

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 CHISHOLM ENERGY
OPERATING, LLC FOR A NONSTANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO. CASE NO. 16027

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 5, 2018

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
PHILLIP GOETZE, TECHNICAL EXAMINER
LEONARD LOWE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, Phillip Goetze and Leonard Lowe, Technical Examiners, and David K. Brooks, Legal Examiner, on Thursday, April 5, 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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1 (2:19 p.m.)

2 EXAMINER JONES: Let's go back on the
3 record, and call Case 16027, application of Chisholm
4 Energy Operating, LLC for a nonstandard spacing unit and
5 proration unit and compulsory pooling, Eddy County, New
6 Mexico.

7 MR. FELDEWERT: May it please the Examiner,
8 Michael Feldewert, with the Santa Fe office of Holland &
9 Hart, appearing on behalf of the Applicant. And I have
10 two witnesses here today.

11 MS. BRADFUTE: Mr. Examiner, Jennifer
12 Bradfute, with the Modrall Sperling Law Firm, on behalf
13 of Cimarex Energy Co. I have no witnesses.

14 EXAMINER JONES: Will the witnesses please
15 stand and the court reporter swear the witnesses?

16 (Mr. Armour and Mr. Roth sworn.)

17 MR. FELDEWERT: Call our first witness?

18 EXAMINER JONES: Yes, sir.

19 SPENCER DAVIS ARMOUR,
20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. FELDEWERT:

24 Q. Would you please state your full name, identify
25 by whom you're employed and in what capacity?

1 A. My name is Spencer Davis Armour. I'm a senior
2 landman for Chisholm Energy.

3 **Q. How long have you been a landman involved with**
4 **the Permian Basin of New Mexico, Mr. Armour?**

5 A. I've been a landman in New Mexico for the past
6 seven years.

7 **Q. And are you familiar with the application filed**
8 **in this case?**

9 A. Yes.

10 **Q. And you have previously testified before this**
11 **Division as an expert in petroleum land matters?**

12 A. That's correct.

13 MR. FELDEWERT: Mr. Examiner, I would
14 retender Mr. Armour as an expert witness in petroleum
15 land matters.

16 EXAMINER JONES: Any objection?

17 MS. BRADFUTE: No objections.

18 EXAMINER JONES: He is so qualified.

19 **Q. (BY MR. FELDEWERT) Would you turn to what's**
20 **been marked as Chisholm Exhibit Number 1? Does this**
21 **contain the draft C-102 for the two wells that are**
22 **issued in this case?**

23 A. Yes.

24 **Q. Will you please explain what the company seeks**
25 **under this application?**

1 A. We are seeking to form, roughly, a 638.16-acre
2 Wolfcamp unit in the Purple Sage; Wolfcamp Gas Pool.

3 **Q. How many acres are involved?**

4 A. The west half of Section 3 and the west half of
5 Section 10, Township 24 South, Range 26 East.

6 **Q. And you seek to dedicate this nonstandard
7 spacing and proration unit to the three wells that are
8 identified in Exhibit Number 1?**

9 A. That's correct.

10 **Q. What type of acreage is involved here?**

11 A. This is federal acreage.

12 **Q. How many leases?**

13 A. Three federal leases.

14 **Q. And you mentioned that this is subject to the
15 Purple Sage; Wolfcamp Gas Pool?**

16 A. That's correct.

17 **Q. And that has special rules providing for
18 320-acre standard units and then 330-foot setbacks,
19 correct?**

20 A. That's correct.

21 **Q. Will the completed interval for each of these
22 wells comply with the setback requirements under these
23 special pool rules?**

24 A. Yes, sir.

25 **Q. What is the company's drilling plan for these**

1 **three wells?**

2 A. The plan is to drill all three of these wells
3 back-to-back and then to complete with the zipper frac
4 method at the same time.

5 **Q. Why does the company intend to drill them**
6 **back-to-back and complete them simultaneously?**

7 A. This is done both for an economic savings and
8 for completion efficiencies.

9 **Q. Under these drilling plans, will the company be**
10 **able to drill and complete a well in the nonstandard**
11 **spacing unit within the 120-day period normally provided**
12 **in the pooling orders?**

13 A. No, it will not.

14 **Q. What additional time will you need in order to**
15 **comply with the simultaneous drilling and completion**
16 **plan?**

17 A. We are requesting the Commission grant us a
18 90-day extension to the standard time.

19 **Q. So that would put the period of time to drill**
20 **and complete a well in this nonstandard unit of 210**
21 **days?**

22 A. That's correct.

23 **Q. If I turn to what's been marked as Exhibit**
24 **Number 2, does this identify not only the three federal**
25 **leases but the interests involved under these leases?**

1 A. That's correct.

2 Q. And if I look in the upper right-hand side,
3 does it provide an ownership breakdown of the working
4 interest for this proposed nonstandard spacing and
5 proration unit?

6 A. Yes.

7 Q. And have you identified on this exhibit the
8 working interests that remain to be pooled?

9 A. Yes. Those are those highlighted in yellow on
10 the page.

11 Q. If I then turn to the second page of this
12 exhibit, I see the same list of working interest owners,
13 but then down at the bottom, I see a group of overriding
14 royalty interest owners?

15 A. That's correct.

16 Q. Do you seek to pool those overriding royalty
17 interest owners as well?

18 A. Yes. All but Conley Resources. That one has
19 been struck.

20 Q. You've satisfied yourself that you got a
21 contractual arrangement that allows them to be pooled?

22 A. That's correct.

23 Q. If I turn to Exhibit Number 3, does this
24 provide samples of the well-proposal letters that were
25 sent out to the working interest owners for each of

1 **these three wells?**

2 A. Yes.

3 **Q. And not only did you provide a C-102 for each**
4 **of these letters, but did you also provide an AFE?**

5 A. Yes. An AFE was provided.

6 **Q. And are the costs reflected on this AFE**
7 **consistent with what the company and other operators**
8 **have incurred for drilling similar Wolfcamp horizontal**
9 **wells?**

10 A. Yes.

11 **Q. If I look at this letter about halfway down,**
12 **does it identify for the Examiner the overhead and the**
13 **administrative costs that the company seeks for drilling**
14 **and while producing?**

15 A. Yes.

16 **Q. What are these numbers?**

17 A. Those are 7,000 a month while drilling and 700
18 a month after production.

19 **Q. And are these rates consistent with what**
20 **Chisholm and other operators charge for similar Wolfcamp**
21 **wells?**

22 A. Yes.

23 **Q. Aside from sending these letters out in**
24 **January, what additional efforts has been undertaken by**
25 **the company to reach agreement with the working interest**

1 **owners?**

2 A. There were additional phone calls and emails
3 placed, as well as a mailout to the uncommitted parties
4 to offer compensation for a term assignment or
5 assignments.

6 **Q. And have you been in touch with all of them?**

7 A. Yes.

8 **Q. If I turn back to Exhibit Number 2, I note**
9 **there is an asterisk by a number of the parties that are**
10 **highlighted in yellow that you seek to pool. What does**
11 **that reflect?**

12 A. The asterisk denotes the companies that have
13 signed AFEs and election letters, but we have still not
14 received a signature for the JOA. So we're expecting
15 some, and negotiations are ongoing for JOAs.

16 **Q. Have you also been in discussions with Cimarex**
17 **Energy about reaching a voluntary agreement?**

18 A. Yes.

19 **Q. In preparation for this hearing, did the**
20 **company identify the operators and the leased mineral**
21 **interest owners in the 320-acre-unit tracts surrounding**
22 **the proposed nonstandard unit?**

23 A. Yes.

24 **Q. Did the company include these offset owners in**
25 **the notice of this hearing?**

1 A. Yes.

2 Q. And if I turn to what's been marked as Chisholm
3 Exhibit Number 4, is this an affidavit prepared by my
4 office with the attached letters providing notice of
5 this hearing for not only the working interest owners
6 but also the overriding royalty interest owners?

7 A. Yes, that's correct.

8 MR. FELDEWERT: Mr. Examiner, if I flip
9 through here, I noted that there was one overriding
10 royalty interest owner that we were not able to give
11 notice to.

12 EXAMINER GOETZE: Yes.

13 MR. FELDEWERT: And Mr. Goetze is going to
14 giggle here. But we need to continue the case to the
15 May 3rd docket to effectuate Notice of Publication for
16 this overriding royalty owner. And I will say for the
17 record that all these notices of publication went out on
18 time, and we instructed the newspaper to publish them on
19 time, but the newspaper didn't get them published on
20 time.

21 EXAMINER BROOKS: That happens
22 occasionally. It happens to the OCD.

23 MR. FELDEWERT: That happens.

24 With that, I'd move the admission for
25 Chisholm Exhibits 1 through 4 into the record.

1 EXAMINER JONES: Any objection?

2 MS. BRADFUTE: No objection.

3 EXAMINER JONES: Exhibits 1 through 4 are
4 admitted.

5 (Chisholm Energy Operating, LLC Exhibit
6 Numbers 1 through 4 are offered and
7 admitted into evidence.)

8 MR. FELDEWERT: That concludes my
9 examination of this witness.

10 CROSS-EXAMINATION

11 BY MS. BRADFUTE:

12 Q. Good afternoon.

13 A. Hello.

14 Q. How are you?

15 A. Doing well.

16 Q. You testified earlier that you've been in
17 negotiations with Cimarex Energy Company. Do those
18 negotiations include entering into an assignment for
19 part of Cimarex's interest and then a term assignment
20 for the remaining portion of Cimarex's interest?

21 A. That's correct. That's been discussed. We
22 don't have -- it's not a formalized agreement but an
23 agreement in principle.

24 Q. Okay. Great.

25 And are you aware of the fact that there

1 were previously two different JOAs that covered the west
2 half of Section 10?

3 A. No, I was not.

4 Q. Okay. So you were not aware of the September
5 1977 JOA, which covers the west half of Section 10 as to
6 the Bone Spring Formation to the base of the Morrow?

7 A. I have not seen that JOA.

8 Q. And you're also not aware of the 1996 joint
9 operating agreement, which, likewise, covers the Bone
10 Spring Formation down to the base of the Morrow
11 Formation?

12 A. I have not seen that JOA.

13 Q. Okay. Assuming that those agreements exist,
14 they would include the Wolfcamp Formation, which is the
15 formation that Chisholm is proposing to drill within,
16 correct?

17 A. That's correct.

18 Q. And if Chisholm does not enter into a term
19 assignment or an assignment for Cimarex's interest,
20 there is a possibility that there will be a different
21 contractual operator for the west half of Section 10 for
22 the formation at issue, correct?

23 MR. FELDEWERT: Object to the form of the
24 question. It depends whether there is a pooling issue.

25 Q. (BY MS. BRADFUTE) Let me clarify. There would

1 be a different operator appointed under the JOA
2 agreement than there would be under any pooling order
3 that the Division enters, correct?

4 A. I believe -- yes, that's correct.

5 Q. Okay. Cimarex and Chisholm are continuing to
6 work together to enter into written agreement forms,
7 right?

8 A. That's correct.

9 Q. And my one last question is -- actually, two
10 more questions. This all includes federal acreage; is
11 that correct?

12 A. That's correct.

13 Q. Have you circulated a proposed communitization
14 agreement amongst working interest owners?

15 A. I have not.

16 Q. Okay. So the working interest owners have not
17 yet been able to review the exhibits that will be
18 attached to the term agreement and confirm their
19 interest amounts?

20 A. Can you -- their interest -- specific to their
21 interest?

22 Q. Yeah. Because the exhibits to the
23 communitization agreement typically confirm each party's
24 interest.

25 A. Oh, the exhibits. Yes, that's correct. They

1 have not seen that.

2 Q. When do you believe that Chisholm will go ahead
3 and propose that?

4 A. We typically don't prepare those -- or I have
5 not prepared those in the past before spud. We begin
6 our draft before spud and circulate them to the parties
7 typically after spud.

8 Q. After spud. Okay.

9 And why is Chisholm requesting 210 days to
10 complete drilling operations within the proposed project
11 area for these wells?

12 A. Sure. That's because we intend to pad drill,
13 and the drilling itself is going to take three months.
14 These are Wolfcamp, so a little bit deeper than your
15 typical Bone Spring, and they're two miles long. And
16 that drilling -- and then we have to -- since we're
17 zipper-fracking, we're not going to frac one and bring
18 it on line. We're going to frac all three
19 simultaneously at every stage throughout the two miles.
20 So it just takes long -- a long time.

21 MS. BRADFUTE: Okay. That concludes my
22 questions.

23 EXAMINER JONES: Mr. Goetze?

24 EXAMINER GOETZE: I have no questions for
25 this witness. Thank you.

1 EXAMINER JONES: Mr. Lowe?

2 EXAMINER LOWE: One question.

3 CROSS-EXAMINATION

4 BY EXAMINER LOWE:

5 Q. Can you confirm what -- I tried to hear. 210
6 days, you said?

7 A. That's correct.

8 Q. What are those days comprised of, again?

9 A. From spud to flowback. And those days will
10 be -- since we're pad drilling, we can't possibly frac
11 one well until we have all of the drilling equipment
12 off. So that's going to take three months. It's a
13 timing issue to facilitate the operation.

14 Q. I heard 120 days, plus a 90-day extension?

15 A. That's right.

16 Q. That's 210?

17 A. 210 days.

18 Q. That's all I've got.

19 EXAMINER BROOKS: I also have a question
20 about the 210 days. When does it start to run? Is it
21 210 after the entry of the order or 210 days after the
22 normal 60 days, or does it start at spud of first well?
23 We need to know that for drafting purposes. Because we
24 have one deadline that runs from the order, and that's
25 one year to start a well. And then we have another

1 deadline that runs from spud, and that's 60 days to
2 complete. So --

3 MR. FELDEWERT: Well, it's normally 120
4 days to drill and complete.

5 EXAMINER BROOKS: 120.

6 MR. FELDEWERT: Yeah. So we're talking
7 about the second time frame.

8 EXAMINER BROOKS: I was thinking it was 60.

9 MR. FELDEWERT: No. It's usually -- so
10 it's the second time frame, from the spud to the
11 completion, where we need the modification of the
12 standard pooling order, but instead of 120 days, it's
13 210 days.

14 EXAMINER BROOKS: It's 210 days total from
15 spud of the first well to completion of all three?

16 MR. FELDEWERT: Yes, sir. Well, it would
17 be completion of a well.

18 EXAMINER BROOKS: Completion of the first
19 well.

20 MR. FELDEWERT: Yes, sir.

21 EXAMINER BROOKS: Yeah. Well, that's --
22 the completion of the first well is key, because what
23 our order says is that the order expires, so the unit
24 ceases to exist. And we wouldn't want that to happen if
25 you're still going to drill a well.

1 MR. FELDEWERT: Yes.

2 EXAMINER BROOKS: Okay. Thank you.

3 CROSS-EXAMINATION

4 BY EXAMINER BROOKS:

5 Q. Oh, I'm sorry. I did have another question. I
6 was a little confused about Ms. Bradfute's question
7 about the operating agreement. She said something about
8 there would be another operator -- operator that was
9 appointed in the Division order. I want to know. What
10 was that about?

11 A. I believe their distinction was that there
12 was -- they were -- Cimarex would be designated operator
13 under a portion of the unit that we're trying to form,
14 the west half of Section 10. We would -- I think the
15 thought process, I presume, is that when we're
16 designated operator of the Wolfcamp for the entirety of
17 the unit, being Section 3 and the west half of Section 3
18 and Section 10, that they will no longer be the operator
19 in the Wolfcamp as to Section 10.

20 Q. Okay. That would be my understanding, because
21 the part that is compulsory pooled, regardless of what
22 interests are compulsory pooled -- the unit being
23 compulsory pooled, that would trigger a statutory
24 authorization, I would think, for the Division to
25 appoint an operator. So that would be the operator who

1 would be entitled to operate the tract that is
2 compulsory pooled. And if you own the other tracts,
3 that's under an operating agreement, of course. It
4 wouldn't affect those. But I didn't understand how that
5 was going to work.

6 Did I correctly understand you that the
7 right of another party to operate is something that
8 exists on land outside the designated unit that you
9 request?

10 A. I believe this is within -- it would be a
11 portion of the unit there we're seeking to form.

12 MS. BRADFUTE: Mr. Brooks, if I could
13 interject.

14 EXAMINER BROOKS: Please.

15 MS. BRADFUTE: Obviously, there is a
16 contract, the JOA --

17 EXAMINER BROOKS: Yes.

18 MS. BRADFUTE: -- between parties and it's
19 an operations agreement where they have appointed an
20 operator contractually, which covers the west half of
21 Section 10, and that land is embraced within the project
22 area for Chisholm's proposed wells. This will not be an
23 issue once Cimarex executes a term assignment, an
24 assignment to Chisholm, if the parties complete that
25 agreement because then Chisholm will have those

1 interests. And Cimarex is currently the operator under
2 that JOA.

3 EXAMINER BROOKS: And they're not -- you're
4 not requesting that Cimarex's interest be pooled?

5 MR. FELDEWERT: We are requesting.

6 THE WITNESS: We are requesting Cimarex's
7 interest to be pooled. Yes.

8 EXAMINER BROOKS: There can't be two
9 operators. I don't see how --

10 MR. FELDEWERT: Agreed.

11 EXAMINER BROOKS: There can be operating
12 agreements between various parties within a spacing unit
13 that can be binding on the parties as to matters other
14 than operations, but there can't be two operators in the
15 same -- of the same well in the same spacing unit.

16 MS. BRADFUTE: So Cimarex's objection
17 originally in this matter is that the Division cannot
18 override a private agreement against parties entered
19 into voluntarily for the operations. And that --

20 EXAMINER BROOKS: I'm not sure --

21 MS. BRADFUTE: And that is a legal issue.

22 EXAMINER BROOKS: -- I agree with that.

23 And I'm not sure Mr. Feldewert does. But I need all the
24 evidence before I say any more about it. I'll let
25 Mr. Feldewert --

1 MR. FELDEWERT: I don't think there is an
2 issue. Let me step back.

3 Number one, there's been no evidence of
4 attachments to the JOA. I take Ms. Bradfute's word for
5 it, but there is no evidence of that.

6 Number two, it only covers the west half of
7 Section 10. Okay? It doesn't cover the acreage here.

8 Number three, you're quite correct. Unless
9 the Division issues a pooling order for the Wolfcamp
10 Formation, for the west half of 10 and the west half of
11 3, Chisholm would be the operator for that interval, for
12 that acreage.

13 EXAMINER BROOKS: Well, I would think that
14 would necessarily be true because for the reason I said.
15 You can't have more than one operator.

16 And second, I think we can override a
17 private agreement as who gets the right to operate
18 because the Oil and Gas Act specifically says so. But I
19 don't need to rule on anything if it's not before us.

20 MR. FELDEWERT: I don't think it is.

21 EXAMINER BROOKS: So you may continue.

22 CROSS-EXAMINATION

23 BY EXAMINER JONES:

24 Q. So the surface-hole location will be in Lot 3;
25 is that correct?

1 A. That's correct.

2 **Q. So it's way -- and that's because the BLM wants**
3 **all the wells spud right there?**

4 A. That's one of the things that Chisholm does for
5 efficiency, is we pad drill them. So they'll build one
6 pad instead of -- while some people might drill and have
7 three separate pads, we will have one, skid the rig
8 over, drill the next well, skid the rig over, drill the
9 next.

10 **Q. Have you already -- is it fixed? Is that**
11 **location for these wells fixed?**

12 A. It's prepared.

13 **Q. You don't think it'll -- okay. So the BLM let**
14 **you drill and clear the pad off?**

15 A. We reached an agreement for the surface use.
16 That's correct.

17 **Q. Okay. And that one little quarter-quarter,**
18 **Unit Letter N of Section 10 --**

19 A. Uh-huh.

20 **Q. -- how did that get to be a separate tract?**

21 A. You know, I'm not -- I'm really not quite sure.
22 I've looked into it. But it is part of a larger federal
23 lease that just kind of goes out into -- I believe a
24 portion of it is also in the east half. Chisholm does
25 not have ownership in the east half of Section 10, so

1 I'm not very familiar with those lands. But I do
2 believe the federal lease continues into the east half
3 of Section 10.

4 **Q. Just as an assignment from the -- from the**
5 **existing west-half lease. It was actually a separate**
6 **lease, total base lease, separate --**

7 A. That's correct.

8 **Q. Okay. I guess that's all we have.**

9 MR. FELDEWERT: Call our next witness?

10 EXAMINER JONES: Yes, sir.

11 GEORGE W. ROTH,

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

14 DIRECT EXAMINATION

15 BY MR. FELDEWERT:

16 **Q. Would you please state your name, identify by**
17 **whom you're employed and in what capacity?**

18 A. My name is George W. Roth. I'm a geologist --
19 a senior geologist with Chisholm Oil.

20 **Q. And, Mr. Roth, how long have you been involved**
21 **as a geologist in the Permian Basin in New Mexico?**

22 A. With Chisholm, a year. But prior to that, I
23 worked with several other companies over my career, so
24 more like 20 years in the Permian Basin.

25 **Q. And, Mr. Roth, you have previously testified**

1 before this Division as an expert in petroleum geology?

2 A. Yes, I have.

3 Q. And are you familiar with the application filed
4 in this case?

5 A. Yes, I am.

6 Q. And have you conducted a study of the geologic
7 formation underlying the lands that are the subject of
8 this hearing?

9 A. I have done that. Yes.

10 MR. FELDEWERT: I would retender
11 Mr. Roth as an expert witness in petroleum geology.

12 MS. BRADFUTE: No objection.

13 EXAMINER JONES: He is so qualified.

14 Q. (BY MR. FELDEWERT) Mr. Roth, what is the target
15 for these three proposed wells?

16 A. The Wolfcamp.

17 Q. And have you prepared a structure map and cross
18 section for this targeted formation?

19 A. Yes, I have.

20 Q. If I turn to what's been marked as Exhibit
21 Number 5, is this the structure map that you have
22 created?

23 A. Yes. That is the structure map that I made.

24 Q. Before you go into the structure, would you
25 please explain to us all the lines and whatnot you show

1 **on here?**

2 A. The heavy black lines are the actual physical
3 structure -- the subsurface structure of the Wolfcamp
4 Formation. The red line that you see with the blue box
5 to the right is the proposed unit that we're seeking.
6 The blue box on the left side of the map designates the
7 surface locations for the 2, 3 and 4H Black River units
8 that we propose to drill. And there are light blue
9 lines extending from that surface location, the proposed
10 lateral positions of those two wells.

11 There are several laterals to the north in
12 Section 34. Those are about mile-and-a-half laterals
13 drilled from the section up above there by Marathon.
14 The one with the green circle around it is actually
15 completed in the same formation that we're drilling for.
16 The large green numbers, 371, designate the EUR from
17 that well for that formation, 371,000 barrels of oil
18 from the Wolfcamp Formation, the proposed target for our
19 area down to the south.

20 **Q. Now, if I look at the intervals here, are they**
21 **25 foot?**

22 A. Yes. That's a structure map at a 25-foot
23 contour interval.

24 **Q. Okay. And what do you observe with respect to**
25 **the structure of this area?**

1 A. Generally, the structure strikes in a
2 northwest-southeast direction, and then it is dipping in
3 a northeast direction.

4 **Q. Do you observe any faults or pinch-outs or**
5 **other geologic impediments to the horizontal wells?**

6 A. I do not see anything like that. No.

7 **Q. Now, I see a designation, A to A prime, on**
8 **here?**

9 A. Yes. That dark blue line from A to A prime
10 represents the two wells, structural cross section that
11 I've made for this --

12 **Q. Why did you choose those three wells?**

13 A. I think those three wells in particular fall
14 along and very near the three paths for the laterals
15 that we're choosing to drill, and I think that they
16 define the reservoir very nicely through that area.

17 **Q. Did you have good logs?**

18 A. Yes.

19 **Q. If I then turn to what's been marked as**
20 **Chisholm Exhibit Number 6, is this the structural cross**
21 **section that corresponds with the A to A prime on**
22 **Exhibit 5?**

23 A. Yes, it is.

24 **Q. And have you identified on here the formations**
25 **that you depict?**

1 A. Yes, I have. Starting at the top of the
2 section, the 3rd Bone Spring Sandstone -- that's the top
3 of the 3rd Bone Spring Sandstone -- down the 3rd Bone
4 Spring Lower Sandstone. The heavy green line with the
5 large Wolfcamp, that's the structural formation that I
6 mapped on. Then the WC, that stands for Wolfcamp A.
7 That's the top of that interval. And then the WCA is
8 the top of the target interval. Then the WCA base is
9 the base of the target that we're proposing to drill our
10 laterals in. Then finally the top of the Wolfcamp B.

11 **Q. So the yellow band there that we see there,**
12 **that little yellow line saying "Target Interval," is it**
13 **is the red line or the yellow line that is the target**
14 **interval?**

15 A. The yellow area will be the area that we will
16 target for our laterals.

17 **Q. Okay. All right. What do you observe about**
18 **the continuity of that targeted zone as you go across**
19 **the proposed nonstandard unit?**

20 A. I think that the reservoir or the target is
21 very continuous across that area.

22 **Q. Is this an area, in your opinion, that can be**
23 **efficiently and economically developed by horizontal**
24 **wells?**

25 A. Yes, I believe it is.

1 Q. And in your opinion, will each of the 320-acre
2 units, on average, contribute more or less equally to
3 the production from the well?

4 A. Yes, I think they would.

5 Q. In your opinion, is the granting of this
6 application in the best interest of conservation, the
7 prevention of waste and the protection of correlative
8 rights?

9 A. I think it is, yes.

10 Q. Were Chisholm Exhibits 5 through 6 prepared by
11 you or compiled under your direction and supervision?

12 A. Yes, they were.

13 MR. FELDEWERT: Mr. Examiner, I'd move the
14 admission into evidence of Chisholm Exhibits 5 and 6.

15 MS. BRADFUTE: No objection.

16 EXAMINER JONES: Exhibits 5 and 6 are
17 admitted.

18 (Chisholm Energy Operating, Inc. Exhibit
19 Numbers 5 and 6 are offered and admitted
20 into evidence.)

21 MR. FELDEWERT: That concludes my
22 examination of this witness.

23 MS. BRADFUTE: I have no questions.

24 EXAMINER GOETZE: Mr. Goetze has no
25 questions. Thank you.

1 EXAMINER LOWE: I have no questions.

2 EXAMINER BROOKS: I have no questions.

3 Well, this is a different witness.

4 EXAMINER JONES: Yeah.

5 EXAMINER BROOKS: I have no questions of
6 the geologist. I don't understand geologists.

7 EXAMINER JONES: I don't either. That's
8 why I ask questions.

9 CROSS-EXAMINATION

10 BY EXAMINER JONES:

11 Q. You've got some kind of a little -- is that a
12 mound in the middle?

13 A. It's a structural nose on the top of the
14 Wolfcamp. Actually, there are Strawn reefs in this
15 area --

16 Q. Oh.

17 A. -- and they do carry that structure up to this
18 level. So it's structure, but there is no faulting or
19 anything.

20 Q. Kind of overlaying?

21 A. Exactly. Yes.

22 Q. That's all our questions. Thanks very much.
23 Appreciate it.

24 MR. FELDEWERT: Mr. Examiner, I'd ask this
25 matter be continued to the May 3rd docket so we can

1 effectuate notice of publication to the one overriding
2 royalty interest owner.

3 EXAMINER JONES: Case 16027 is continued to
4 May the 3rd.

5 (Case Number 16027 concludes, 2:45 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 22nd day of April 2018.

21

22

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