRECT EXAMINATION KESSLER 5 BY MS 6 Q Please state your name for the record and tell 7 the Examiner by whom you are employed and in what 8 capacity? My name is Lorraine Baline, and I'm a lead 9 geologist for EOG Resources in the Midland Division 10 11 Have you previously testified before the 12 Division? No, I have not 13 14 Can you please outline your educational Q 15 background? I have a bachelor's degree in geology from 16 Α Colby College in Waterville, Maine I graduated in 17 18 And I also have a master's degree in geology from the University of Texas at Austin I graduated in 2007 19 20 Q Have you worked for EOG since 2007? I have I've worked for EOG for ten years in 21 Α 22 three different divisions The Fort Worth Division, the 23 Denver Division, and most recently, the Midland

Do your current responsibilities include the

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Division

Q

- 1 Permian Basin?
- 2 A Yes, they do
- 3 Q Are you a member of any professional
- 4 associations?
- 5 A Yes I'm a member of the Geological Society of
- 6 America, the AAPG, the Rocky Mountain Association of
- 7 Geologists and the West Texas Geological Society
- 8 Q Are you familiar with the two applications
- 9 filed in this consolidated case?
- 10 A I am
- 11 Q And did you conduct a geologic study of the
- 12 lands that are the subject of this application?
- 13 A Yes, I did
- 14 MS KESSLER Mr Examiner, I tender
- 15 Ms Baline as an expert in petroleum geology
- 16 EXAMINER GOETZE Mr Bruce?
- 17 MR BRUCE No objection
- 18 EXAMINER GOETZE She is so qualified
- 19 Q (BY MS KESSLER) What is the target interval
- 20 for each of the proposed wells?
- 21 A For the Osprey 602, it's the 3rd Bone Spring
- 22 Sand, and for the Osprey 701, the Upper Wolfcamp
- 23 Q Is Exhibit 10 a structure map of the Bone
- 24 Spring in this area?
- 25 A Yes, it is It shows the structure of the Bone

- 1 Spring interval at a 100-foot contour The EOG acreage
- 2 is highlighted in yellow in the center of the map, and
- 3 then the two Osprey wells, the 602H and the 701H, are
- 4 also highlighted on the map as well
- 5 Q There is an existing EOG well also on this map,
- 6 is that correct?
- 7 A That's correct, the 601H
- 8 Q What do you see with respect to structure in
- 9 this section?
- 10 A So this structure is dipping down to the
- 11 southeast at about 1 degree
- 12 Q Do you see any faulting, pinch-outs or any
- 13 other geologic impediments?
- 14 A No, I do not
- 15 Q Is Exhibit 11 a structure map of the Wolfcamp
- 16 in this area?
- 17 A Yes, it is Again, the EOG acreage is
- 18 highlighted in yellow in the center of the map The two
- 19 Osprey wells, the 602H and the 701H, are highlighted
- 20 The 601H is also shown on the map The contour interval
- 21 for the Wolfcamp structure is also shown at 100 feet,
- 22 and the dip on the Wolfcamp is also 1 degree to the
- 23 southeast
- Q There is a line of section on this exhibit,
- 25 correct?

1 A That's correct That's a cross section from A

- 2 to A prime running north to south in the Osprey area
- 3 Q And you used three wells for this cross-section
- 4 exhibit?
- 5 A Yes, I did
- 6 Q Do those wells -- are those the Bone Spring and
- 7 the Wolfcamp in this area?
- 8 A Yes, they do [sic]
- 9 Q Let's turn to Exhibit 12 Can you identify the
- 10 wells that you used for your cross-section exhibit?
- 11 A Yes So this is the cross section that's shown
- on the previous two maps, A to A prime running north to
- 13 south The three wells are the Page 3 Com #2, the
- 14 Warren 3 #1, and the Javelina Basin Unit #2
- 15 Q And you mentioned this covers both the Bone
- 16 Spring and the Upper Wolfcamp, correct?
- 17 A Yes So it shows from just above the top of
- 18 the 1st Bone Spring all the way down through the upper
- 19 part of the Wolfcamp, showing -- including the 3rd Bone
- 20 Spring interval as well
- 21 Q Can you please identify your target intervals?
- 22 I don't see that they're marked on this exhibit
- 23 A Sure So the target interval for the 602H
- 24 would be the lower part of the 3rd Bone Spring interval
- 25 As you can see, the 3rd Bone Spring top is marked in the

1 black line across all three wells That is at the --

- 2 where the resistivity decreases, as you get out of the
- 3 carbonates overlying the target, around about 12,000
- 4 feet on all three wells So our target interval would
- 5 be below that top 3rd Bone Spring Sand in the lowermost
- 6 part of that interval
- 7 Also marked on there is the top of the
- 8 Wolfcamp That is, again, across all three wells You
- 9 see an increase in the resistivity at the top of the
- 10 Wolfcamp marker there And our target interval for the
- 11 Wolfcamp would be the underlying -- clastic packages
- 12 just below the top of the Wolfcamp
- 13 Q For the targets in the 3rd Bone Spring
- 14 Formation, do you identify the target interval as being
- 15 continuous throughout the nonstandard spacing units?
- 16 A Yes, I do The thickness is very similar
- 17 across all three wells in the 3rd Bone Spring Sand, and
- 18 the target interval looks very similar across all three
- 19 wells
- 20 Q What about for your Wolfcamp targets?
- 21 A Same thing The target, again, for the
- 22 upper -- is the Upper Wolfcamp and the low resistivity
- 23 section in about the upper 100 feet or so, and that is
- 24 consistent with all these wells on the cross section
- 25 Q Do you believe that this area can be

- 1 efficiently and economically developed by
- 2 mile-and-a-half horizontal wells?
- 3 A Yes, I do
- 4 Q In both the Bone Spring and the Wolfcamp?
- 5 A Yes
- 6 Q Do you believe that each of the proposed
- 7 nonstandard units will, on average, contribute more or
- 8 less equally to the production of the well?
- 9 A Yes, I do
- 10 Q And will the granting of each of EOG's
- 11 applications be in the best interest of conservation,
- 12 for the prevention of waste and the protection of
- 13 correlative rights?
- 14 A Yes
- 15 Q Final question With respect to the Bone
- 16 Spring completed interval, the completed interval will
- 17 be an unorthodox location, is that correct?
- 18 A Uh-huh
- 19 O So it will be closer than 330 feet to -- I
- 20 believe it's the east line of the project area, is that
- 21 correct?
- 22 A That's correct
- 23 Q The Wolfcamp completed interval will be at an
- 24 orthodox location?
- 25 A That's right

1 Were Exhibits 10 through 12 prepared by you or 0 2 compiled under your direction and supervision? 3 Α Yes Examiners, I'd moved MS KESSLER Mr 5 admission of Exhibits 10 through 12 6 EXAMINER GOETZE Exhibits 10 --7 Well, Mr Bruce? 8 MR BRUCE No objection 9 Sorry Didn't mean to EXAMINER GOETZE 10 lmpose upon you 11 BRUCE Didn't mean to wake me up? MR 12 EXAMINER GOETZE Your client's not here 13 Very good timing Exhibits 10 through 12 are so entered 14 15 (EOG Resources Exhibit Numbers 10 through 12 are offered and admitted into evidence ) 16 17 EXAMINER GOETZE Do you want to ask questions first? 18 Just quickly, because I'm 19 EXAMINER JONES not a geologist, so, you know, I promise not to ask too 20 21 many questions 22 CROSS-EXAMINATION 23 BY EXAMINER JONES 24 Q Did you draw the contour map that you're

showing, the contour maps, or does the machine draw

25

- 1 those? You just put in the control points and let it
- 2 run?
- 3 A It's both
- 4 Q Both?
- 5 A Uh-huh Yeah We have a lot of input into the
- 6 contour maps, but the computer also does the contouring
- 7 in an algorithm that it uses
- 8 Q Okay I noticed that you've got a little nose
- 9 sticking out here in the southwest quarter of Section --
- 10 the section to the south, you know So is that why you
- 11 chose these locations, or -- did you choose this
- 12 location, or is this land driven? Obviously, it's not
- 13 land driven with so much complexity in the land It
- 14 must be geology driven
- 15 A I would say, you know, all the -- all the
- 16 disciplines have input, obviously We have AN acreage
- 17 position here, but we just try to plan the wells so they
- 18 best develop the area without waste
- 19 **Q** Okay
- 20 A Uh-huh
- 21 Q So there is no advantage to drilling here as to
- 22 drilling around the eastern side of the section?
- 23 A The plan right now is to develop the whole
- 24 section, but we're just starting on the western side
- 25 Q Do you already have a well there, and you want

- 1 to put it close to the tank battery or something?
- 2 A So we already have a producing well there in
- 3 the 3rd Bone Spring, and we want to minimize depletion
- 4 Q Oh, okay
- 5 And this is not Wolfbone even though
- 6 they're both real close together vertically, it seems
- 7 like?
- 8 A There is a bit of vertical separation between
- 9 the two
- 10 Q And I see Paul didn't put it in the Wolfbone,
- 11 thankfully (laughter)
- 12 EXAMINER GOETZE Thank you
- 13 CROSS-EXAMINATION
- 14 BY EXAMINER GOETZE
- 15 Q So just for clarity on my part, the 601H is the
- 16 Bone Spring?
- 17 A 3rd Bone Spring
- 18 Q 3rd Bone Spring?
- 19 A Uh-huh
- 20 Q Okay And we've settled that the Bone Spring
- 21 is the one with the nonstandard because of its proximity
- 22 to the east side of the project area?
- 23 A That's correct
- 24 MS KESSLER Just to reiterate, also,
- 25 Mr Examiner, the ownership is identical for both the

1 Bone Spring and the Wolfcamp in the entire west half

- 2 EXAMINER GOETZE Thank you
- 3 Q (BY EXAMINER GOETZE) And average thickness of
- 4 the pay for each of your targets for your Bone Spring
- 5 and Wolfcamp are --
- 6 A So the 3rd Bone Spring target would be at
- 7 approximately the 100 lowermost 3rd Bone Spring
- 8 interval, and then the Wolfcamp target would be
- 9 approximately in the upper 100 feet of the Wolfcamp
- 10 Q So you don't have any feeling that it's going
- 11 to end up with any communication as a result of the
- 12 simulation or completion of the well?
- 13 A No There should be enough vertical separation
- 14 between the wells
- 15 Q And you will keep us informed if there is such
- 16 **a** --
- 17 MS KESSLER Uh-huh Of course
- 18 EXAMINER GOETZE Of course
- 19 Q (BY EXAMINER GOETZE) And just one more point,
- 20 looking at your Midland Map So what I'm seeing on
- 21 Exhibits 10 and 11, the density of wells is fairly
- 22 representative in this area? There's not much activity
- 23 going on?
- 24 A Yeah This is the -- the verticals are
- 25 controlled There are some other horizontal wells

- 1 primarily over to the west They are not -- one is
- 2 shown just on the far side of Exhibit 10
- Q Yeah That's fairly off, the section away?
- 4 A Yes Yes
- 5 Q But other than that, we have no existing
- 6 players in the area as far as a preference north-south,
- 7 east-west So this is pretty much a development play
- 8 based upon what you're finding?
- 9 A That's right
- 10 EXAMINER GOETZE I have no further
- 11 questions for this witness
- MS KESSLER Thank you, Mr Examiner Ask
- 13 that these cases be taken under advisement
- 14 EXAMINER GOETZE Very good Thank you
- 15 very much
- 16 Case Number 15666 and Case Number 15667
- 17 have been taken under advisement
- 18 Come on back at 1 00 It won't be your
- 19 show It will be mostly compliance, and then Black
- 20 Mountain will be after that
- 21 (Case Numbers 15666 and 15667 conclude,
- 22 11 47 a m )
- 23 (Lunch Recess, 11 47 a m to 1 11 p m)
- 24 pm)
- 25

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1	STATE OF NEW MEXICO
2	COUNTY OF BERNALILLO
3	
4	CERTIFICATE OF COURT REPORTER
5	I, MARY C HANKINS, Certified Court
6	Reporter, New Mexico Certified Court Reporter No 20,
7	and Registered Professional Reporter, do hereby certify
8	that I reported the foregoing proceedings in
9	stenographic shorthand and that the foregoing pages are
10	a true and correct transcript of those proceedings that
11	were reduced to printed form by me to the best of my
12	ability
13	I FURTHER CERTIFY that the Reporter's
14	Record of the proceedings truly and accurately reflects
15	the exhibits, if any, offered by the respective parties
16	I FURTHER CERTIFY that I am neither
17	employed by nor related to any of the parties or
18	attorneys in this case and that I have no interest in
19	the final disposition of this case
20	
21	MARY C HANGING CCD DDD
22	MARY C HANKINS, CCR, RPR Certified Court Reporter
23	New Mexico CCR No 20 Date of CCR Expiration 12/31/2017
24	Paul Baca Professional Court Reporters
25	