

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:

APPLICATION OF SCO PERMIAN, LLC
FOR A SPECIAL DEPTH BRACKET ALLOWABLE
FOR THE GOODWIN-ABO POOL,
LEA COUNTY, NEW MEXICO

CASE NO. 22456

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, JANUARY 6, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiners, John Garcia and Philip Goetz, Technical Examiners, on Thursday, January 6, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

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A P P E A R A N C E S

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1 (Time noted 1:02 p.m.)

2 EXAMINER BRANCARD: This is the New Mexico Oil
3 Conservation Division hearings on January 6, 2022. We are
4 now at No. 88 on today's docket, Case 22456 SCO Permian,
5 LLC.

6 MR. BRUCE: Mr. Examiner, Jim Bruce representing
7 SCO.

8 EXAMINER BRANCARD: Are there Entries of
9 Appearance for Case 22456?

10 MR. PADILLA: Mr. Examiner, Ernest L. Padilla
11 for Empire New Mexico, LLC. And we don't have an
12 objection to this case by affidavit, I informed Mr. Bruce
13 of that last week, but we may have some questions as a
14 result of the presentation.

15 EXAMINER BRANCARD: Okay. Thank you.

16 Anyone else? All right. Mr. Bruce.

17 MR. LOGAN: Well, this is Keith Logan. I am
18 representing SCO Permian, this is my prospect, and Jim is
19 representing us. So I will be testifying.

20 MR. BRUCE: Mr. Brancard, I will go through the
21 exhibits briefly, but Mr. Logan obviously knows more of
22 what's going on, so although I will introduce the exhibits
23 I will ask if he has anything to add to what I said, and
24 then I would just open it up for the Division examiners to
25 ask him questions, if that is okay.

1 EXAMINER BRANCARD: All right. Please proceed.

2 MR. BRUCE: Mr. Examiner, in this case SCO
3 Permian, seeks an increase in the depth bracket allowable
4 for the Goodwin-Abo Pool, which is located over in Eastern
5 Lea County, East/Central Lea County.

6 They drilled a well recently, the Goodwin
7 A-30 State Well No. 1. The well has an extremely good
8 producing rate.

9 Exhibit No. 1 is the Application. I would
10 note that the Application does give the pool description,
11 and that was taken both from the OCD records plus Barron's
12 (phonetic) Reporters, so that I could accurately determine
13 who needs to be notified, which I will get to in a minute.

14 Basically SCO seeks an increase in the
15 depth bracket allowable from 187 barrels of oil per day to
16 500 barrels of oil per day.

17 Exhibit 2 is the Self-Affirmed Statement of
18 Mr. Logan where he describes the well involved and he goes
19 through his exhibits.

20 Just briefly, Attachment A to Exhibit 2 are
21 the daily reports of the initial month of production, and
22 you can see that the well was producing anywhere from
23 about 350 barrels of oil per day up to over 1100 barrels
24 of oil per day, plus all of the gas rates and water rates
25 were also mentioned.

1 When it was first completed Mr. Logan
2 called me about this, and so I informed him he needed to
3 get a request for a Temporary Testing Allowable, which he
4 did, and that is Attachment B to his affidavit.

5 Exhibit C is just kind of a production map
6 showing the Abo wells which have produced along this
7 trend, which is a fairly long, narrow trend. The wells in
8 the red circles are Goodwin-Abo wells. There are other
9 Abo wells, especially to the south, that are decent.
10 Those wells are attributable to another Abo Pool. I
11 forget. It might be the north half Abo, but I'll let Mr.
12 Logan...

13 MR. LOGAN: Yeah, I think it's the North
14 Monument Abo.

15 MR. BRUCE: North Monument Abo.

16 D is the Structure Map, which shows -- the
17 reason why the southwest quarter of Section is highlighted
18 is I believe that is SCO's primary acreage in this area.
19 And it shows the other -- it shows the structure which
20 along the main producing trend is rather flat.

21 Attachment E is the Isopach Map showing
22 that the productive wells generally have around 50 feet or
23 so, or more, of net thickness.

24 Attachment F is the Cross Section, which
25 also includes the Goodwin 30 well in it, and I will let --

1 rather than me go through that in more detail, Mr. Logan
2 is far knowledgeable, obviously, so after I get done, like
3 I said, I'll let him ask -- make any comment he wants and
4 then turn it over.

5 The Notice Affidavit is Exhibit 3.

6 This pool, I think, was first discovered in
7 the early '60s so it's, you know, fairly old. And even
8 though there were a lot of wells drilled in the pool, most
9 of them are now put back to another zone or perhaps P&A'd.
10 So in my review of the Division's well records the only
11 people entitled to Notice were Empire New Mexico, who
12 Mr. Padilla represents, XTO Energy, which has a T.A.'d
13 well which they are operating which is a producing well,
14 and under Division rules because we are not asking for an
15 increase in spacing, we only had to notify the operators
16 of existing wells in the pool.

17 My Notice Letter was sent out. I have
18 attached the white cards with the -- the post office,
19 unlike post offices records showing Notice was received by
20 everyone, yesterday I did get a green card back from XTO,
21 and of course the fact that Mr. Padilla is here means that
22 Empire New Mexico did receive Notice.

23 I do not have the green card back from
24 Sahara, but it looks like they received Notice about a
25 week ago.

1 I did publish Notice in the newspaper, and
2 as -- I think this is about the 15th time you've heard of
3 this today, Mr. Examiner. The newspaper did not timely
4 publish the Notice. I don't know that it's necessary
5 because everybody did receive Notice and actual Notice,
6 Certified Notice, and I will supplement Exhibit 3 to
7 reflect the green cards I received back. But,
8 nonetheless, if it does need to be continued for a couple
9 of weeks for the Publication Notice, that's fine.

10 But with that I would move the admission of
11 Exhibits 1 through 4, and I would ask you to swear in Mr.
12 Logan, Mr. Examiner, and I will briefly introduce him and
13 open him up to questions from you folks.

14 EXAMINER BRANCARD: Thank you.

15 Any objections to these exhibits?

16 MR. PADILLA: No objection, Mr. Examiner, from
17 Empire. Thank you.

18 EXAMINER BRANCARD: Thank you. The exhibits are
19 admitted into the record.

20 Mr. Logan, will you raise your right hand.

21 KEITH LOGAN,

22 having been duly sworn, testified as follows:

23 EXAMINER BRANCARD: Mr. Bruce, you may proceed.

24 MR. BRUCE: Just a couple of questions.

25 DIRECT EXAMINATION

1 BY MR. BRUCE:

2 Q. First of all, Mr. Logan, you have previously
3 testified before the Division, correct?

4 A. Yes, I have, as both a reservoir engineer and
5 exploration geologist.

6 Q. Our term at the OCD is almost co-equal, isn't
7 it. We've known each other for quite a while.

8 And were Exhibits -- or I should say
9 Attachments A through F to your Affirmed Statement created
10 by you, except as to the daily production reports, which
11 is a company business record. Is that correct?

12 A. Well, yes. I mean, you know, I tabulate the
13 information that's provided me from our field
14 superintendent. So...

15 Q. Okay.

16 A. But, you know, I've been present on the well
17 location and ran logs there, so I'm quite familiar with
18 the area.

19 Q. Okay. Secondly, from the Daily Production
20 Reports, I mean the well was capable of producing well in
21 excess of 1,000 barrel of oil per day plus other fluids.

22 You're asking for 500. Maybe you should
23 state the reason why you are doing that.

24 A. Well, we -- obviously, the well, which if you
25 look at the report, was flowing pretty much the whole

1 time, and we shut it in right around Thanksgiving with the
2 thought of putting it on pump. You know, we still have
3 pressure on the well but we are putting it on a pumping
4 unit now.

5 But as we were sizing it with not only the
6 oil production but we are making some water, as well.
7 We're at a depth of 7400 feet, and, you know, just to move
8 the fluid we're talking about -- I mean, we still have a
9 1280 pumping unit out there, so it's -- we have a similar
10 well in West Texas that we sized about the same as this
11 one, and our thought was: Well, let's try to move, you
12 know, 500 barrels of fluid a day. Yeah, with it flowing
13 some it will make a little more than that, but from an
14 economic standpoint we felt like 500 was a very reasonable
15 number to produce this well at.

16 I think if you try to push it up to 1,000,
17 you're -- I don't know that you're going to do -- you
18 know, you may do better for a while, but I think we're
19 satisfied at 500 barrels of oil a day just for the
20 equipment purposes.

21 **Q. And then throughout this period, the DOR**
22 **remained the same and quite low, did it not?**

23 A. Yeah, pretty much. It was pretty close to 1,000
24 throughout this whole process of blowing the well.

25 **Q. Okay.**

1 A. I don't see that we are doing anything, you
2 know, harmful to the reservoir.

3 **Q. Okay. And my final question: Do you believe**
4 **the granting of this application is in the interest of**
5 **conservation and the prevention of waste?**

6 A. Yes, I do.

7 MR. BRUCE: Mr. Brancard, I'll just turn it over
8 to whatever examiners want to question Mr. Logan.

9 EXAMINER BRANCARD: Thank you. I'll start with
10 Mr. Padilla.

11 CROSS EXAMINATION

12 BY MR. PADILLA:

13 **Q. Mr. Logan, how much acreage is your well**
14 **creating beyond the 40-acre spacing?**

15 A. Well, I don't know that -- we had a pretty
16 significant amount of pay in this well. You know, we had
17 over 60 feet of pay, and I know that the well to the south
18 of us had already -- had already made 275,000 barrels. So
19 I don't think that we're producing, really, more than 40
20 acres.

21 **Q. Did you prepare any reservoir study to indicate**
22 **that?**

23 A. No, I did not.

24 **Q. When you talked about gas/oil ratio -- first let**
25 **me ask you: What's the gravity of the oil? Is it light**

1 oil?

2 A. The gravity of the oil is between 40 and 41.

3 Q. And that's pretty light oil, isn't it.

4 A. Yes.

5 Q. Could this oil be categorized as a gas well,
6 instead?

7 A. I don't believe so, no. I think if it was, you
8 know, going to be a gas well I'd be looking at API
9 gravities more in the 50 range.

10 Q. What is the current production for water, for
11 gas, and for oil?

12 A. Well, the last information I have was before we
13 shut it in. We're just now getting it back online. I
14 mean, we didn't even get a gas rate here overnight, but we
15 got it on pump. We made about 220 barrels of oil, 300
16 barrels of water, but we're still working with the pumping
17 unit. So in about 12 hours we were able to make 220
18 barrels of oil.

19 Q. How much water?

20 A. About 300 barrels of water.

21 Q. Are you producing any gas?

22 A. We didn't get a gas rate at this point.

23 Q. So you're not producing any gas. Is that what
24 you're saying?

25 A. I would assume as of -- as we get this pumping

1 unit lined out we will be making some gas, yes.

2 **Q. How are you going to handle the gas? Do you**
3 **have -- are you going to have to flare it or do something**
4 **like that, or re-inject it, or what are you going to do**
5 **with that?**

6 A. Well, what we're doing right now is, yes, we are
7 flaring it, but we know we only have a certain period of
8 time. But there is a company out here, DCP, that is
9 actually taking some gas and -- you know. And they're
10 discussing with us that they may take it. You know,
11 they've got a plant on the south side of the highway. So
12 we're working on getting it where we're not flaring it any
13 longer.

14 **Q. Given the gravity of your oil, why aren't you**
15 **asking for an increase on spacing?**

16 A. Well, I mean, I'm -- I still (inaudible) you
17 know 40 -- 40 degree API-gravity oil is the sweet spot of
18 where you want to be in selling crude. So, I mean, I
19 think the 40 -- for one thing, you know, the deeper you
20 get, the harder it is to make 20-acre spacing economical.
21 But we would like to keep it at for- -- we think 40 is the
22 right proration unit for this field. We have picked up a
23 little bit additional acreage from the north end of this,
24 but we just -- we came in here, actually leased
25 this almost fi- -- well, over five years ago. And got

1 tied up in Oklahoma and drilled some bells in Texas, and
2 Covid hit us, and we finally got back to it, you know,
3 prior to expiration. And it -- you know, just keying off
4 of the good reserves in the area and, you know, just
5 trying to extend that trend to the north.

6 **Q. Are you -- there's some water floods in the**
7 **area, aren't there?**

8 A. Well, there are some bars (phonetic) left in the
9 area, yes.

10 **Q. Are you benefiting from those water floods?**

11 A. Uh, I don't believe we are, no.

12 **Q. And why do you say that?**

13 A. Well, I mean, you know, we -- we -- yeah, I know
14 we had essentially virgin reservoir pressure, but, you
15 know, if there's an active, you know, water flood in the
16 area it's typically out of different zones than the Abo.

17 **Q. Looking at your Attachment C, do you have**
18 **ownership of the entire Section 30?**

19 A. Do we have ownership of what?

20 **Q. The entire southwest quarter of Section 30.**

21 A. The entire southwest quarter, yes.

22 **Q. Do you have any other surrounding acreage in**
23 **this area?**

24 A. Well, we did just barely recently picked up the
25 south half of the northwest quarter.

1 **Q. What are your drilling plans in the future, if**
2 **any, for this area?**

3 A. Well, what I'd say is we're going to continue to
4 produce this well, see if the reserves are -- you know, we
5 were obviously keying off wells of the south made 275. It
6 actually did look like it had some reserves left behind,
7 which is why we drilled the location we did. I mean, you
8 look at the decline, it was still making about 30 barrels
9 a day when it went down.

10 So I'd say if we drilled the well it would
11 be either moving to the south in the southwest of the
12 southwest, or in that 80 up to the north.

13 **Q. So you're planning to drill further or you're**
14 **not?**

15 A. Let me just tell you: If this well continues to
16 perform as it has performed, I will say yes, we will
17 probably drill an offset to it.

18 **Q. Well, the way I take your answer, it seems that**
19 **you may deplete reservoir energy at 500 barrels a day,**
20 **rather than decline reservoir energy, if you don't have**
21 **drilling plans to (inaudible) the well at this acreage in**
22 **the southwest quarter.**

23 **Is that a possibility?**

24 A. Now, you're going to have to run that by me
25 again, sir.

1 Q. Well, I think my question was pretty long.

2 As I understand it, you're not sure whether
3 you need to further develop the southwest quarter and the
4 south half of the northwest quarter, as you have
5 indicated. You don't have any current drilling plans for
6 those lands. And what I'm asking is: By producing at the
7 rate that you're asking for, won't you essentially deplete
8 reservoir pressure such that future drilling is not
9 feasible?

10 A. Well, we're really hoping that we're going to
11 see that -- for one thing, as I said before, there was a
12 lot of pay in this well. And, you know, obviously for,
13 you know, reserves you're going to go off of pay, and then
14 obviously your, you know, proration unit or your drainage
15 area or whatever. But we're hoping that this is going to
16 show us a relatively flat decline and we'll want to go
17 offset it.

18 Q. But you haven't performed any studies to
19 determine whether or not the increase in allowable to 500
20 barrels may deplete the reservoir.

21 A. Well, we have not, but, you know, I don't know
22 that we have enough information to say that.

23 MR. PADILLA: Okay. I don't have any further
24 questions. I do have a representative, Josh Cornell. I
25 think he's listening. I don't know whether he may have

1 any further questions other than mine.

2 Mr. Cornell are you there? (Note: No
3 response.)

4 I guess not, so I'll stop there.

5 EXAMINER BRANCARD: Maybe he can send his
6 questions to you, Mr. Padilla.

7 MR. PADILLA: Okay.

8 EXAMINER BRANCARD: Can we start with Mr.
9 Garcia?

10 EXAMINER GARCIA: Yes. Good afternoon, Mr.
11 Logan. Can you hear me?

12 MR. LOGAN: Yes, I can.

13 EXAMINER GARCIA: Sorry. I'm going through my
14 notes. Mr. Padilla crossed off some of my questions.

15 EXAMINATION

16 BY EXAMINER GARCIA:

17 Q. In your affidavit, paragraph 12B, it says 500
18 barrels a day will not harm the reservoir.

19 Do you know what volume would harm the
20 reservoir?

21 A. I mean, I didn't even see any, you know, impact
22 at, you know, over 1,000 barrels a day, so I don't know
23 that I can tell you that number. I mean, you know, our
24 production until now has all been what it was stapled
25 (phonetic) to flow. You know, with our testing allowable,

1 we wanted to see what it would do, but we were strictly
2 just flowing the well.

3 So I don't know that I -- I think at 1,000
4 barrels a day it still looks like it's not harming
5 anything.

6 Q. Okay. That kind of runs into my next question.

7 I think your testing allowable I believe
8 you attached the (inaudible) emails for what you call
9 C-104-RT, Allowable to Tes.

10 A. Right.

11 Q. So C-104-RTs only give approval up to the pool's
12 limit, which in this case I believe is 187 barrels.

13 We have provision in our rules, and I can
14 cite for counsel 19.15.20.11A which allows an operator to
15 produce essentially however much is needed to sell and
16 keep the well producing, as long as you get the Division
17 an application stating the circumstances and estimated
18 production. And I didn't see that in the well files, so
19 to me it looks like you're producing well above the
20 allowable without approval to do so.

21 A. Well, that's not the way I understand it.

22 Q. And of your plan --

23 A. There was no maximum.

24 Q. I believe your exhibits showed the max for this
25 pool are 187 barrels. Is that correct?

1 A. Well, I understand that.

2 Q. Yeah, I know that the C-104-RT would grant up to
3 that unless this written application is approved. It's
4 19.15.20.11 for your counsel is also the reference.

5 So I was curious if you were aware of that.

6 Another thing with the production from your
7 exhibits is it shows flaring pretty consistently for the
8 first few days. Are you aware of the new Part 27 Rule OCD
9 rolled out this year, I think on May 25th, 2021?

10 A. You mean that we got 60 days?

11 Q. I'll have to double check but I think a lot of
12 that changed, because right now there's only certain
13 provisions that allow flaring for each phase, drilling and
14 production. And so I wasn't -- I don't have the rule
15 memorized, it's a new rule, but I would double check with
16 that rule. I'm not sure if you ever did the flaring in
17 the allowable timeline right now. I think you're only
18 allowed the 12 months if it's considered an exploratory
19 well by OCD, which I don't know if this well is.

20 A. This would not be considered an exploratory
21 well. We are a 40-acre offset to the wells produced out
22 of the Goodwin-Abo.

23 Q. Yeah, the rule calls out for during completion
24 or production to route gas from a separator to a flow line
25 to the collection systems or be reinjected, I believe. So

1 **there may be some flaring concerns.**

2 **With the flaring are you filing the C-129s?**

3 A. Yes. And we are working as quickly as we can
4 with DCP to take our gas.

5 **Q. Yeah, I would consider looking into the**
6 **production allowable in flaring the well, because in my**
7 **view I think you're producing a lot more than you're**
8 **allowed and approved to do so right now.**

9 A. Well, you know --

10 **Q. It's a good-producing well, a good well, but as**
11 **far as the rules go, I think you may be over your limit.**

12 **I think your counsel answered this already,**
13 **but you guys notified all parties that are currently in**
14 **this pool about this increase?**

15 THE WITNESS: Yeah. That was the Notice that
16 was given, right Jim?

17 EXAMINER GARCIA: We can ask Mr. Bruce.

18 MR. BRUCE: What was that question?

19 EXAMINER GARCIA: You Noticed all parties that
20 are in this pool, and I believe offset from this pool
21 within a mile?

22 MR. BRUCE: Yes. The OCD requirements are --
23 the allowable phrase is: Notify the operator of every
24 well within the pool and within a mile of the pool that is
25 producing, still producing from the formation so long as

1 it's not -- the well is not allocated to another pool such
2 as the North Monument Pool that Mr. Logan referenced.

3 And I looked at dozens of well files, and
4 there's only the three parties who have existing wells in
5 the Goodwin-Abo Pool.

6 Q. I guess I don't have my orientation good, but
7 the Notices kind of surprised me. But thanks for
8 providing that.

9 I think that's all my questions and
10 comments.

11 EXAMINER BRANCARD: Thank you.

12 Mr. Goetz?

13 EXAMINATION

14 BY EXAMINER GOETZ:

15 Q. Good afternoon, Mr. Logan. I have just one
16 question for you.

17 Your interpretation places this completion
18 in what is referred to as the Abo Reef Structure. Is this
19 correct? Is this based on your correlation in your cross
20 section?

21 A. Yes, it is.

22 Q. So this entire interval is within the reef.

23 A. Yes, it is. I mean, you know, there's -- this
24 is a narrow trend, as you can see, but when you go west
25 you're getting low, but obviously to the southwest in 36

1 and then down in 1 it's still a good-looking dome. But
2 you go east, uh, I'd say you get out of the reef. You
3 still got some Abo but it's not the quality of pay that we
4 were looking for.

5 So, you know, it's a narrow trend, but I
6 consider it, you know, all the reef section.

7 Q. Okay. Thank you on that.

8 The only other comment I'll have is for Mr.
9 Bruce.

10 We don't see a completion report in the
11 well record. We are required to have one to allow --
12 well, to approve allowables in any sense, so I would
13 suggest you find whoever is preparing your paperwork. I
14 don't know if a C-105 has been submitted for approval, but
15 it is one of those things in rules that it's got to be
16 within 45 days for us to move forward with this.

17 MR. BRUCE: Okay. Thank you, Mr. Goetz.

18 And I'm going to ask Mr. Logan some
19 follow-up questions. But, uhm, Mr. Woods has been doing
20 from regulatory work for SCO and he's the one that
21 actually did the testing allowable. So I'm not trying to
22 excuse myself but I always thought a testing allowable was
23 to allow you to test above the established depth bracket
24 allowable. So I'm kind of surprised to hear that.

25 But, certainly SCO tried to comply with the

1 rules. And as to the C-105, I'll just ask Mr. Logan,
2 whether he or someone in his company or Mr. Wood, to get
3 that filed ASAP. Sorry about that.

4 EXAMINER GOETZ: Very good.

5 MR. LOGAN: Well, I mean it was a question do
6 we -- you know, do we get it on pump or -- but it sounds
7 like we better just get something filed. Because, you
8 know, I already had, you know, what, you know, essentially
9 our IP. But we can -- we've been working from -- you
10 know, since Thanksgiving to get this well on pump, and
11 with the Holidays and everything we just now got back to
12 it after Christmas.

13 EXAMINER GOETZ: That's all I had. Thank you.

14 MR. BRUCE: All right. If I could ask some
15 follow-up questions, Mr. Brancard.

16 EXAMINER BRANCARD: Yes, that would be fine, Mr.
17 Bruce.

18 REDIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Mr. Logan, I mean this pool was created almost
21 60 years ago and it's always been on 40-acre spacing,
22 right?

23 A. Yes.

24 Q. And as you said, if you look at the Production
25 Bubble Map, Attachment C to your Affidavit, what you're

1 talking about in looking at the yellow acreage, the
2 southwest quarter of Section 30, down in the southwest
3 quarter/southwest quarter there is a well that produced
4 275,000 barrels of oil, is there not?

5 A. Yes.

6 Q. And when you drilled your well you had virgin
7 pressures; is that correct?

8 A. That's -- I mean, we didn't measure bottomhole
9 pressure, but when it's, you know, flowing oil and water,
10 we know we are very close to, you know, virgin reservoir
11 pressure.

12 Q. Okay. We've, uh, testified that what you're
13 looking at is probably moving around 500, ultimately just
14 as you're going along once you get the pumping unit
15 adjusted, producing about 500 barrels of fluid per day.
16 If you're doing that you probably wouldn't be producing
17 500 barrels of oil per day, would you? You'd be
18 producing --

19 A. Well, one thing I want to point out is we've
20 only got a like a 12-hour test. It made 220 oil and 330
21 water. So, you know, take that times two.

22 You know, the thing is we went out there,
23 we had pressure at the surface. So it's what I would call
24 flumping, flowing-in pumping.

25 So, you know, it's getting a little bit of

1 help from the bottomhole pressure, but it's -- I mean --

2 Q. So it sounds like --

3 A. I mean --

4 Q. -- things haven't evened yet on the production.

5 A. No. I mean, we're just getting it going right
6 now on the pumping end of it.

7 Q. And Mr. Padilla was asking about development
8 plans. And I'd ask Mr. Padilla if Empire has any
9 development plans in the area, but he's not subject to my
10 cross-exam.

11 But isn't the sensible thing to do is watch
12 what this well does before you commence another well?

13 A. Well, yeah. I mean, I'm not saying we are going
14 to watch it forever, but, you know, we've got some ideas.
15 But let's watch this well and see what we think it will
16 ultimately do. You know. I'd like to think we got some
17 development locations.

18 Q. And is the southwest quarter of Section 30, is
19 that a single State lease?

20 A. That is a single State lease, yes.

21 Q. So if you depleted a well you're not really
22 adversely affecting anyone else in that lease, correct?

23 A. No.

24 MR. BRUCE: I think that's it, Mr. Logan, unless
25 you have something else you would like to add.

1 MR. LOGAN: No. I mean, I would like to visit
2 with you some, just, you know, so we're providing what is
3 necessary.

4 MR. BRUCE: Okay. Well, we'll take care of
5 that. Okay. Thank you, Mr. Logan.

6 Mr. Brancard, I only have one other thing
7 to say is a couple -- of course an attorney always says
8 more than one other thing to say.

9 I would ask that the exhibits be admitted
10 into evidence and then, you know, questions were raised by
11 Mr. Padilla about the allowable increase. There's not
12 many of these cases around anymore, and it used to be, way
13 back then when I was a kid, if the Division is concerned
14 about it you could put a time limit on the allowable
15 increase and ask SCO to come back in after that time
16 period to show additional data, because they will
17 obviously, rather than just having one month of data, that
18 they might have six more months of data.

19 I think it's eminently reasonable. No harm
20 has been shown to the reservoir producing it at the rates
21 in excess of 1100 barrels a day. I don't think a
22 reasonable operator is going to go in there just to damage
23 the reservoir and harm potential offsetting locations.

24 So I would ask that the application be
25 taken under advisement, that an Order be granted, and if

1 the Division is worried about it, put a time limit of 6 or
2 12 months on the Order and require the operator to come
3 back at that point.

4 EXAMINER BRANCARD: Thank you.

5 Mr. Padilla did you want to sum up your
6 client's position at this point?

7 MR. PADILLA: No. The only other -- I have one
8 question, and then we'll leave it to the discretion of the
9 Division as to what you want to do for this application.

10 I just want to ask Mr. Logan.

11 RECROSS EXAMINATION

12 BY MR. PADILLA:

13 Q. As I understand it, the well is now shut in,
14 right?

15 A. Well, it's now -- well, we're attempting to pump
16 it right now, but it has been shut in for over a month.

17 Q. What was the well producing before you shut in
18 the well?

19 A. Well, let's see. That very last day, my 25th
20 report, it showed 8 barrels of oil, 0 barrels of water and
21 flared no gas. I mean, that's when we shut it in, so it's
22 just loading up. So I mean the day before you had 54 oil,
23 85 water, but, you know, it just was, you know, loading
24 up. But, you know, we shut it in, and we had over 500
25 pounds at the surface here when we went back to...

1 Q. So you --

2 A. We're trying to go get --

3 Q. (Inaudible) 500 barrels a day?

4 EXAMINER BRANCARD: I'm sorry. Mr. Padilla,
5 could you repeat the question?

6 Q. So you've never reached 500 barrels a day. Is
7 that what you're telling u?

8 A. Well --

9 MR. BRUCE: I would object to the question,
10 because Mr. --

11 A. (Continued) -- we saw --

12 MR. BRUCE: You have -- you have.

13 A. (Continued) We saw --

14 MR. BRUCE: Mr. Logan, stop.

15 Mr. Padilla, go to Attachment A to Mr.
16 Logan's affidavit. It has monthly production data that
17 shows 500 -- 350 to plus 1100-barrels a day.

18 MR. PADILLA: That answers my question.
19 Thank you, Mr. Bruce.

20 EXAMINER BRANCARD: Okay. Mr. Goetz, Mr.
21 Garcia, is there any other information that we need from
22 the applicant at this point?

23 EXAMINER GARCIA: I don't believe so, but I
24 guess if we need it, we will be in touch.

25 EXAMINER BRANCARD: Mr. Bruce and your clients,

1 you can ask -- you can turn this over to your client, if
2 necessary. I just want to go through some of the factors
3 that are listed in our regulation. You know.

4 And I'm looking here at -- I have three
5 screens open, so I'm really confused -- 19.15.20.12, which
6 is the depth bracket allowable division.

7 Under subsection F it gives the conditions
8 under which the Division can assign a greater-than-regular
9 depth bracket allowable. The main one, which I would ask
10 whether our folks are happy with, is: "...after
11 sufficient reservoir information is available to ensure
12 that the allowable can be produced without damage to the
13 reservoir and without causing surface or underground
14 waste."

15 Okay. Your client has testified about
16 that, Mr. Bruce, but then it also says, and these may be
17 very simple questions for your client to provide answers
18 to, "The Division shall also consider the availability of
19 oil transportation and marketing facilities."

20 So...

21 MR. BRUCE: Is that what (inaudible).

22 EXAMINATION

23 BY EXAMINER BRANCARD:

24 Q. You-all have the ability to get this oil to
25 market?

1 A. Yes.

2 Q. All right. So then it also says, and I believe
3 you have discussed this, "...casing head gas
4 transportation processing and marketing facilities."

5 As I understand it, Mr. Logan, you are
6 currently in negotiations with DCP about trying to obtain
7 such services.

8 A. That is correct.

9 Q. Okay. And then it says "...water disposal
10 facilities." So I guess I will just ask whether you have
11 arrangements for the disposal of the produced water that
12 you're getting.

13 A. Yes, we do.

14 EXAMINER BRANCARD: All right. So that's -- I
15 just wanted to go through those factors because they are
16 in our rules, and we do have to follow the rules.

17 So with that, Mr. Bruce, do you think
18 you've provided enough information here? I appreciate
19 your summary.

20 MR. BRUCE: I think we did. I have -- I've
21 provided what I have every other time I've done this over
22 the last 40 years, so maybe I've been doing it wrong for
23 40 years. Who knows? But if the Division want anything
24 else, just email me, and Mr. Logan and I will comply.

25 EXAMINER BRANCARD: All right. I appreciate

1 your history in this; unfortunately it's not something
2 we've handled very recently.

3 MR. BRUCE: I know that.

4 EXAMINER BRANCARD: Mr. Goetz, Mr. Garcia, is
5 there anything else you can ask for right now? We can
6 always ask for more later.

7 EXAMINER GOETZ: Not at this point. Thank you.

8 EXAMINER BRANCARD: I got a nod from Mr. Garcia
9 there.

10 EXAMINER GARCIA: I have nothing, also.

11 EXAMINER BRANCARD: Thank you. All right. So
12 with that, then, I think we will take this under
13 advisement. I appreciate the offer, Mr. Bruce, about
14 possibly time limiting an approval on this. And again
15 there was a request to make sure that the C-105s had been
16 filed for this well.

17 MR. BRUCE: Correct.

18 EXAMINER BRANCARD: I think that is all that we
19 were asking for at this point.

20 MR. BRUCE: Well, I suppose the other one is the
21 question Mr. Garcia asked. I will make sure to get ahold
22 of Mr. Brian Wood and make sure that if we need to file
23 something else regarding a testing allowable that we do
24 the right thing.

25 EXAMINER BRANCARD: Okay. Good. Good. Please

1 follow up with that.

2 Mr. Garcia, would that be with Mr. Counts,
3 (phonetic) perhaps, or who would handle that?

4 EXAMINER GARCIA: It would come to the OCD
5 portal still, and he would probably look it, though. A
6 (inaudible) submission.

7 EXAMINER BRANCARD: All right. Well, thank you.
8 Appreciate your submittals and information, and Case No.
9 -- where are we again -- 22456 will be taken under
10 advisement. Thank you.

11 MR. LOGAN: Thank you.

12 (Time noted 1:51 p.m.)

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1 STATE OF NEW MEXICO)

2 : ss

3 COUNTY OF TAOS)

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REPORTER'S CERTIFICATE

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I, MARY THERESE MACFARLANE, New Mexico Reporter

7

CCR No. 122, DO HEREBY CERTIFY that on Thursday,

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January 6, 2022, the proceedings in the above-captioned

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rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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/S/ Mary Macfarlane

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