

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

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

CASE NO. 20790 and 20791.

Application of ImPetro Oil & Gas, LLC, for compulsory
pooling, Lea County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, OCTOBER 3, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetz,
Examiner, Dylan Rose-coss, Examiner, and David Ames,
Legal Examiner, on Thursday, October 3, 2019, 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 Therese Macfarlane
New Mexico CCR 122
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10 I N D E X

11 CASE NUMBER 20790 and 20791 CALLED

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1 (Time noted 1:15 p.m.)

2 EXAMINER GOETZ: So let's go back on the record
3 and let us proceed to the next case.

4 This is Case No. 20790, Application of
5 ImPetro Oil and Gas, LLC, for compulsory pooling in Lea
6 County, New Mexico.

7 Call for appearances.

8 MR. MOELLENBERG: Dalva Moellenberg of Gallagher
9 & Kennedy for ImPetro.

10 EXAMINER GOETZ: So do you wish to hear this
11 along with 20791?

12 MR. MOELLENBERG: Yes, we would like to
13 consolidate those two.

14 EXAMINER GOETZ: So we will consolidate 20790
15 and 20791. And I believe it has the same title so we
16 won't go through that exercise again. So please,
17 witnesses.

18 Call for appearances. Is there any other?

19 Oh, Mr. Feldewert. Sorry.

20 MR. FELDEWERT: That's all right. Michael
21 Feldewert of the Santa Fe office of Holland and Hart on
22 behalf of ConocoPhillips in Case 20790.

23 EXAMINER GOETZ: So you're just for 20790.

24 And you have two witnesses?

25 MR. MOELLENBERG: We have two witnesses.

1 EXAMINER GOETZ: Would you please stand and
2 identify yourselves to the court reporter.

3 (Whereupon Applicant witnesses Tracy Gibbs and
4 Nathan Guidorzi were duly sworn.)

5 MR. MOELLENBERG: Mr. Hearing Examiner, thank
6 you for hearing these two cases today.

7 These involve side-by-side proposed
8 horizontal spacing units, each to be dedicated to two
9 wells. In Case 20790 the unit is the west half of
10 Sections 18 and 19, so it's a 640; and in the Case 20791
11 we have the east half of Section 18 and 19. So basically
12 just two whole sections. Two units. We're asking to pool
13 uncommitted interest owners in the Wolfcamp. And both of
14 the wells in each unit will be Wolfcamp wells.

15 With that I think we can proceed to the
16 witnesses.

17 EXAMINER GOETZ: Very good.

18 TRACY GIBBS,
19 having been duly sworn, testified as follows:

20 DIRECT EXAMINATION

21 BY MR. MOELLENBERG:

22 **Q. Would you please state your name and where you**
23 **reside.**

24 A. Tracy Gibbs.

25 **Q. Where do reside?**

1 A. Houston, Texas.

2 Q. Who is your employer and what is the nature of
3 our your employment?

4 A. J. Mark Smith & Associates, and I'm a contract
5 landman for Lilis Energy.

6 Q. Have you previously testified as an expert
7 before the Oil Conservation Division?

8 A. No.

9 Q. Have you provided a copy of your curriculum
10 vitae which is in ImPetro Exhibit A-1 for this hearing?

11 A. Yes.

12 Q. And does it provide a true and accurate
13 statement of your education, experience and qualifications
14 as a petroleum landman?

15 A. Yes.

16 MR. MOELLENBERG: Just for clarification,
17 Exhibit A-1 is the same for both cases.

18 EXAMINER GOETZ: Very good.

19 Q. So does your CV provide a true and accurate
20 statement of your education, experience and
21 qualifications?

22 Did I already ask that? I did.

23 A. Yes.

24 Q. Sorry about that.

25 Please provide the hearing examiners with a

1 **brief summary of your qualifications as a petroleum**
2 **landman.**

3 A. I have a BA from Texas A & M University, and I
4 have 10 years of ongoing experience with J. Mark Smith &
5 Associates with various clients, and I've worked many
6 facets in the field for the 10-year period.

7 Q. Okay. Will your testimony and exhibits today
8 address both applications filed by ImPetro, one in Case
9 20790 regarding the proposed Blue Marlin wells and the
10 other in 20791, regarding the proposed Black Marlin wells?

11 A. Yes.

12 Q. Do you have separate sets of exhibits for each
13 case.

14 A. Yes.

15 MR. MOELLENBERG: At this time I would tender
16 the witness as an expert petroleum landman.

17 THE COURT: Mr. Feldewert?

18 MR. FELDEWERT: No objection.

19 HEARING EXAMINER GOETZ: Thank you. He's so
20 qualified.

21 Q. So in the interest of time I'll do a little bit
22 of jumping back and forth between the exhibits where there
23 are duplicates, but you have before you the set of
24 exhibits for Case 20790?

25 A. Yes.

1 Q. Would you first turn to ImPetro Exhibit A-2 for
2 that case and tell us what those exhibits consist of.

3 A. Uhm, it is the C-102s for each of the wells, the
4 Blue Marlin Unit and the Black Marlin Unit.

5 Q. And as far as you know, these C-102s have not
6 yet been filed?

7 A. Correct.

8 Q. Do the C-102s identify the pool code and the
9 pool name for this area?

10 A. Yes.

11 Q. Do they describe the locations of the surface,
12 the first take point, and the bottom hole locations?

13 A. Yes.

14 Q. What are the names of the two wells proposed in
15 these C-102s?

16 A. The Blue Marlin Federal Com. and the Black
17 Marlin Federal Com.

18 Q. And looking at the top, one is Well No. 1H and
19 one is Well No. 2H.

20 A. 2H.

21 Q. Correct. Right?

22 A. Yes.

23 Q. And these are located in Sections 18 and 19,
24 Township 25 South, Range 36 East?

25 A. Yes. In the east half.

1 Q. Okay. Based on the information here will the
2 wells be drilled at orthodox locations?

3 A. Yes.

4 Q. And what horizontal spacing unit will be
5 dedicated to the two wells?

6 A. The 640-acre spacing unit.

7 Q. Okay. And that's in the west half --

8 A. In the west half.

9 Q. -- of the two sections?

10 A. (Note: Nods head.)

11 Q. Would you turn to the next exhibit marked
12 ImPetro Exhibit A-3. And I note at the top of the exhibit
13 it says A-2. That should actually be A-3. That's at the
14 top of the first page that has yellow highlighting.

15 Would you describe the contents of Exhibit
16 A-3.

17 A. It lists the subject interests in the proposed
18 unit, and it also has a plat with the different tracts
19 outlined by the ownership.

20 Q. Okay. So it shows the ownership for each tract,
21 as well?

22 A. Yes.

23 Q. What is the significance of the yellow
24 highlighting?

25 A. The yellow highlighting is the parties that we

1 wish to force pool.

2 Q. Turning to the summary page of that, what is
3 Lilis Energy's -- well, let's me stop there.

4 Are Lilis Energy Inc. and ImPetro, the
5 applicant here, related?

6 A. Yes.

7 Q. And ImPetro is a subsidiary of Lilis; is that
8 right?

9 A. Correct.

10 Q. Okay. What is Lilis Energy's interest in the
11 overall unit?

12 A. Uh, overall unit, I believe it's 100 percent.

13 Q. That would be -- go to the summary page at the
14 top. Too far. The third page.

15 A. 100 percent? Oh, no. 89.4.

16 Q. Approximately 89.4 percent.

17 And that page then shows the interests of
18 each of the interest owners to be pooled?

19 A. Correct.

20 Q. And the prior pages show the interest by tract;
21 is that right?

22 A. That's right.

23 Q. And does Lilis hold a working interest in each
24 40-acre tract?

25 A. Yes.

1 Q. There are two maps following the yellow
2 highlighting. Could you tell us what are those.

3 A. Those maps correlate with the tract ownership on
4 the previous exhibits.

5 Q. So they show the tract numbers that correspond
6 to the --

7 A. Ownership.

8 Q. -- numbered tracts. Okay.

9 Let's move to ImPetro Exhibit A-4, again in
10 case 20791, and would you describe the contents of this
11 exhibit.

12 A. This is a Communication Summary and the Offer
13 Letters and Proposal Letters sent out to all the working
14 interests that we seek to force pool.

15 Q. And does this summarize the communications with
16 the parties to be pooled?

17 A. Yes.

18 Q. And at the right-hand side, that shows the
19 percentage interest of each of those parties?

20 A. Correct.

21 Q. Did you yourself have the communications with
22 each of these parties?

23 A. Yes. For the most part, yes.

24 Q. When you say "for the most part," were
25 communications with ConcocoPhillips and Chevron handled by

1 **Lilis?**

2 A. Yes, sir.

3 **Q. And what is your understanding of the status of**
4 **discussions with ConocoPhillips and Chevron?**

5 A. I believe that they are in -- have ongoing
6 communications. I think they are trying to get their JOAs
7 figured out and agreed upon.

8 **Q. So they are working on agreements --**

9 A. Yes.

10 **Q. -- as we speak.**

11 A. Yes.

12 **Q. And as far as you know, are those negotiations**
13 **progressing?**

14 A. I believe so.

15 **Q. And if in fact the parties are able to reach**
16 **agreement will ImPetro notify the Division?**

17 A. Yes.

18 **Q. Were you able to identify addresses and contacts**
19 **for each of the parties to be pooled?**

20 A. Yes.

21 **Q. Let me ask you to move down to -- a couple of**
22 **lines, well one anyway -- the Unknown Heirs of Frederick**
23 **Moore and Joyce Jarvis Moore.**

24 A. Right.

25 **Q. Were you able to locate them?**

1 A. No, we weren't able to locate any current
2 mailing address for those folks. We went through our
3 investigation process and we did our due diligence trying
4 to locate these people, and we are unable to locate them.

5 **Q. Would you describe the due diligence process**
6 **that you mentioned.**

7 A. Just county records, probate records, heirship
8 records. We went to Ancestry.com, used that as a source.
9 We also used findagrave.com to use that as a source. We
10 tried to find had family members to chat with those folks
11 to try to figure out where these people may be located,
12 and have been unsuccessful.

13 **Q. And is the same true for the unknown heirs of**
14 **Nancy Carolyn Haley?**

15 A. That's correct.

16 **Q. And moving to the next page, the unknown heirs**
17 **of Donald Woods?**

18 A. That's correct.

19 **Q. And for all of the rest of the parties to be**
20 **pooled, were you able to identify mailing addresses and**
21 **contacts?**

22 A. Yes, we were.

23 **Q. And did you present Offer Letters to each of the**
24 **parties for which you found addresses?**

25 A. Yes. I believe those are included in the

1 exhibit.

2 Q. Okay. Did you also provide the addresses that
3 you located to my law firm for purposes of sending out
4 notice of this hearing?

5 A. Yes.

6 Q. Are there a number of other interest owners that
7 Lilis was able to reach agreement with and whose interests
8 are now reflected in the Lilis percentages?

9 A. Yes.

10 Q. Do you have anything else to comment on
11 regarding ImPetro Exhibit A-4 for Case 20790?

12 A. No.

13 Q. Okay. Who should be appointed operator of the
14 proposed wells?

15 A. ImPetro.

16 Q. So let me go to the same set of exhibits or same
17 numbered set of exhibits for Case 20791.

18 And first turning to A-2, are those the
19 corresponding C-102s for the two proposed wells for this
20 unit?

21 A. Yes.

22 Q. And does the C-102 for each well show the pool
23 code and pool name?

24 A. It does, yes.

25 Q. And does it identify the names of the proposed

1 wells?

2 A. Yes.

3 Q. And tell us a little bit about the legal
4 descriptions as presented in the C-102s.

5 A. It is the east half of Sections 18 and 19, 25
6 South, 36 East.

7 Q. Okay. And do the C-102s show the proposed well
8 surface locations, first take points and last take points?

9 A. Yes.

10 Q. And are these wells orthodox?

11 A. Yes.

12 Q. Let me turn to Exhibit A-3 for Case 20791. And
13 is this similar to the corresponding exhibit for Case
14 20791?

15 A. Yes, sir.

16 Q. And again would you kind of summarize what this
17 exhibit shows.

18 A. It shows all the interests by the tracts
19 dictated on the maps associated, and the yellow
20 highlighted entities are who we seek to force pool.

21 Q. And what is Lilis' current overall interest for
22 the Black Marlin Unit?

23 A. Let's see.

24 Q. Just the bottom of the one page.

25 A. Oh, 99.26 percent, approximately.

1 Q. Approximately. And who are the other two
2 parties to be pooled here?

3 A. Veritas Permian Resources, and Ohio State
4 University.

5 Q. And their percentage, as you have calculated
6 them, are shown on this exhibit?

7 A. Yes.

8 Q. And then following that there's some tract maps.
9 And, again, are those provided for purposes of showing the
10 particular tracts?

11 A. Yes.

12 Q. And for this unit does Lilis have a working
13 interest ownership in each 40-acre tract?

14 A. Yes.

15 Q. So let me go to ImPetro Exhibit A-4 for Case
16 20791. Could you again summarize what that exhibit
17 presents.

18 A. This is again a Communication Summary of the
19 parties who we wish to force pool.

20 Q. Okay. And for this one in particular, tell me a
21 little bit about the communications with Veritas, Permian
22 or its predecessor.

23 A. Yeah, they just -- they denied our offer to
24 lease or assign their lease. And then Ohio State
25 referenced that it was against the Ohio State law to

1 participate or lease their mineral interest.

2 So they both denied our offers.

3 Q. So did you actually speak with Veritas or did
4 you speak with an entity called Energex, LLC?

5 A. I spoke with Energex, who then assigned their
6 lease to Veritas.

7 Q. Did Energex decline the offer prior to assigning
8 to Veritas?

9 A. Yes.

10 Q. And have you heard anything back from Veritas
11 since then?

12 A. No.

13 Q. Okay. Were you able to find addresses and
14 contacts for both of these two parties to be pooled?

15 A. Yes.

16 Q. And did you provide the correct addresses to me
17 for purposes of providing notice of this hearing?

18 A. Yes.

19 Q. Let me ask you some questions that pertain now
20 to both cases. I may have asked this question for the
21 first case, but who should be appointed operator of the
22 wells in both cases?

23 A. ImPetro.

24 Q. And you talked a little bit about your search of
25 information for contacts for the parties to be pooled in

1 Case 20791. Did you do a similar search -- I'm sorry, you
2 discussed that for Case 20790. Did you do similar work
3 for 20791?

4 A. Yes.

5 Q. In your opinion has ImPetro, and again Lilis is
6 similar, done a good faith, made a good faith effort to
7 obtain voluntary participation from each of the parties to
8 be pooled?

9 A. Yes, sir.

10 Q. Okay. Are you aware a notice of this hearing
11 was also published in the Hobbs newspaper?

12 A. Yes.

13 Q. And that information is provided in a separate
14 Affidavit of Notice?

15 A. Yes, sir. And actually they received two sets
16 of the Hearing Letters, one from the case that was
17 previously dismissed. So all these folks received two
18 sets of letters.

19 Q. Correct. These same units were presented in
20 separate cases, I think the numbers were 20666 and 20667,
21 and those two cases were dismissed?

22 A. Correct.

23 Q. So there's actually -- there was actually a
24 Notice for those cases, as well.

25 In your opinion is the granting of these

1 two applications in the interest of conservation and the
2 prevention of waste?

3 A. Yes.

4 MR. MOELLENBERG: That's all I have for this
5 witness.

6 EXAMINER GOETZ: Mr. Feldewert?

7 MR. FELDEWERT: Mr. Examiner, I just have a few
8 questions.

9 CROSS EXAMINATION

10 BY MR. FELDEWERT:

11 Q. Mr. Gibbs, I'm focusing now on Case 20790.

12 A. Okay.

13 Q. If I look at your Exhibit A-2, which is your
14 C-102, the pool that you describe there, I'm assuming
15 that's an oil pool.

16 A. Yes.

17 Q. Is your 1H going to be then your defining or
18 proximity tract well to bring in the east half of the west
19 half? Is that the plan?

20 A. Yes.

21 Q. Secondly, I didn't hear any testimony, and maybe
22 there's another witness, but do you know what overhead
23 rates you're requesting in this particular hearing?

24 A. I believe it's going to be 7,000 --

25 MR. MOELLENBERG: That will actually be --

1 A. I think that will be other testimony, but I
2 believe it's 700 a day, then 7,000 a month after that.

3 **Q. Is that the same that's in the JOA?**

4 A. Yes.

5 **Q. And then finally -- it took me a little time to**
6 **find our AFE. I see it's in Exhibit B-6. And if I may,**
7 **just real quick, I saw it's related to the Black Marlin?**

8 A. Right.

9 **Q. Is the AFE the same whether you are dealing with**
10 **the Blue Marlin or the Black Marlin?**

11 A. It is. And those --

12 MR. MOELLENBERG: That will --

13 A. -- will be in the next testimony.

14 MR. FELDEWERT: That is all the questions I
15 have. And, if I may, I need to be excused. I have no
16 objection to the geologic exhibits; I have looked through
17 them. I don't have any objection to the land exhibits.

18 EXAMINER GOETZ: Do you think I'm your mother?

19 No, if you have no problems with the
20 exhibits that have been entered, we will leave the record
21 at that. I'm sure Adam can step in if --

22 MR. FELDEWERT: We can do that if that's easier.

23 EXAMINER GOETZ: Well, it's up to you folks.
24 You're representing ConocoPhillips.

25 Very good. Thank you.

1 MR. MOELLENBERG: And I would tender at this
2 time Exhibits A-1, A-2, A-3 and A-4 in each of the two
3 cases.

4 EXAMINER GOETZ: Okay. We'll batten down the
5 hatches and say A-1, A-2, A-3 and A-4 in both cases.

6 MR. MOELLENBERG: Yes. I should ask one more
7 question before that, which I don't think I asked the main
8 question which was:

9 FURTHER DIRECT EXAMINATION

10 BY MR. MOELLENBERG:

11 Q. Were each of Exhibits A-1 through A-4 prepared
12 by you or under your direction or supervision?

13 A. Yes.

14 Q. And are they true and accurate to the best of
15 your belief?

16 A. Yes.

17 EXAMINER GOETZ: Mr. Feldewert, your final
18 statement?

19 MR. FELDEWERT: Thank you.

20 EXAMINER GOETZ: Do you object to the admission?

21 MR. FELDEWERT: I do not.

22 EXAMINER GOETZ: Okay. Thank you very much.

23 Have a good day.

24 With that, Exhibits A-1, A-2, A-3, and A-4,
25 in Cases 20790 and 20791 are so entered.

1 And Examiners, questions?

2 EXAMINER ROSE-COSS: I have no questions.

3 EXAMINER AMES: No questions.

4 EXAMINER GOETZ: You have no questions.

5 No, I don't have any questions for you.

6 Mr. Feldewert asked all the ones I was going to ask.

7 So move on to your next witness, please.

8 But I will request that you wear a bolo or
9 something next time. I'm sure you wouldn't show up at the
10 Texas Railroad Commission...

11 MR. MOELLENBERG: My fault, Mr. Examiner. I
12 didn't give good instructions.

13 EXAMINER GOETZ: That's okay. Just say you're
14 going to the Balloon Fiesta. You're dressed for that.

15 NATHAN GUIDORZI,

16 having been duly sworn, testified as follow:

17 DIRECT EXAMINATION

18 BY MR. MOELLENBERG:

19 **Q. Would you please state your name and where you**
20 **reside?**

21 A. My name is Nathan Guidorzi. I reside in Fort
22 Worth, Texas.

23 **Q. Who is your employer and what is the nature of**
24 **your employment?**

25 A. My employer is Lilis Energy. I'm a geologist

1 over there.

2 Q. And, again, the Applicant in this case, ImPetro,
3 is a subsidiary of Lilis; is that correct?

4 A. Correct.

5 Q. Have you previously testified as an expert
6 before the Division?

7 A. I have not.

8 Q. Did you provide a true and accurate copy of your
9 Curriculum Vitae, which is ImPetro Exhibit B-1?

10 A. I have.

11 Q. Could you provide the hearing examiners with a
12 brief summary of your qualifications as a petroleum
13 geologist.

14 A. I can. So I have a Bachelor's of Science in
15 geology from UTSA. On top of that I have seven years of
16 ongoing industry experience in drilling/completing oil and
17 gas wells, primarily in the Delaware Basin area.

18 Q. And would your testimony and exhibits today
19 address both applications filed by ImPetro, the first in
20 Case 20790 regarding the Blue Marlin wells, and then in
21 Case 20791 regarding the Black Marlin wells?

22 A. Yes.

23 Q. Are you familiar with the geology involved in
24 these applications?

25 A. Yes.

1 **Q. And have you prepared geologic exhibits for**
2 **presentation today?**

3 A. I have.

4 **Q. Is your set of exhibits the same, basically, for**
5 **both cases?**

6 A. They are.

7 MR. MOELLENBERG: At this time I tender the
8 witness as an expert petroleum geologist.

9 EXAMINER GOETZ: He is so qualified.

10 **Q. So Mr. Guidorzi, given the exhibits are the**
11 **same, I guess we can just turn to your exhibits in --**
12 **well, really either case, and go over them since they**
13 **cover both of the units.**

14 **So would you first turn to ImPetro Exhibit**
15 **B-2 and describe that exhibit.**

16 A. Okay. So B-2 is an exhibit showing the location
17 of the wells in question, the Blue Marlin and Black Marlin
18 wells, along with offsetting wells located in Township 25
19 South, Range 36 East, Sections 18 and 19.

20 **Q. So it looks like the sections with the proposed**
21 **unit are just to the right of the vertical blue line.**

22 A. Yes, that would be correct.

23 **Q. And then what is shown within the units in this**
24 **exhibit?**

25 A. So within the units it's showing four wells, the

1 Blue Marlin 1H and 2H, Black Marlin 1H and 2H along with
2 any existing vertical wells.

3 **Q. Okay. And tell us a little bit about the nearby**
4 **horizontal wells.**

5 A. So there are some nearby production. I'll
6 direct your attention to the red buds (phonetic) located
7 in Sections 32 and 29. Production there since October of
8 2018 has been in the neighborhood of 250,000 barrels of
9 oil.

10 And then the neighbor Ameredeve 125 N30 and
11 31, production since May of '19 has been right around
12 110,000 barrels of oil. Both of drilled and operated by
13 Ameredev.

14 **Q. So those wells are commercially producing?**

15 A. Correct.

16 **Q. Let's turn to Exhibit B-3, and can you tell us**
17 **what this exhibit shows.**

18 A. Okay. So B-3 is a structure map of the Wolfcamp
19 50-foot contour interval, derived from well logs in the
20 area, showing the general dip of the Wolfcamp Formation to
21 the west. Drilling the wells should be pretty close to
22 strike.

23 **Q. And the yellow lines in the middle of the**
24 **exhibit, what do they show?**

25 A. Those outline the two drilling spacing units.

1 Q. Okay. Is there anything else you would like to
2 say about this exhibit or its importance to this case?

3 A. No, sir.

4 Q. Okay. Let's move to Exhibit B-4. Tell us
5 what's shown in this exhibit. It's a little busy, I
6 guess.

7 A. So B-4 is a north/south cross section from the
8 Avalon down through the Strawn.

9 The North A is north of the Black and Blue
10 Marlin units. The middle well is within the cross section
11 inside the units in question, and then, the A prime is
12 further south in Lea County.

13 Q. So the wells that are the subject of these
14 applications, the Blue Marlin and Black Marlin, those are
15 shown in black lines in about the middle of this exhibit?

16 A. Correct. They are shown in the middle cross
17 section.

18 Q. Okay. And then tell us just a little bit about
19 the green vertical lines and some of the other characters.

20 A. So, yes, I apologize for the busy map.

21 The offsetting green lines and black lines
22 just represent offsetting operators, offsetting wells.

23 The blue circles are representing wells
24 containing well log data.

25 Q. And then on the right side of this exhibit, can

1 you describe what that shows and what its importance is to
2 these cases?

3 A. Yes. So the cross section is just showing the
4 relatively benign nature of the formations as you go from
5 a north/south direction.

6 Q. So based on your review of the geology and the
7 information here, in your opinion is the preferred way to
8 develop this acreage by horizontal drilling?

9 A. Yes.

10 Q. And all of the four proposed wells are to be
11 drilled in the Wolfcamp Formation?

12 A. Correct.

13 Q. In your opinion are each of the two proposed
14 horizontal spacing units justified from a geologic
15 standpoint?

16 A. Yes.

17 Q. And in your opinion, from a geologic standpoint
18 will each quarter-quarter section within this proposed
19 spacing unit contribute more or less equally to
20 production?

21 A. Yes.

22 Q. Is there any faulting or other geologic
23 impediment within the project area which would prevent the
24 drilling of the four subject wells?

25 A. None that have been identified with the data

1 available.

2 Q. Okay. Let's turn to Exhibit B-5, and can you
3 tell us what is in that exhibit?

4 A. So B-5 outlines our Wolfcamp wellbore design,
5 wellbore casing design. Uhm, and just the kind of map.
6 That's it.

7 Q. Okay. Is this wellbore diagram representative
8 for the plans for each of the four wells?

9 A. It is.

10 Q. So let's turn to Exhibit B-6. And in this
11 instance we have separate versions of Exhibit B-6 for each
12 of the two cases; is that right?

13 A. For 791 and 790?

14 Q. Yeah. They are two different AFEs, right?

15 So for 20790 we have an AFE for -- uhm, it
16 looks like I've got the wrong one there, so I'll have to
17 substitute this.

18 But for the Blue Marlin.

19 A. Uh-huh.

20 Q. And for Case 20791 it would be AFE for the Black
21 Marlin.

22 A. Correct.

23 Q. Okay. What is the total cost presented for the
24 well under this AFE?

25 A. Total cost is 14.8 million.

1 Q. And is that total cost expected to be the same
2 for all four wells?

3 A. It is.

4 Q. Okay. Are these costs fair and reasonable and
5 in line with the cost of similar wells drilled to this
6 depth in this area of New Mexico?

7 A. I believe so.

8 Q. And what overhead rates is ImPetro requesting?

9 A. 700 during drilling and 700 -- I'm sorry, 7,000
10 during drilling and 700 during production.

11 Q. And that's the same for both cases, right?

12 A. It is.

13 Q. Are these rates fair and reasonable and in line
14 with or perhaps even below what other operators are
15 seeking in the area?

16 A. They are.

17 Q. Is ImPetro requesting the maximum cost plus 200
18 percent risk charge in the event that a working interest
19 owner goes nonconsent on the wells?

20 A. To my knowledge, yes.

21 Q. Were exhibits B-1 to B-6 prepared by you or
22 under your supervision?

23 A. They were.

24 Q. And is the information presented in those
25 exhibits true and accurate to the best of your knowledge?

1 A. They are.

2 **Q. In your opinion would the granting of these**
3 **applications be in the interest of conservation, the**
4 **prevention of waste, and the protection of correlative**
5 **rights?**

6 A. Yes.

7 MR. MOELLENBERG: And at this time I would move
8 or tender Exhibits B-1 to B-6 in both of the cases into
9 the record, with the understanding I will substitute,
10 following the hearing, a different AFE for Case 20790 to
11 replace the version that's on there as Exhibit B-6.

12 EXAMINER GOETZ: You can go ahead and submit
13 that via email, so...

14 MR. MOELLENBERG: Okay. Should I just put the
15 right one in the...

16 EXAMINER GOETZ: Yes, let's make it look right.
17 Since they all are the same cost, it's more recordkeeping.

18 MR. MOELLENBERG: All right.

19 EXAMINER GOETZ: Okay. For Case 20790, Exhibits
20 B-1 through B-6 are so entered, and for Case 20791
21 Exhibits B-1 through B-6 are so entered.

22 MR. MOELLENBERG: And I'm finished with this
23 witness.

24 THE SPECIAL MASTER: Okay. Very good.

25 Mr. Rose-Coss.

1 CROSS EXAMINATION

2 BY EXAMINER ROSE-COSS:

3 Q. I'm curious. It probably says on here, maybe a
4 printing issue on Exhibit B-4, so your cross section
5 logs --

6 A. Uh-huh.

7 Q. -- what the landing zone is in here. Maybe it
8 says it in 1 and 2, but...

9 A. So the landing zone will be within the Wolfcamp.

10 Q. And where on here is the Wolfcamp?

11 EXAMINER GOETZ: Well, I think what we would
12 like you to do is submit this in an expandable .pdf so we
13 can see.

14 THE WITNESS: Okay. Okay. It's difficult to
15 see.

16 EXAMINER GOETZ: It's tough. We do appreciate
17 the logs and we do like to see where you're going, so
18 provide an expandable .pdf so we can take a look at it.

19 EXAMINER ROSE-COSS: That's my question.

20 EXAMINER GOETZ: Just make it show.

21 Mr. Ames?

22 EXAMINER AMES: Nothing further.

23 CROSS EXAMINATION

24 BY EXAMINER GOETZ:

25 Q. For clarity of the record, I do believe it was

1 \$7,000 while drilling, 700 producing. Is that correct?

2 A. That's correct.

3 Q. And we see that -- we are going into the
4 Wolfcamp. We're looking at a very thick section. Are you
5 anticipating expanding based on the results of this well,
6 into deeper Wolfcamp or shallower Wolfcamp?

7 A. Yes.

8 Q. What is the plan?

9 A. The plan is to -- yes, there would a shallower
10 Wolfcamp.

11 Q. Okay. All right.

12 And noticing everyone in the neighborhood
13 is going north to south, it seems to be favorable for
14 completions, and also enhancing native features of the
15 rocks, such as fractures, stress fracture areas.

16 A. Yes, sir.

17 EXAMINER GOETZ: With that, I have no questions
18 for this witness.

19 MR. MOELLENBERG: Thank you, Mr. Hearing
20 Examiner. The only other thing is there is an Affidavit
21 of Notice regard hearing notices attached to the back of
22 both cases. So that was prepared by me, and I think it's
23 complete with the notice letters, the mail receipts and
24 the -- I feel like I'm forgetting something, but maybe
25 not.

1 EXAMINER GOETZ: Publication?

2 MR. MOELLENBERG: Oh, the publication, that's
3 right.

4 EXAMINER GOETZ: So you wish to enter in both
5 cases?

6 MR. MOELLENBERG: I do wish to enter the
7 Affidavit of Notice in both cases.

8 EXAMINER GOETZ: Okay. Very well. For Case
9 20790 the Affidavit of Notice is entered, and for Case
10 20791 the Affidavit of Notice has been entered.

11 MR. MOELLENBERG: And with that we are finished.

12 EXAMINER GOETZ: Do you want us to take it under
13 advisement?

14 MR. MOELLENBERG: I would like you to take it
15 under advisement.

16 EXAMINER GOETZ: Then we shall.

17 So Cases Nos. 20790 and 20791 are taken
18 under advisement.

19 And just email us those changes.

20 MR. MOELLENBERG: Okay.

21 EXAMINER GOETZ: Thank you.

22 (Time noted 1:58 p.m.)
23
24
25

1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF TAOS)
4

5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,
8 October 3, 2019, the proceedings in the above-captioned
9 matter were taken before me; that I did report in
10 stenographic shorthand the proceedings set forth herein,
11 and the foregoing pages are a true and correct
12 transcription to the best of my ability and control.

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

18
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