

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 AMEREDEV OPERATING, LLC CASE NOS. 16022,
FOR A NONSTANDARD SPACING AND PRORATION 16023
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 22, 2018

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, March 22, 2018, 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.

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APPEARANCES

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1 (9:50 a.m.)

2 EXAMINER JONES: Let's call Case Numbers
3 16022 and 16023, application of Ameredev Operating, LLC
4 for a nonstandard spacing and proration unit and
5 compulsory pooling in Lea County, New Mexico. Each of
6 the cases are labeled the same.

7 Call for appearances in these two cases.

8 MR. RANKIN: Thank you, Mr. Examiner. Adam
9 Rankin, with the Santa Fe office of Holland & Hart, on
10 behalf of the Applicant for these consolidated cases. I
11 have two witnesses.

12 EXAMINER JONES: Other appearances?

13 MR. McMILLAN: Seth McMillan, Montgomery &
14 Andrews. I enter an appearance in 16022 on behalf of, I
15 believe, Lilis Energy. I didn't enter in 16023, but
16 functionally it's not going to have much difference. I
17 won't have much to say.

18 EXAMINER JONES: I've got that as Lilis,
19 L-I-L-I-S, Energy, Incorporated.

20 MR. McMILLAN: Yes.

21 EXAMINER JONES: Any other appearances?

22 Will the two witnesses please stand?

23 (Mr. Forteza and Mr. Foy sworn.)

24 MR. RANKIN: I'd like to call my first
25 witness, Mr. Brandon Forteza.

1 BRANDON FORTEZA,
2 after having been first duly sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. RANKIN:

6 Q. Mr. Forteza, will you please state your full
7 name for the record?

8 A. Brandon Forteza.

9 Q. By whom are you employed?

10 A. Ameredev.

11 Q. In what capacity?

12 A. Landman.

13 Q. Have you previously testified before the
14 Division and had your credentials as an expert in
15 petroleum land matters accepted as a matter of record?

16 A. Yes.

17 Q. Are you familiar with the two applications that
18 were filed in these consolidated cases?

19 A. Yes.

20 Q. Have you also conducted a study of the lands
21 that are the subject to these two cases?

22 A. Yes.

23 MR. RANKIN: Mr. Examiner, I would tender
24 Mr. Forteza as an expert in petroleum land matters.

25 EXAMINER JONES: Any objection?

1 MR. McMILLAN: No objection.

2 EXAMINER JONES: So qualified.

3 Q. (BY MR. RANKIN) Mr. Forteza, will you please
4 turn to what has been marked Exhibit Number 1 in your
5 exhibit packet? Will you review for the Examiners what
6 this exhibit shows and reference at the same time what
7 it is that Ameredev is seeking with these applications?

8 A. Uh-huh. So Exhibit 1 is for Case Number 16022,
9 the Camellia Fed Com 26-36-21, and we choose to dedicate
10 two wells to this nonstandard proration unit. It's 320
11 acres, well 111H and 121H. And they are both in the
12 Wolfcamp Pool, Pool Code 98230.

13 Q. So Exhibit Number 1 is for the 111H well; is
14 that correct?

15 A. That's correct.

16 Q. And that is a draft C-102 that was prepared in
17 three locations for these two-mile lateral?

18 A. Correct.

19 Q. And Exhibit Number 2 is the filed and approved
20 C-102; is that correct?

21 A. Exhibit 2?

22 Q. I'm sorry. So this is just for -- the next
23 page of the exhibit -- I'm sorry -- is the 121H well; is
24 that correct?

25 A. Correct. These are both drafts.

1 Q. And Exhibit 2 is for the second spacing unit in
2 Case Number 16023; is that correct?

3 A. That's correct. This is for the Red Bud
4 25-36-32 State Com, and we seek to pool a nonstandard
5 proration unit. It's 320 acres consisting of the east
6 half-west half of Sections 29 and 32 of 25-36 in Lea
7 County. And we'll dedicate two wells -- two initial
8 wells, the 105H and the 115H well.

9 Q. And in both cases, you're seeking to target
10 formation and the pool -- the formation you're seeking
11 to pool is the Wolfcamp Formation; is that correct?

12 A. That's correct.

13 Q. And you're also asking that Ameredev be
14 designated the operator of the wells and spacing units
15 in both cases?

16 A. Yes.

17 Q. And the APD for the Camellia, in Case Number
18 16022, has not been approved yet?

19 A. That's correct. It's been submitted to the
20 Feds for approval.

21 Q. But the APD has been approved for the Red Bud
22 in Case 16023?

23 A. That's correct.

24 Q. And in each case, the setbacks will be subject
25 to the statewide rules for the 330-foot setbacks?

1 A. Yes.

2 Q. And in both cases, will all four wells and the
3 completed interval be within the required setbacks?

4 A. Yes.

5 Q. Looking at Exhibit Number 3, will you review
6 for the Examiners what this exhibit shows?

7 A. Sure. So this is a sketch put together by
8 myself. This is for Case 16022, the Camellia Fed Com
9 26-36-21. And it shows the tracts -- the three tracts
10 in the west half-west half of Sections 16 and 21 that we
11 are seeking to form the nonstandard proration unit.

12 Q. The next page of the exhibit, does that
13 identify the ownership interest by tract?

14 A. Yes, it does.

15 Q. And at the bottom of that page, is there a
16 recapitulation of the interest ownership interest across
17 the 320-acre spacing units?

18 A. Yes.

19 Q. And which are the parties that you're seeking
20 to pool in this case, 16022?

21 A. So these are all working interest owners with
22 the asterisk, OXY, EOG and COG.

23 Q. So all those parties with the asterisk are the
24 working interests you're seeking to pool?

25 A. That's correct.

1 Q. Are there any other uncommitted interests
2 owners that you're seeking to pool in this case, 16022?

3 A. No.

4 Q. What about the overriding royalty interest
5 owners? Are there any in this case?

6 A. Not to my knowledge.

7 Q. And with respect to Case 16023, Exhibit Number
8 4, what does that show?

9 A. Again, this is for the Red Bud State Com
10 25-36-32, consisting of the east half-west half of
11 Sections 29 and 32 of 25-36 and the four tracts
12 comprised of that nonstandard proration unit.

13 Q. Okay. And the next page of the exhibit, does
14 this reflect the ownership interests in each tract?

15 A. It does. So Tracts 1 and 2 are fee tracts. So
16 there is -- as you'll see, there are several unleased
17 fee owners that we're attempting to locate and contact.
18 Tracts 3 and 4 are state leases.

19 Q. And at the bottom of the last page of the
20 exhibit -- I should say the last two pages of the
21 exhibit, is that a recapitulation of the ownership
22 interest on a unit basis?

23 A. It is.

24 Q. And each of the parties with the asterisks are
25 the parties that Ameredev is seeking to pool in Case

1 16023?

2 A. It is.

3 Q. And with respect to Case 16023, you indicated
4 that there are some unleased mineral interest owners in
5 the state -- rather, the fee acreage that you've
6 identified, those tracts?

7 A. Yeah.

8 Q. And you are continuing to work with them to
9 identify a potential agreement with those parties?

10 A. Yes. The folks we can locate, we're continuing
11 to work to reach a lease agreement. There will be some
12 unlocatable folks, I think, as well.

13 Q. So there are a few interests you haven't been
14 able to identify or locate; is that correct?

15 A. Yes. Yes. You'll see there are some heirs
16 that we're still trying to locate the heirs.

17 EXAMINER JONES: Which case?

18 THE WITNESS: This would be Case 16023, the
19 Red Bud State Com.

20 Q. (BY MR. RANKIN) We'll come back to those in a
21 moment when we talk about notice.

22 Moving on to Exhibit Number 5, did Ameredev
23 propose the wells in Case Number 16022 to the parties
24 you're seeking to pool?

25 A. We did.

1 Q. And is Exhibit 5 a copy of the well-proposal
2 letter that was sent to each of those parties?

3 A. It is.

4 Q. And did your well proposal also include an
5 estimate of costs, an AFE?

6 A. Yes.

7 Q. Is that reflected in Exhibit Number 5 as well?

8 A. Yes.

9 Q. With respect to Case Number 16022 and the wells
10 proposed in that case, are the costs reflected in the
11 AFE consistent with what operators and Ameredev have
12 incurred drilling similar wells in the area?

13 A. It is.

14 Q. And have you identified administrative and
15 overhead costs you will incur while drilling and while
16 producing if successful?

17 A. Yes. For both cases, 7,000 while drilling, 700
18 a month while producing.

19 Q. And are those costs similar to what other
20 operators are charging in wells while drilling and while
21 producing?

22 A. Yes.

23 Q. Do you ask that these administrative and
24 overhead costs be incorporated into any order that's
25 issued by the Division?

1 A. Yes.

2 Q. Looking at Exhibit Number 6, is this a well
3 proposal and AFE that you sent to the interest owners
4 you're seeking to pool in 16023?

5 A. It is.

6 Q. And with respect to these costs, are they also
7 costs that are similar to what you've incurred in the
8 area?

9 A. Yes.

10 Q. And are they also -- do you also ask that these
11 costs be incorporated into any order issued by the
12 Division for Case 16023?

13 A. Yes.

14 Q. And as to the prior case, what are the costs
15 identified for administrative and overhead costs?

16 A. 7,000 while drilling and 700 while producing.

17 Q. Now, in Case 16023, you indicated that there
18 were some unleased mineral interest owners?

19 A. That's correct.

20 Q. Have you attempted to lease their interests?

21 A. We have.

22 Q. And is Exhibit Number 7 a copy of the lease
23 offer that you made to those entities that you were able
24 to identify and locate?

25 A. Yes.

1 Q. And now have you reached terms with any of
2 those unleased mineral interest owners to date?

3 A. We are. When we sent the notice, we started
4 getting more traction from the smaller interests.

5 Q. And those interests comprise how much of the
6 spacing unit in Case Number 16023, approximately?

7 A. That we've picked up or just all?

8 Q. Altogether.

9 A. Probably 8 percent. And, you know, it's over
10 70 individuals that roughly make up 8 percent of the
11 unleased. So it's --

12 Q. It's a large number of individuals for a small
13 interest?

14 A. That's correct.

15 Q. And if you -- as you pick up additional leases
16 or you're able to reach voluntary agreement with the
17 unleased mineral interest owners or any working interest
18 owners, will you notify the Division that you've reached
19 voluntary agreement and that you're no longer seeking to
20 pool them?

21 A. Yes.

22 Q. Now, in addition to sending out these
23 well-proposals letters and offers to lease, what other
24 efforts have you undertaken to reach a voluntary
25 agreement with the parties you're seeking to pool?

1 A. For the unleased interests, the folks that we
2 can locate, we'll make phone calls and emails. And the
3 same with the working interest owners. We're still
4 negotiating with OXY, EOG and COG.

5 Q. And if you reach agreement, you'll notify the
6 Division that you've reached agreement and you're no
7 longer seeking to pool?

8 A. Yes.

9 Q. In your opinion, Mr. Forteza, did you make a
10 good-faith to reach agreement with each of the parties
11 you're seeking to pool?

12 A. Yes.

13 Q. What efforts have you undertaken to identify
14 all these unleased -- in Case Number 16023?

15 A. Using various Web sites to locate, you know,
16 heirs and track down family members, researching other
17 counties.

18 Q. Okay. And so in your opinion, has Ameredev
19 undertaken a good-faith effort to locate all those
20 interests?

21 A. Yes.

22 Q. In addition to the parties that you're seeking
23 to pool, did you also identify the offsets, operators
24 and lessees of record for each of the surrounding
25 40-acre tracts that surround each of these proposed

1 spacing units?

2 A. Yes.

3 Q. Is Exhibit Number 8 a copy of the affidavit
4 prepared by me and my office indicating that my office
5 has provided notice of this hearing to each of the
6 parties that you're seeking to pool and all the offset
7 interest owners?

8 A. It is.

9 Q. And behind that affidavit, is there a copy of
10 the letter that we sent out as to the pooled parties and
11 the offsets, as well as the United States Postal Service
12 tracking information for each of the parties who
13 received notice?

14 A. Yes.

15 Q. And that's for Case Number 16022; is that
16 correct?

17 A. That's right.

18 Q. And is Exhibit Number 9 an affidavit reflecting
19 the same information with respect to 16023?

20 A. It is.

21 Q. And just to cover our bases, Mr. Forteza, did
22 we also publish notice identifying each of the parties
23 by name, as well as their heirs and devisees in Exhibits
24 10 and 11 for each case?

25 A. Yes. Yeah.

1 Q. Is Exhibits 10 and 11 Affidavits of Publication
2 to the parties identified by name in the "Hobbs
3 News-Sun" and published in the newspaper on March 14th,
4 2018; is that correct?

5 A. Yes.

6 Q. Mr. Forteza, were Exhibits 1 through 12 --
7 sorry -- 1 through 11 prepared by you or under your
8 direct supervision?

9 A. Yes, they were.

10 MR. RANKIN: Mr. Examiner, I would move
11 admission of Exhibits 1 through 11 in Cases 16022 and
12 16023.

13 EXAMINER JONES: Any objection?

14 MR. McMILLAN: No objection.

15 EXAMINER JONES: Exhibits 1 through 9 are
16 admitted.

17 (Ameredev Operating, LLC Exhibit Numbers 1
18 through 9 are offered and admitted into
19 evidence.)

20 EXAMINER JONES: Mr. Brooks, the notice was
21 published on March 14th. Is there a ten-day issue with
22 that?

23 EXAMINER BROOKS: I was thinking the same
24 thing. Of course, it doesn't matter unless there were
25 people that had to be -- that only got notice in that

1 manner. But --

2 CROSS-EXAMINATION

3 BY EXAMINER JONES:

4 Q. In Case 16022, were there any unlocatable
5 parties?

6 A. 022? No, sir. It's just --

7 Q. But you published newspaper notice anyway?

8 MR. RANKIN: (Indicating.)

9 EXAMINER BROOKS: It says "ten business
10 days before the hearing." That would be the 7th or the
11 8th. March 8th would have been ten business days. So
12 that would not have been timely publication. If it was
13 necessary to have publication, then we would need to
14 continue the case to the next docket to allow that.

15 EXAMINER JONES: I don't think it was
16 necessary in 16022; is that correct?

17 MR. McMILLAN: That's correct.

18 THE WITNESS: That's correct.

19 EXAMINER JONES: So Case Number -- Exhibit
20 Number 10 is admitted.

21 (Ameredev Operating, LLC Exhibit Number 10
22 is offered and admitted into evidence.)

23 EXAMINER JONES: And I guess we'll wait to
24 admit -- in Case 16023, we'll end up continuing that
25 case then.

1 MR. RANKIN: I guess to be clear,
2 Mr. Examiner, is there a reason why the exhibit couldn't
3 be admitted but the case be continued?

4 EXAMINER BROOKS: That's what I was going
5 to say. It isn't going to admissibility of the exhibit.
6 It goes to what has to be done procedurally.

7 EXAMINER JONES: Well, we'll admit Exhibit
8 Number 11.

9 MR. RANKIN: Thank you, Mr. Examiner.

10 (Ameredev Operating, LLC Exhibit Number 11
11 is offered and admitted into evidence.)

12 EXAMINER JONES: They're all admitted.

13 EXAMINER BROOKS: You went a little fast
14 and rather softly, so I may be plowing the same ground
15 that you've already been over.

16 CROSS-EXAMINATION

17 BY EXAMINER BROOKS:

18 Q. First of all, this is in a wildcat pool, right?

19 A. Yes, sir.

20 Q. What is the spacing? Is it gas or oil spacing?

21 A. Oil.

22 Q. Okay. So it's 40-acre spacing with 660-foot
23 setbacks?

24 A. It's 330.

25 Q. 330-foot setbacks. I'm sorry.

1 And so you're right on the line, but -- I
2 mean, you're right close to the line, but you're on the
3 good side of it?

4 A. Yes, sir.

5 Q. Okay. You're asking to pool how many acres?

6 A. In both cases, it's 320 acres.

7 Q. That's what I thought.

8 How come you're asking to pool 320 acres if
9 it's 40-acre spacing?

10 A. They're two-mile wells.

11 Q. Oh, okay. Yeah.

12 So you're not pooling the full area
13 that's --

14 A. No, sir.

15 Q. That would be 640 acres?

16 A. Yes, sir.

17 MR. RANKIN: So, Mr. Brooks, the C-102 for
18 the 111H well, Exhibit Number 1, that is a draft C-102.
19 And as I understand it from Mr. Forteza, the C-102 that
20 was submitted correctly depicts the project area as 320
21 acres, reflecting the west half-west half of Sections 16
22 and 21.

23 EXAMINER BROOKS: So the project area is
24 the west half-west half only, not this whole --

25 THE WITNESS: Yes, sir. That's --

1 EXAMINER BROOKS: It's actually 1,280
2 acres, as shown on here --

3 MR. RANKIN: Right.

4 EXAMINER BROOKS: -- as -- okay.

5 Q. (BY EXAMINER BROOKS) Now, in the Camellia
6 wells, you've got -- the only people you're pooling
7 there are OXY, COG and EOG, right?

8 A. That's correct.

9 Q. And they're all uncommitted at this point?

10 A. Yes, sir.

11 Q. Okay.

12 EXAMINER BROOKS: And which one do you
13 represent?

14 MR. McMILLAN: I represent Lilis Energy.
15 They're an offset.

16 EXAMINER BROOKS: Okay. So you represent
17 an offset. You don't represent a party --

18 MR. McMILLAN: Correct.

19 EXAMINER JONES: I was going to ask the
20 same question.

21 Q. (BY EXAMINER BROOKS) Okay. But in the Red Bud,
22 you've got all this -- couple of pages of people, right?

23 A. Yes, sir.

24 Q. And some of them are unleased mineral interests
25 owners, did you say?

1 A. Yes, sir. The majority of them are unleased
2 mineral interests. They're -- Blackbeard, OneEnergy and
3 Jetstream are the working interest owners. They picked
4 up a few leases in those fee tracts.

5 **Q. Okay. And you're working on leasing additional**
6 **interests, did you say?**

7 A. Yes, sir. We're continuing to locate these
8 folks and try to pick up the interest.

9 **Q. Have you made good-faith offers to everybody?**

10 A. Yes, sir.

11 **Q. I'm not going to ask you if you made bad-faith**
12 **offers to anybody.**

13 **So now some of these people were**
14 **unlocatable, right?**

15 A. As of -- yes. We're continuing -- you'll
16 notice some of the names will say "heirs of" an
17 individual. We're still trying to track down and locate
18 their heirs.

19 **Q. Well, I would assume that the unknown heirs**
20 **have not been located. You don't have any indication --**
21 **you don't have any monikering [sic] by which you**
22 **indicate which people are unlocatable?**

23 A. No, sir.

24 **Q. Now, have you -- did you -- what kind of search**
25 **did you do for the unlocatable people?**

1 A. We used ancestry.com, Accurint. They're all
2 Web-based searches --

3 **Q. Yes.**

4 A. -- plus the counties where some of the heirs
5 have been deceased. We're trying to research there.

6 **Q. Are some of these people out of state?**

7 A. The majority of them are out of state.

8 **Q. Have you done research where they -- where they
9 live?**

10 A. Yes, sir.

11 **Q. Okay. And -- but you didn't get your notice
12 published timely. What was the -- what was the exhibit
13 number on that?**

14 MR. RANKIN: That would be Exhibit Number
15 11, Mr. Examiner, for Case Number 16023.

16 EXAMINER BROOKS: Exhibit Number 11? Looks
17 like Exhibit Number 11 is missing from my folder.

18 MR. RANKIN: Well, I've got another copy
19 here.

20 EXAMINER BROOKS: Well, this is a notice of
21 the hearing on March 22nd, which is today. I'm thinking
22 what we need to do is continue this until the May 3rd
23 docket so that you can republish and notice the hearing
24 on May the 3rd so that if these people get the notice,
25 they will have the full ten business days to respond to

1 it. In the unlikely event that anybody does respond, is
2 that going to interfere with any of your plans?

3 MR. RANKIN: Mr. Forteza?

4 THE WITNESS: I'd have to look at our
5 drilling schedule. I don't know off the top of my head.

6 EXAMINER BROOKS: Okay. Well, you know, if
7 we're going to make sense of the notice requirements, we
8 kind of need to do that, although I think maybe we could
9 make some adjustment if it's going to create too much of
10 a hardship because after all, these people seldom
11 respond.

12 EXAMINER JONES: They published on March
13 14th, so ten business days --

14 EXAMINER BROOKS: Well, the question is:
15 What would the people do if they saw the notice and it
16 says there is a hearing on March 22nd and -- that's why
17 I said we could maybe make some adjustment because there
18 are ways you can construe it. Now, if it were black and
19 white and it said that you can't have the hearing until
20 ten days after -- until ten days after the -- the date
21 for which the hearing is noticed has to be ten days
22 after it's published. If it said that in black and
23 white, then we wouldn't have any flexibility. Maybe we
24 have a little here. I need to be advised if it's going
25 to be a hardship to the operator. Otherwise, we'll

1 continue to May 3rd.

2 What we could do, if you don't have that
3 information readily available here, would be to continue
4 it to April -- April the 5th, with the understanding
5 that we would then continue it to May the 5th [sic]
6 unless advised sometime within the next 24 hours that
7 there was a need to do something else.

8 REDIRECT EXAMINATION

9 BY MR. RANKIN:

10 **Q. Mr. Forteza, if it's not a hardship to continue**
11 **to May 3rd, just to keep a clean docket and repeat the**
12 **notice of publication --**

13 EXAMINER BROOKS: That would make sure you
14 had valid notice to all the unlocatables, I think, if
15 you did that.

16 THE WITNESS: Yeah. I could -- I need to
17 look at the drill schedule.

18 EXAMINER BROOKS: That would be good, if
19 you could advise us today or tomorrow.

20 THE WITNESS: Absolutely. I think I might
21 have it in my email.

22 EXAMINER BROOKS: Well, if you could get it
23 before the end of this hearing, we could continue it to
24 April the 5th, with the understanding that we'll
25 continue it again unless we're otherwise informed. Then

1 you need to republish with the publication showing May
2 3rd is the hearing date.

3 EXAMINER JONES: I've got a question on the
4 wells.

5 RECROSS EXAMINATION

6 BY EXAMINER JONES:

7 Q. You're proposing two wells, and you're not
8 quite the -- the -- proposing six in the spacing unit
9 like COG is today. But the two wells that you're
10 proposing, you want two wells on your compulsory
11 pooling. Can you explain why, because you've got --
12 you've got an idea -- I mean, you can do the second well
13 under the terms of the compulsory pooling, but you want
14 those in the order? They've been doing that nowadays,
15 and nobody's ever explained to me exactly why.

16 A. So we're drilling these simultaneously. We'll
17 drill the surface interval first, scoot over from one
18 well and drill the surface, lay down. So you've got
19 back and forth between the well.

20 Q. So nobody would have the time to make a
21 decision on the second well based on the first well
22 anyway, so you'd want to -- but it's required to propose
23 both wells separately?

24 EXAMINER BROOKS: Well, that's what we've
25 been doing. It's the way that -- it's the way that most

1 operating agreements are written, and that's the
2 reason --

3 THE WITNESS: Sure.

4 EXAMINER BROOKS: -- why we followed that.
5 The compulsory pooling statute says the well -- as
6 though going to be one, but we never thought it was
7 appropriate to require separate cases be filed for each
8 well. That would just be more time and more paperwork.
9 So -- but we have thought it appropriate to require
10 separate elections, and we would do that unless -- and
11 we would only take up the issue if specifically
12 requested to do otherwise.

13 EXAMINER JONES: Okay. So -- sorry. I
14 wake up in a new world every day, and that's probably
15 why they put me on the Compulsory Pooling Committee
16 (laughter).

17 EXAMINER BROOKS: Well, we all do. And
18 I've lived for 70 years now, and I've gone through that
19 process continuously for the entire time.

20 EXAMINER JONES: But both wells are -- I
21 guess we're going to have testimony about the wells
22 pretty soon.

23 Q. (BY EXAMINER JONES) Your com agreements, are
24 they pending or -- obviously, they won't return them to
25 you until everybody's signed off?

1 A. Sure. I haven't submitted them at this time.

2 Q. Okay. And you think OXY, COG or EOG -- in Case
3 16022, any of those parties, you think they're going to
4 join?

5 A. I think we can probably -- we're close with OXY
6 and COG. EOG is a little harder to get to do anything.

7 Q. You just need to call Chuck up and talk to him
8 (laughter).

9 So it's a little bit further away for EOG,
10 it looks like?

11 A. Yes.

12 Q. They seem to be spending their money other
13 places.

14 A. I think -- yeah. They've got enough problems
15 to worry about maybe.

16 Q. Okay. Okay. Thanks very much.

17 A. Okay. I'll look at the drill schedule here in
18 just a minute.

19 MR. RANKIN: Pending Mr. Forteza's letting
20 us know what the drill schedule is, I'll dismiss
21 Mr. Forteza and call my second witness.

22 EXAMINER JONES: Okay. Thank you.

23 MR. RANKIN: I'd like to call my second
24 witness, Mr. Foy.

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PARKER FOY,

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

DIRECT EXAMINATION

BY MR. RANKIN:

Q. Good morning, Mr. Foy. Please state your full name for the record?

A. Parker Foy.

Q. And by whom are you employed?

A. Ameredev.

Q. In what capacity?

A. I'm a geologist.

Q. Have you previously testified before the Division and had your credentials as an expert petroleum geologist made a matter of record and accepted by the Division?

A. I have.

Q. And have you conducted a study of the lands that are subject to these applications?

A. I have.

Q. And you're familiar with the applications that were filed in these consolidated cases?

A. I am.

MR. RANKIN: Mr. Examiner, I would retender Mr. Foy as an expert in petroleum geology.

1 EXAMINER JONES: Any objection?

2 MR. McMILLAN: No objection.

3 EXAMINER JONES: Mr. Foy is so qualified.

4 Q. (BY MR. RANKIN) Mr. Foy, what is the target
5 formation in these cases?

6 A. Wolfcamp A and Wolfcamp B.

7 Q. And we'll look at those each in turn.

8 Mr. Foy, will you please turn to what's
9 been marked as Exhibit Number 12 in these consolidated
10 cases and review for the Examiners what it shows?

11 A. Yes. So here we have a map of the Ameredev
12 pooling acreage highlighted in yellow, along with the
13 producing Wolfcamp offset wells with green circles and
14 then the Ameredev proposed location with the red box and
15 the red well path. We have previous drilled Ameredev
16 wells with just the red box.

17 Q. And just to clarify, I believe you stated that
18 the yellow represents Ameredev's pooling acreage, but,
19 in fact, you're seeking to pool only the west half-west
20 half of Sections 16 and 21?

21 A. Yes, that's correct.

22 Q. The yellow is the company's acreage?

23 A. Yeah.

24 Q. So what does your next exhibit show in Number
25 13?

1 A. This exhibit is a structure map, subsea on top
2 of the Wolfcamp. And as you can see, it is a uniform
3 dip to the southwest. The contour intervals are 50
4 feet.

5 **Q. And this is still with respect to Case Number**
6 **16022; is that right?**

7 A. Correct.

8 **Q. And so did you also prepare a cross section to**
9 **identify the target interval?**

10 A. I did.

11 **Q. And is Exhibit 14 a depiction of the wells**
12 **you've identified to construct your cross section?**

13 A. Yes.

14 **Q. Will you review this for the Examiners?**

15 A. Yes. This is a map view of the subsequent
16 cross section going from A to A prime and A to north A
17 prime to the south, and the wells used are highlighted
18 with a blue circle.

19 **Q. And is Exhibit 15 a depiction of your cross**
20 **section using those three wells?**

21 A. Yes. It's a cross section hung on the top of
22 the Wolfcamp. And, again, it goes from A to A prime.
23 The first well at A didn't have the full triple combo,
24 but we have a gamma ray and some of the resistivity.

25 So the first track in blue is your gamma

1 ray. The second track in red is your resistivity, and
2 then the third track in green is your density porosity.
3 You can see that it's consistent log character across,
4 and you can also -- we've bracketed our target intervals
5 for the Camellia well. It's the Lower A, which is the
6 111H, and then the Wolfcamp B, the 121H.

7 Q. And you chose these three wells to construct
8 your cross section. In your view, were they
9 representative of the wells in the area?

10 A. Yes.

11 Q. And in your view, did they accurately represent
12 the geology of the target formation across the unit?

13 A. They do.

14 Q. In your analysis, Mr. Foy, have you identified
15 any geologic impediments or pinch-outs, faulting that
16 would impede development of a full two-mile lateral in
17 this area?

18 A. I have not.

19 Q. In your opinion, Mr. Foy, will each of the
20 40-acre units that will be comprising the spacing unit
21 for Case Number 16022 contribute more or less equally to
22 production in the well -- both wells that are proposing
23 in this case?

24 A. Yes.

25 Q. Let's look at the next set of exhibits, which

1 reflect Case Number 16023. Turning to Exhibit Number
2 16, will you review for the Examiners what this exhibit
3 shows?

4 A. So this is another map view highlighting the
5 Ameredev acreage in yellow, along with the proposed
6 Ameredev horizontals with the red -- well path in the
7 red square, and then the nearest offset of producing
8 Wolfcamp wells, the Caza Sioux 36 State.

9 Q. And did you also prepare a structure map
10 reflecting the target formation that you propose to
11 target with these two wells in this case?

12 A. I did.

13 Q. And is that reflected in Exhibit Number 17?

14 A. It is. Again, it's 50-foot contour intervals,
15 and you have a uniform dip, again, kind of east-west but
16 more like to the southwest, but it's very uniform and
17 consistent.

18 Q. And did you also identify three wells -- or --
19 of the cross section?

20 A. I did.

21 Q. Are those reflected on Exhibit Number 18?

22 A. They are.

23 Q. And in your opinion, were these three wells
24 selected because they're representative of the geology
25 in the area?

1 A. Yes.

2 Q. Is the cross section reflected on your next
3 exhibit, Number 19?

4 A. It is.

5 Q. Will you review for the Examiners what you've
6 identified and have done with respect to the cross
7 section?

8 A. Yes. Again, it's going from A to A prime, so
9 it's north to south. It's hung on the Wolfcamp and on
10 the same track as before, the gamma ray, resistivity and
11 density porosity. And they are highlighted, the two
12 for -- the Red Bud, and the other Wolfcamp A, the 105H,
13 and then the Lower Wolfcamp A at the 115H target. And
14 you can see the consistent thickness and well character
15 across.

16 Q. In your opinion, Mr. Foy, with respect to this
17 case and these two proposed wells, are there any
18 geologic impediments or pinch-outs or faulting that
19 would impede development of a full two-mile lateral in
20 these proposed --

21 A. No, there is not.

22 Q. And in your opinion, will each of the 40 acres
23 that comprise this unit contribute more or less equally
24 to the development -- or production of the well?

25 A. Yes.

1 **Q. Mr. Foy, with respect to both cases, 16022 and**
2 **16023, is it your opinion that the granting of the**
3 **application will be in the best interest of**
4 **conservation, the prevention of waste and the protection**
5 **of correlative, rights?**

6 A. Yes.

7 MR. RANKIN: Mr. Examiner, I'd move the
8 admission of Exhibits 12 through 19.

9 MR. McMILLAN: No objection.

10 EXAMINER JONES: Exhibits 12 through 19 are
11 admitted in both cases.

12 (Ameredev Operating, LLC Exhibit Numbers 12
13 through 19 are offered and admitted into
14 evidence.)

15 MR. RANKIN: No further questions.

16 MR. McMILLAN: No questions for this
17 witness.

18 EXAMINER BROOKS: No questions?

19 MR. McMILLAN: No questions.

20 CROSS-EXAMINATION

21 BY EXAMINER BROOKS:

22 **Q. In each of these cases -- well, let's see. You**
23 **said Wolfcamp A. And what was the other, Wolfcamp B?**

24 A. Uh-huh. Correct.

25 **Q. There seems to be some variation in the**

1 nomenclature of the Wolfcamp --

2 A. Uh-huh.

3 Q. -- but I won't -- I don't want to get into
4 that. I won't go into that because I'm not sure I
5 understand enough about it.

6 Is the 111 -- or the 111 and the -- is the
7 Camellia 111 and the Red Bud 105 Wolfcamp A, and the
8 Camellia 121 and the Red Bud 115 Wolfcamp B?

9 A. No. So the Camellia 111 is Lower A, and then
10 the 121 is B.

11 Q. Okay. And what about the Red Bud?

12 A. The Red Bud? Those are -- the 105 will be the
13 Upper A. Some people call it X-Y. And the 115 will be
14 the Lower A.

15 Q. So the 105 and 115 are both in the A?

16 A. Both in the A.

17 Q. But they're different paths?

18 A. Yes.

19 Q. And you don't expect them to communicate?

20 A. No, we do not.

21 Q. Thank you.

22 CROSS-EXAMINATION

23 BY EXAMINER JONES:

24 Q. How far away laterally will they be from each
25 other?

1 asked him. We did?

2 MR. RANKIN: My understanding is that there
3 are no depth severances within --

4 EXAMINER BROOKS: Within the Wolfcamp? Do
5 we have any?

6 MR. RANKIN: My understanding, there is
7 none.

8 EXAMINER BROOKS: Thank you.

9 RECROSS EXAMINATION

10 BY EXAMINER JONES:

11 Q. The Wolfcamp -- what would be -- these logs
12 just -- they don't tell me a whole lot. If you had your
13 ideal log to run through the Wolfcamp, what would you
14 run, or what log suite would you run?

15 A. I think these three are probably the most
16 essential. I mean --

17 Q. Gamma ray and --

18 A. Resistivity and then the density porosity.

19 Q. Density porosity.

20 A. Yeah. Gamma ray just for kind of correlation
21 of the lithology, and resistivity and porosity --

22 Q. Yeah.

23 A. -- goes into your reservoir modeling.

24 Q. You go by density porosity, or do you like your
25 neutron also or sonic?

1 A. We prefer the density. But, I mean, ideally,
2 you'd have both, and you can kind of do more
3 calculations from having both. But we like to at least
4 have the --

5 **Q. At least have the density?**

6 A. Yeah.

7 **Q. Density is preferred over the others?**

8 A. Yeah.

9 **Q. But is it true that the Wolfcamp is not as much**
10 **sandy as the Bone Spring, so your density on your Bone**
11 **Spring would be most definitive? And your Wolfcamp has**
12 **got some shales or carbonates in them?**

13 A. Yeah. It has carbonates and some shales, and
14 the shales is what kind of -- the neutron reacts more
15 strongly to the shales and the density. That's kind of
16 why we like the density, but having both is better.

17 **Q. Okay. And so everybody seems to like these**
18 **Upper Wolfcamp zones in Lea County. So if you go lower**
19 **in the Wolfcamp within Lea County, are there more**
20 **conventional reservoirs; is that correct?**

21 A. No, not necessarily. There's been successful
22 Wolfcamp B wells in the area. It's a slightly different
23 reservoir. You have a little bit more shale. And so I
24 don't know whether -- but you can still have success,
25 but it's not directly equivalent to the Wolfcamp A.

1 Q. Okay. It's more preferable to go to the higher
2 area?

3 A. Yeah.

4 Q. So is B real close to the Pennsylvanian?

5 A. Yes. Yes.

6 Q. You consider it just A and B and not X-Y and
7 then A and B?

8 A. Yeah. No.

9 Q. Some people say X-Y on top of the A.

10 A. Yeah. Yeah. The Upper A and the X-Y are kind
11 of interchangeable depending on what operator.

12 Q. Okay. And the Upper Penn, is it distinctive
13 from the Wolfcamp in this area?

14 A. For us, it is, with the Wolfcamp B, but I think
15 that Upper Penn is also kind of open to interpretation
16 for the Wolfcamp C as you get deep.

17 Q. Okay. So it's hard to --

18 A. Yeah.

19 Q. -- hard to tell.

20 A. As you get lower. As you get below the B, I
21 think B is pretty distinctive.

22 Q. Are you going to do any pilot logs -- pilot
23 wells in this area?

24 A. So we did on the -- on the Azalea offset wells.
25 We already drilled a pilot program.

1 **Q. So you're okay with not doing it on these four**
2 **wells?**

3 A. On these, because it's intermediate [sic].

4 **Q. Okay. Thank you very much.**

5 MR. RANKIN: Mr. Examiner, I have no
6 further witnesses.

7 And just to report that the drilling
8 schedule currently for Ameredev has these wells slated
9 for the second week of June. And so with a May 3rd
10 continuance, that ought to work, so long as we can get a
11 hearing order out within short order.

12 EXAMINER BROOKS: We should have it ready.

13 EXAMINER JONES: We've got a short-order
14 cook around here somewhere.

15 EXAMINER BROOKS: Unless some of these
16 unknown people show up.

17 MR. RANKIN: Yeah.

18 So with that, Mr. Examiner, I would also
19 say that there is a bit of a chance that given the way
20 things shift around, the drilling schedule shifts, it
21 may need to be moved up. So we would appreciate the
22 opportunity to advise the Examiner that we may have an
23 issue, but right now the drilling schedule will
24 accommodate a May 3rd continuance.

25 EXAMINER BROOKS: In that case I think we

1 can -- I think -- you know, you're going to have to send
2 out the notice, and you're going to have to put -- in
3 order to comply with the -- the angle of the thing that
4 concerns me is to make sure that your notice is valid.
5 Just make double sure your notice is valid, notice of
6 the date of the new hearing. But we can continue the
7 case for April 5th. We have time between April 5th and
8 May 3rd to get the new notice out. So what we can do is
9 continue -- if you'd like us to do that, we could
10 continue it to April the 5th, and on April the 5th, we
11 can continue it until May 3rd because you don't yet have
12 to have notice published. And we can take the issue up
13 again if you want to do that.

14 MR. RANKIN: I think, because we don't have
15 ten business days to get the notice published by April
16 5th, we would just continue to the 3rd of May so we can
17 make sure.

18 EXAMINER BROOKS: That will be easier for
19 us and probably for you.

20 MR. RANKIN: Yes, it will.

21 We request that Case 16022 be taken under
22 advisement and that 16023 be continued to the May 3rd
23 docket.

24 EXAMINER JONES: That'll probably be
25 Mr. McMillan's docket.

1 MR. RANKIN: Okay.

2 EXAMINER BROOKS: Wear your necktie.

3 EXAMINER JONES: Thank you very much,
4 everybody.

5 Case 16022 is taken under advisement. Case
6 16023 is continued to May the 3rd.

7 EXAMINER BROOKS: Take a break?

8 EXAMINER JONES: Quick break.

9 (Case Numbers 16022 and 16023 conclude,
10 10:38 a.m.)

11 (Recess, 10:38 a.m. to 10:55 a.m.)

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25 STATE OF NEW MEXICO

1 COUNTY OF BERNALILLO

2

3 CERTIFICATE OF COURT REPORTER

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

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

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

19 DATED THIS 10th day of April 2018.

20

21 MARY C. HANKINS, CCR, RPR
22 Certified Court Reporter
23 New Mexico CCR No. 20
24 Date of CCR Expiration: 12/31/2018
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