

OCD 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 DEVON ENERGY PRODUCTION CASE NO. 16163,
COMPANY, L.P. FOR A NONSTANDARD SPACING 16164
AND PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, September 6, 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.

REPORTED BY: Mary C. Hankins, CCR, RPR
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APPEARANCES

FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.:

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INDEX

PAGE

Case Numbers 16163 and 16164 Called	4
Devon Energy Production Company, L.P.'s Case-in-Chief:	
Witnesses:	
Joe Hammond:	
Direct Examination by Ms. Callahan	4, 7
Cross-Examination by Examiner Brooks	7
Cross-Examination by Examiner McMillan	22
Susan L. Estes:	
Direct Examination by Ms. Callahan	23
Proceedings Conclude	39
Certificate of Court Reporter	40

	EXHIBITS OFFERED AND ADMITTED	
		PAGE
1		
2		
3	Case Number 16163:	
4	Devon Energy Production Company, L.P. Exhibit	
	Numbers 1 through 6	22
5		
6	Devon Energy Production Company, L.P., Exhibit	
	Numbers 7 through 14	35
7		
8	Case Number 16164:	
9	Devon Energy Production Company, L.P. Exhibit	
	Numbers 1 through 6	22
10		
11	Devon Energy Production Company, L.P. Exhibit	
	Numbers 7 through 14	35
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 (4:45 p.m.)

2 EXAMINER McMILLAN: I'd like to call Case
3 Number 16163, which is combined with Case Number 16164,
4 application of Devon Energy Production Company, L.P. for
5 a nonstandard spacing and proration unit and compulsory
6 pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MS. CALLAHAN: Mr. Examiner, Candace
9 Callahan, of Beatty & Wozniak, appearing for Devon
10 Energy Production Company, L.P.

11 EXAMINER McMILLAN: Be advised you're still
12 under oath.

13 JOE HAMMOND,
14 after having been previously sworn under oath, was
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MS. CALLAHAN:

18 Q. Mr. Hammond, would you please restate your name
19 for the record?

20 A. Joe Hammond.

21 Q. And you work for?

22 A. Devon Energy as a landman.

23 Q. All right. And you were just qualified as an
24 expert in petroleum land matters, were you not --

25 A. Yes.

1 Q. -- in Cases 16346 and 16349?

2 A. Yes, I was.

3 Q. Does your area of responsibility include the
4 Permian Basin in New Mexico?

5 A. Yes, it does.

6 Q. And are you familiar with the applications that
7 have been filed by Devon in Cases 16163 and 16164?

8 A. Yes, I am.

9 Q. And are you familiar with the status of the
10 lands which are the subject of these cases?

11 A. Yes, I am.

12 MS. CALLAHAN: I would retender the witness
13 as an expert.

14 EXAMINER McMILLAN: So qualified.

15 Q. (BY MS. CALLAHAN) All right. So would you
16 please briefly state what Devon is seeking in 16163 and
17 16164?

18 A. Devon seeks the pooling of uncommitted mineral
19 interests in two spacing and proration units for
20 development of the Wolfcamp Formation. Case 16163
21 proposes a 632.38 spacing and proration unit and the
22 drilling of four Wolfcamp wells. That will encompass
23 the west half of Section 31 and the west half of Section
24 30, Township 23 South, Range 29 East.

25 And in Case 16164, we propose a 640-acre

1 spacing and proration unit and the drilling of another
2 four initial Wolfcamp wells that will encompass the east
3 half of Sections 30 and 31, Township 23 South, Range 29
4 East.

5 MS. CALLAHAN: Mr. Examiner, for ease of
6 reference, we'd like to refer to these as the west unit
7 and the east unit, if that's all right.

8 EXAMINER McMILLAN: Yes. That's a good
9 idea.

10 Q. (BY MS. CALLAHAN) Mr. Hammond, let's look at
11 Exhibit 1 in Case 16163.

12 A. Exhibit 1 are four C-102s. And I'll briefly
13 describe the target zones for each one. In the 621H,
14 the Spud Muffin 30-31 [sic] Fed Com 621H, the target
15 formation is the Wolfcamp X-Y. The 732H, the target
16 formation is the Wolfcamp 300. The 622H, the target
17 formation is the X-Y of the Wolfcamp. And the 734H, the
18 target formation is the Wolfcamp 300.

19 Q. And have these applications to drill been
20 approved?

21 A. The only one that has is the Stud Muffin Com
22 734H, has been approved as -- and the API Number is
23 30-015-44753.

24 The 732H has been submitted to the BLM and
25 has been accepted.

1 CROSS-EXAMINATION

2 BY EXAMINER BROOKS:

3 Q. Could you go back through what Wolfcamp zones
4 you're calling these?

5 A. There's -- the Wolfcamp X-Y, which is a
6 shallower formation -- or shallower depth within the
7 Wolfcamp.

8 Q. Is that the 621?

9 A. 621 and 622.

10 Q. Are both in the X-Y?

11 A. Yes. And that's how we tell them apart,
12 because it's the 600 series. And then the 700 series is
13 what we call the Wolfcamp 300.

14 Q. I've never heard that designation before, 300.
15 I've heard the X-Y.

16 MS. ESTES: If I may, the 300 is equivalent
17 to the Lower A.

18 EXAMINER BROOKS: Okay. Thank you.

19 CONTINUED DIRECT EXAMINATION

20 BY MS. CALLAHAN:

21 Q. And to accommodate this drilling plan, what are
22 you asking of the Division?

23 A. The pooling of all uncommitted mineral
24 interests in a -- in a 632.38-acre spacing and proration
25 unit comprised of the west half of Sections 30 and 31.

1 Q. And what pool is -- are these wells to be
2 drilled into?

3 A. Purple Sage; Wolfcamp Gas Pool.

4 Q. And that pool code is? Is that 98220?

5 EXAMINER McMILLAN: Yes.

6 THE WITNESS: Okay. Thank you.

7 Q. (BY MS. CALLAHAN) Are you familiar with the
8 rules for the Purple Sage; Wolfcamp Gas Pool?

9 A. Yes.

10 Q. And what do they provide as a spacing unit?

11 A. 320 acres.

12 Q. And what are the setbacks requirements?

13 A. 330 feet.

14 Q. And will the completed intervals for these
15 wells all comply with the setback requirements for these
16 special rules?

17 A. Yes.

18 Q. And the spacing unit for this case is also
19 considered a standard horizontal well spacing and
20 proration unit under the new rules, correct?

21 A. Yes, it is.

22 MS. CALLAHAN: Although these cases -- this
23 case -- both of these cases were filed prior to the
24 implementation of the new horizontal rules.

25 EXAMINER McMILLAN: So they're project

1 areas.

2 Q. (BY MS. CALLAHAN) What type of mineral
3 ownership is involved in this unit?

4 A. All lands in the west unit -- excuse me. All
5 lands except the southwest-southwest quarter of the west
6 unit are fee. The southwest-southwest quarter is a
7 40-acre -- well, roughly 40-acre federal tract.

8 Q. And these wells are to be drilled and completed
9 in batch format as well?

10 A. Yes.

11 Q. Let's look at Exhibit 2.

12 A. Exhibit 2 is a pooling list that lists the
13 working interest owners and lists some unleased mineral
14 owners within the pool unit of the Wolfcamp. Plus, it
15 lists overriding royalty interest owners within the pool
16 unit of the Wolfcamp.

17 Q. Is mineral ownership severed by depth within
18 this proposed unit?

19 A. It is not.

20 Q. Let's look at Exhibit 3.

21 A. Exhibit 3 is a map. The first page is an
22 ownership map reflecting the entire unit. And the
23 second page is -- is the -- more or less a tract
24 description of the owners within that unit.

25 Q. Okay. And it's been updated to reflect current

1 **ownership; is that right?**

2 A. Yes, it has.

3 Again, Devon has gone in. We bought some
4 interest from Kaiser-Francis. We bought some interest
5 from Tap Rock. We bought some interest from AllDale
6 Minerals. We're still working with Chevron on a trade.
7 We're still working with OXY on a trade. MRC is
8 probably going to participate. RKI is going to
9 participate. And so that's, in a nutshell, a rough
10 estimate of what's going on.

11 **Q. So are you seeking to pool all of these owners**
12 **listed on Exhibit 3?**

13 A. Yes.

14 **Q. What is Exhibit 4?**

15 A. Exhibit 4 is my initial proposal letters that
16 went out earlier this year, and then additional wells,
17 as we proposed them, went out at different times later
18 in the year. And so we originally proposed the 700
19 series wells, then we came back and proposed the 600
20 series wells. And so that's what all these letters
21 reflect, is the efforts to propose the wells to all the
22 owners.

23 **Q. So all these wells have been proposed timely to**
24 **all these owners; is that correct?**

25 A. Oh, yes. Yes.

1 **Q. All right. And Exhibit 4A, what does that**
2 **reflect?**

3 A. This is the AFEs that were sent with the
4 letters. The Wolfcamp 300 wells -- 700 wells originally
5 had an AFE of \$9,074,476. That was later revised to
6 \$10,024,476. And then the X-Y wells, which are the
7 later wells that we proposed, has an AFE cost of
8 \$9,723,995.

9 **Q. Are these costs in line with the costs of other**
10 **horizontal wells in this area drilled to this length and**
11 **depth?**

12 A. Yes.

13 **Q. What is Exhibit 5?**

14 A. Exhibit 5 is, again, documentation of a history
15 of the communications that we've had with all of the
16 owners in here, and so a lot of it is still ongoing.
17 And so it reflects documentation of contacts all
18 yearlong, basically.

19 **Q. In your opinion, has Devon made a good-faith**
20 **effort to obtain voluntary joinder of all these parties**
21 **in the units?**

22 A. Yes.

23 **Q. In addition to the working interest owners,**
24 **you've identified the parties to be pooled. Is Devon**
25 **pooling other interest owners?**

1 A. It's the overriding royalty interest owners
2 that are listed also.

3 **Q. And they were included in Exhibit 2, correct?**

4 A. Yes, they were.

5 **Q. And there were unleased mineral interest owners**
6 **within this unit?**

7 A. Yes, there were. There were -- there were --
8 yes. There are unleased mineral interest owners. Yes.

9 **Q. Okay. And you attempted to lease or purchase**
10 **these interests?**

11 A. Yes, we did. We -- again, I hired a broker to
12 research the records, and either they made contact with
13 the unleased owners or I made contact with -- with more
14 of the company owners. So yes, they have been
15 contacted. Everyone has.

16 **Q. Okay. Great.**

17 **Let's look at Exhibit 6. Is this an**
18 **affidavit by me attesting to the noticing of working**
19 **interests and overriding royalty interest owners in your**
20 **proposed spacing unit?**

21 A. Yes, it is.

22 **Q. What is Exhibit 6A1?**

23 A. That is your letter that's gone out to the pool
24 parties.

25 **Q. Okay. And this includes both the working**

1 interest and overriding royalty interest owners?

2 A. Yes.

3 Q. Okay. And they were sent a copy of the amended
4 application where we changed the well names in the 600
5 wells?

6 A. Yes. Yes.

7 Q. Okay. And have we identified the parties from
8 whom we did not receive return-receipt cards in
9 Exhibit A?

10 A. Yes.

11 Q. And are they bolded? The names and addresses
12 are bolded in this exhibit?

13 A. Yes, they are. Yes, they were.

14 Q. All right.

15 EXAMINER BROOKS: Which exhibit is this?

16 MS. CALLAHAN: This is the exhibit attached
17 to Exhibit 6A1 immediately -- kind of the first page of
18 Exhibit 6.

19 EXAMINER BROOKS: 6A1, I've got, but the
20 next thing is the amended application.

21 MS. CALLAHAN: Yeah. And if you skip
22 behind that, you'll see Exhibit A.

23 EXAMINER BROOKS: Okay. I've got it. And
24 the names in bold are people you did not get notice to?

25 MS. CALLAHAN: Well, we gave notice, but we

1 didn't get cards back from them.

2 EXAMINER BROOKS: Okay. You did not get
3 return receipts. Okay. Thank you.

4 MS. CALLAHAN: Yes.

5 Q. (BY MS. CALLAHAN) So these -- this case was
6 filed before the new horizontal rules went into effect?

7 A. Yes.

8 Q. So did we also send notice to offset owners?

9 A. Yes, we did.

10 Q. Okay. And that is reflected in Exhibit A2,
11 correct, that letter that was sent out to the --

12 A. Yes.

13 Q. You're going to have to wade through a bunch of
14 receipts to locate that.

15 And let's see. So since we didn't receive
16 all our return-receipt cards, we also published notice
17 as to everyone in the pooled party list; is that right?

18 A. Yes, we did.

19 Q. And that's reflected in Exhibit -- and it's in
20 the upper, left-hand corner, so it may be hard to
21 find -- 6B.

22 A. Yes.

23 MS. CALLAHAN: And we also didn't receive
24 cards from everyone who were offset operators, and those
25 are indicated by bolded names and addresses. But we did

1 not publish as to them in light of the new horizontal
2 rules.

3 **Q. (BY MS. CALLAHAN) And what efforts did you make**
4 **to locate current addresses for those that we didn't**
5 **receive return-receipt cards for?**

6 A. We hired a broker that researched the county
7 records and did Internet searches in efforts to find all
8 addresses.

9 **Q. Okay. Let's turn now to Exhibit 1 for Case**
10 **16164. Would you tell us about this exhibit, please?**

11 A. Exhibit 1 is four C-102s for four Wolfcamp
12 wells to be drilled on the east unit -- or east side of
13 Sections 30 and 31. And they are -- the acreage is all
14 fee over here. The names are the Stud Muffin 31-30
15 623H, 736H, 624H and 738H. Again, the 623 and 624 are
16 the Wolfcamp X-Ys, and the 736 and the 738 are the
17 Wolfcamp 300s.

18 **Q. And have these applications been approved?**

19 A. The 27 -- the 736H and the 738H, yes, those
20 have. The API for 736H is 30-015-44755. The 738H API
21 is 30-015-44757.

22 **Q. And are you asking the Division to pool all**
23 **uncommitted mineral interests in this spacing unit**
24 **comprised --**

25 A. Yes.

1 Q. -- of the east half of Sections 30 and 31?

2 A. Yes.

3 Q. And these wells are also to be drilled from the
4 Purple Sage; Wolfcamp Gas Pool?

5 A. That's correct.

6 Q. And that also complies with the 330-foot
7 setback?

8 A. Yes.

9 Q. And they're now considered standard horizontal
10 well spacing and proration units?

11 A. Yes.

12 Q. What type of mineral ownership is involved in
13 this unit?

14 A. It's all fee on this side.

15 Q. And it's also -- these wells are also to be
16 drilled in batch-type format?

17 A. That's correct.

18 Q. Let's look at Exhibit 2. Would you walk us
19 through this?

20 A. Exhibit 2 is a map, again reflecting the unit
21 ownership and tract ownership of the east side. Again,
22 Chevron owns 57 percent. OXY owns about 12. And Nortex
23 owns, I believe, 64. And so, again, we are still
24 working with Chevron. Still working with OXY on trades,
25 and Nortex will probably participate.

1 Q. Are you referring to Exhibit 3?

2 A. Yes.

3 Q. Okay. So just to clarify, this is an updated
4 reflection of the mineral interest ownership; is that
5 right?

6 A. Yes, it is. I'm not sure -- did you say
7 Exhibit 2?

8 Q. Exhibit 3.

9 A. Okay. Exhibit 3. Okay.

10 Q. That's what you're looking at when you're
11 speaking --

12 A. Yeah.

13 Q. Okay. So all the parties listed on this
14 Exhibit 3 are parties that you want to be pooled; is
15 that correct?

16 A. Yes, that's correct.

17 Q. Let's look at Exhibit 4.

18 A. Exhibit 4 is -- are my well-proposal letters
19 for the wells that have been proposed here. And so,
20 again, it covers 700 series wells, and it covers 600
21 series wells.

22 Q. And Exhibit 4A?

23 A. 4A is the AFE that was attached to the well
24 proposals, again reflecting \$9,074,476 AFE for the 700
25 well series, and that was later revised upwards to

1 \$10,024,476 for the 700 series wells.

2 And then the 600 series wells have an AFE
3 cost of \$9,723,995.

4 Q. Are those costs in line with the cost of other
5 horizontal wells in this area drilled to this length and
6 depth?

7 A. Yes, they are. Yes, it is.

8 Q. What is Exhibit 5?

9 A. Exhibit 5 just a quick summary of the
10 communication history between Devon and OXY and Chevron.

11 Q. In your opinion, has Devon made a good-faith
12 effort to obtain voluntary joinder of these parties in
13 the unit?

14 A. Yes.

15 Q. And you're also asking that the overriding
16 royalty interest owners be pooled?

17 A. Yes.

18 Q. And those parties are listed on Exhibit 2,
19 along with the working interest owners? Exhibit 2
20 is --

21 A. I'm not sure mine had an Exhibit 2 in it.

22 EXAMINER BROOKS: In my package, it's right
23 behind the -- between the -- right behind the C-102.

24 THE WITNESS: There it is. I've got it.

25 Thank you, sir.

1 Yes. This reflects the working interest
2 owners and the overriding royalty interest owners who
3 are being pooled.

4 **Q. (BY MS. CALLAHAN) Let's look at Exhibit 6,**
5 **please. Is this an affidavit of counsel regarding**
6 **notices sent by my office of this hearing?**

7 A. Yes, it is.

8 **Q. And attached to this, do we find a copy of the**
9 **letter sent to the parties to be pooled?**

10 A. Yes.

11 **Q. Is that Exhibit 6A1?**

12 A. That's correct.

13 **Q. And there is an Exhibit A attached to that,**
14 **correct? And that lists all the working interests and**
15 **overriding royalty owners in this unit?**

16 A. It does.

17 **Q. And does it correctly identify all of the**
18 **working interests and overriding royalty owners in the**
19 **proposed spacing unit?**

20 A. Yes, it does.

21 **Q. Updated, I guess, by Exhibit 3?**

22 A. Yeah, that's right.

23 **Q. It's been changed to working interests.**

24 Okay. So did we also send notice to offset
25 operators since this was filed originally before the new

1 horizontal rules?

2 A. Yes, we did.

3 Q. Okay. And that is also attached here, I
4 believe, as Exhibit A2?

5 A. 6A2.

6 Q. Yes.

7 And in this case, also, we identified
8 parties that did not -- we did not receive
9 return-receipt cards from in bold on the exhibit. I
10 believe it's called A, attached to both 6A1 and 6A2.
11 And did we also publish notice since not all parties
12 were locatable?

13 A. Yes, we did publish.

14 Q. Is that reflected in Exhibit 6B?

15 A. Yes, it is.

16 Q. All right. Now I'd like to address questions
17 which apply equally to both cases, 16163 and 16164. For
18 both the east and west spacing units, who should be
19 designated as operator?

20 A. Devon Energy Production Company, L.P.

21 Q. And in each case, what amount do you recommend
22 Devon be paid for supervision and administrative
23 expenses?

24 A. 8,000 a month drilling rate, 800 a month
25 producing rate.

1 Q. And are these amounts normally charged by Devon
2 and other operators in this area?

3 A. Yes.

4 Q. And do you request these rates be adjusted
5 periodically as provided under the COPAS accounting
6 procedure?

7 A. Yes.

8 Q. And in each case, does Devon request a maximum
9 cost plus 200 percent risk charge if any pooled working
10 interest owner doesn't pay its share of drilling,
11 completing and equipping the wells?

12 A. Yes.

13 Q. In your opinion, is granting the application in
14 Case Number 16163 and 16164 in the best interest of
15 conservation, the prevention of waste and protection of
16 correlative rights?

17 A. Yes.

18 Q. Were Exhibits 1 through 6 and its subparts
19 prepared by you under your supervision or compiled from
20 company business records?

21 A. Yes.

22 MS. CALLAHAN: We tender Exhibits 1 through
23 6 and its subparts into the record.

24 EXAMINER McMILLAN: Okay. And in Case
25 16164?

1 MS. CALLAHAN: And in 16164, we tender the
2 same, Exhibits 1 through 6 and its subparts.

3 EXAMINER McMILLAN: Okay. Exhibits 1
4 through 6 and its subparts in Case 16163 may be accepted
5 as part of the record, and Exhibits 1 through 6 and its
6 subparts in Case 16164 may be accepted as part of the
7 record.

8 (Devon Energy Production Company, L.P.,
9 in Case Number 16163, Exhibit Numbers 1
10 through 6 and its subparts, and in Case
11 Number 16164, Exhibits 1 through 6 and its
12 subparts are offered and admitted into
13 evidence.)

14 MS. CALLAHAN: That concludes my questions
15 for this witness.

16 CROSS-EXAMINATION

17 BY EXAMINER McMILLAN:

18 Q. No depth severances, correct?

19 A. No depth severances.

20 Q. In both of these cases, there are unlocatable
21 interests, right?

22 A. Yes. Well, on the -- on the -- on the east
23 side, yes, there were. And then I think there was --
24 excuse me. On the west side, there were.

25 MS. CALLAHAN: There were overriding

1 royalty interest owners that could not be located.

2 Q. (BY EXAMINER McMILLAN) Okay. So there are
3 unlocatable interests?

4 A. That's correct.

5 MS. CALLAHAN: Yeah.

6 Q. (BY EXAMINER McMILLAN) All the statuses,
7 they're all proposed?

8 A. Yes, they are.

9 EXAMINER McMILLAN: Okay. Go ahead.

10 EXAMINER BROOKS: I have no questions.

11 MS. CALLAHAN: Can I call my next witness?

12 EXAMINER McMILLAN: Yes. Please proceed.

13 MS. CALLAHAN: I call Susan Estes.

14 SUSAN L. ESTES,

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

17 DIRECT EXAMINATION

18 BY MS. CALLAHAN:

19 Q. Ms. Estes, for the record, in these new cases,
20 would you please state your name, identify by whom
21 you're employed and in what capacity?

22 A. Susan Estes, Devon Energy Corporation and as a
23 geologist.

24 Q. Okay. You were previously accepted as an
25 expert in geology matters; is that correct?

1 A. Yes, ma'am.

2 Q. Okay. And your area at Devon includes the
3 Permian Basin in New Mexico?

4 A. Yes.

5 Q. Are you familiar with the application that has
6 been filed by Devon in this case?

7 A. Yes.

8 Q. And you have conducted a geologic study of the
9 lands that are the subject of this hearing?

10 A. I have.

11 Q. All right.

12 MS. CALLAHAN: I retender the witness as an
13 expert in petroleum geology.

14 EXAMINER McMILLAN: So qualified.

15 Q. (BY MS. CALLAHAN) Ms. Estes, would you look
16 first to Exhibit Number 7 in Case 16163, the west half
17 of Sections 30 and 31.

18 A. Mr. Examiner, as in the last presentation, all
19 the maps, including this execution plan, are all in the
20 same format, so I'll try to run through them as quickly
21 as I can.

22 This is just the Wolfcamp execution plan.
23 The wells are color-coded by series, so your 600 or the
24 Wolfcamp X-Y series are your red lines and dots and
25 labels, so the 621, 22, 23 and 24 for both the west and

1 east half. And the 700 series for the Wolfcamp 300,
2 which is the Lower A equivalent, are denoted in green.

3 Going to Exhibit 8 on the next page, this
4 is top Wolfcamp Y Sand structure map. Again, you can
5 see it looks like most of the rest of -- it's pretty
6 benign out here, very similar, 50-foot contour interval.
7 The wells that are -- the producing wells are
8 color-coded just exactly the same, so the Wolfcamp X-Y
9 sands, the producing horizontal wells, are shown with
10 the bottom holes at the -- at the -- with the red dots.
11 Excuse me. And the Wolfcamp 300s are shown by the green
12 dots. And on this map, it's a little easier to see.
13 You can see there are some that are drilled north-south
14 and some that are drilled east-west.

15 If you go to the next map, this is a top
16 Wolfcamp 300 structure map, subsea.

17 **Q. This is Exhibit 9 we're looking at?**

18 A. I'm sorry. Yes, Exhibit 9. Again, the same
19 format. The wells are color-coded the same. The only
20 difference on this one is I have lines of section on
21 here that refer to the cross sections that follow.
22 Again, of course, the PSUs are denoted by your blue
23 outlines.

24 If you go to Exhibit 10, again this is just
25 the same cross section as before, just blown up a little

1 bit to show you the X-Y and the 300 target intervals
2 shaded in yellow. We're going to drill in the lower --
3 or in the middle of that Wolfcamp Y Sand. That's at
4 about 9,800 feet measured depth, give or take. And the
5 Wolfcamp 300, we will target it in the lower part of
6 that yellow interval, at about 10,8 [sic] to 850, for
7 the other part of that interval. And, again, you can
8 see that the log character, the thickness, everything is
9 fairly quite consistent across this area.

10 If you go to the next -- Exhibit 11, again
11 the same cross section. It's just a dip section. It
12 goes from west to east, again showing the consistency of
13 your formations across this area and your target
14 intervals.

15 If you go to Exhibit 12, this is a Wolfcamp
16 Y isopach map just on the overall interval. Contour
17 interval is 5 feet on this. And average -- the
18 thickness range from across -- the south -- from the
19 southwest to the northeast is about 80 feet down in the
20 southwest corner to about 55 in the northeast. The
21 development block that we're looking at averages 55 to
22 60 feet of sand. And, again, the color -- the producers
23 are all denoted in your -- X-Y producers -- excuse me --
24 are shown by the red dots.

25 Exhibit 13 on the next page, Wolfcamp 300

1 isopach map. The overall interval -- contour interval
2 is 20 -- 20 feet. Your overall range is about 140 feet
3 up in the northwest to around 320 down -- I'm sorry.
4 Yeah. 140 in the northwest to about 320. It gets
5 thicker as you go down to south-southwest. And it
6 probably averages around 240 feet in the development
7 block, looking at Sections 30 and 31.

8 **Q. So if we look at -- that's all you have for**
9 **Case 16163?**

10 A. Yes.

11 **Q. If we look at 16164, it looks like we have the**
12 **same exhibits.**

13 A. Yes.

14 **Q. Is there anything you'd like to point out to**
15 **the examiners about -- that might differentiate this**
16 **from what you've just gone through?**

17 A. The only -- no. Exhibits 7 through -- let me
18 make sure.

19 **Q. 13?**

20 A. -- through 13 are all the same. So you can
21 flip to that very last exhibit. That's the only thing
22 that's different. And the main reason I created this is
23 just to kind of address the potential interference
24 issues between the 3rd Bone Spring and the Wolfcamp X-Y.
25 I mean, it's public data, and you can look at it. And

1 you can see the degradation. If you don't develop both
2 at the same time, you're going to get degradation in one
3 or both.

4 **Q. Excuse me. I think we're talking about Exhibit**
5 **14; is that correct?**

6 A. Yes. I thought I said 14.

7 MS. CALLAHAN: I'd like to ask from this
8 point forward that the testimony that she's about to
9 give regarding both the Bone Spring and the Wolfcamp be
10 included in the prior cases, 16346 and 16349, because
11 the testimony will apply to all four cases.

12 EXAMINER McMILLAN: Okay.

13 **Q. (BY MS. CALLAHAN) Please proceed.**

14 A. I forgot where I was.

15 **Q. We're on Exhibit 14. I wanted to clarify.**

16 A. The purpose of this exhibit is to try and show
17 you at least what we're trying to do based on our
18 evaluation of the offset data. And anyway, if you look
19 at the diagram on the left, I've got a wireline log
20 that's got the 3rd Bone Spring, the Wolfcamp X-Y and the
21 100 divided. And I'm showing where they are.

22 And in red -- the three dots in red are --
23 are the -- are the 3rd Bone Spring. The four dots are
24 the four wells basically in the Wolfcamp X-Y -- are in
25 the X-Y. Excuse me.

1 And what this is -- I don't know if you're
2 familiar. We call it a gun-barrel diagram. You're
3 looking at kind of a cross section of how they're
4 vertically spaced. You're looking at it from the side.
5 So what we're trying to do is we do a stack-stagger. So
6 we're staggering them, for one thing. We're also trying
7 to get at least 250 feet vertically between the targets
8 so giving it as much room as we possibly can.

9 We've also -- on plane, we'll get 1,540
10 feet between the same -- the same formation or same
11 target on the X-Y. Whereas, in the 3rd Bone, we've got
12 it at at least 1,640. If you look over on the map view,
13 that shows what it looks like in a map view over here.
14 So you've got your four blue Wolfcamp X-Ys with your
15 three 3rd Bone sitting -- staggered up on top like it
16 shows here.

17 And basically what we're going to do is
18 just codevelop this. We know we have to. Otherwise,
19 we're going -- one's going to try and drain the other
20 more than likely. What we're going to do, too -- as Joe
21 alluded to earlier, this is kind of a pilot program for
22 us, this entire -- these entire two sections, not only
23 for 3rd Bone and X-Y but even for the 300. We're trying
24 to figure out optimal spacing. You know, any data that
25 we can get, any learnings, we're going to take what we

1 have here and apply it to some acreage that we actually
2 have to the east, which is our core acreage block. So
3 we're also -- so we're going to drill all these, batch
4 drill them, like Joe said. We're going to actually go
5 in and batch complete them at the same time, and then
6 we're going to be bringing a 3rd Bone-Wolfcamp on at
7 exactly the same time to let them do what they will do.

8 We are going to install downhole gauges and
9 monitors and take pressures, so we're going to be able
10 to try and see that interaction. We're going to obtain
11 PVT and DFIT analysis for data and try to analyze that
12 as best we can.

13 And -- oh, and the 3rd Bone -- the 300 --
14 the Wolfcamp 300 will probably be phased in slightly.
15 The drill is concluded, but it will be phased in a
16 little bit later more than likely because out here,
17 we'll probably have some takeaway issues. So we'll --
18 it'll be slightly behind, just not at the same time. So
19 we just have takeaway constraints. Everybody does out
20 here. So we're kind of in one of those "if we build it,
21 maybe they'll come.

22 (Laughter.)

23 A. You know, if we drill it, maybe they'll come.
24 That's our hope anyway (laughter). We've really
25 struggled out here to get that settled, but it's coming

1 together. So we feel pretty comfortable with it.

2 Anyway, this was just to kind of try and
3 mitigate. This is what we're trying to do because we
4 know it's a known issues. And, again, this is a
5 program -- we're not even done yet either. Once we just
6 do this -- we're trying to do sim ops, where we have the
7 mega pads. So if we come back later and we think, well,
8 maybe the 100 or maybe the 2nd Bone, for example, we can
9 come back later and also drill those because we set the
10 pads up that way. So I guess it's unlocking a lot of
11 locations, is what we're hoping from some of the data,
12 you know, that we'll kind of get out of this.

13 **Q. So if we total -- excuse me -- all of your**
14 **proposed Bone Spring wells and the Wolfcamp wells, how**
15 **many wells are we looking at that you're going to batch**
16 **drill and complete? Ten?**

17 A. Let's see. Right now we've got -- three,
18 seven, four. We'll probably have some infills, so we'll
19 probably have about 13 right now, and then there's the
20 upside to come back later depending on, you know, once
21 we find out -- once we take enough data, we'll figure
22 out and evaluate other intervals and maybe have other
23 target formations out here. But 13 at least,
24 potentially, to start with and maybe more.

25 **Q. But in terms of these applications, we've just**

1 asked for -- we just talked about ten wells --

2 A. Yes.

3 Q. -- right?

4 A. Right.

5 Q. So in terms of the compulsory pooling order,
6 are you going to ask for more time to drill and complete
7 these wells and have a longer term for the order?

8 A. Yes. I think a lot of -- because of the
9 takeaway constraints that I've talked about and just
10 timing issues, we're asking for 180 months just for the
11 order -- 180 days. That would be great. It's been a
12 long day.

13 (Laughter.)

14 EXAMINER BROOKS: We'll ask for 180 months
15 to get the order out.

16 (Laughter.)

17 THE WITNESS: Because by then you won't
18 care. None of us will care.

19 MR. HAMMOND: 240 days.

20 EXAMINER McMILLAN: You want what?

21 THE WITNESS: 18 months.

22 MS. CALLAHAN: 18 months to get it all done
23 and then 240 days for the drilling and completion.

24 THE WITNESS: I'm delusional. I apologize.
25 Yeah.

1 EXAMINER McMILLAN: You didn't hear my
2 standard speech. Fingering out exactly when 240 days is
3 is a nightmare for everybody.

4 MS. CALLAHAN: Is there a better number?

5 EXAMINER McMILLAN: Can you make it, say,
6 one year, but then if you have an engineer state that,
7 you know, all of the quarter sections or quarter-quarter
8 sections haven't been drilled are capable of producing?
9 Because figuring out exactly when 240 days is, we'll get
10 four or five different answers. If you say one year and
11 state that -- there is an order out there for Chevron
12 that I've copied numerous times --

13 THE WITNESS: Yeah.

14 EXAMINER McMILLAN: -- that just says that
15 we'll give you up to one year, but then you have to --
16 after the well is drilled -- drilled, you'll have to get
17 a signed affidavit from the engineer saying that each
18 quarter section or quarter-quarter section is capable of
19 producing.

20 MS. CALLAHAN: Okay. I guess I can ask her
21 that now, right?

22 THE WITNESS: I would -- I would -- I would
23 say that I would agree with that right now.

24 EXAMINER McMILLAN: Yeah. 240 is too
25 complicated for us state employees to figure out.

1 Q. (BY MS. CALLAHAN) But it's your opinion that
2 each quarter-quarter section is going to contribute more
3 or less equally to all of these?

4 A. Yes, it is.

5 EXAMINER McMILLAN: And you want the 18
6 months?

7 MS. CALLAHAN: To get it all done.

8 EXAMINER BROOKS: We don't usually give a
9 deadline date to get the entire batch completed.

10 MS. CALLAHAN: No, but you have to get an
11 extension of the order after 12 months to --

12 EXAMINER BROOKS: What we usually do is
13 have a deadline date to start the first well and a
14 deadline from the time you start the first well to
15 complete at least one well.

16 MS. CALLAHAN: Oh, okay.

17 THE WITNESS: Okay. Well, that's --

18 EXAMINER BROOKS: That's the way our orders
19 are normally written. And the reason being is that
20 compulsory pooling orders -- if you're not going to
21 drill a well in the unit, if you don't -- if you've not
22 got a completed well in the unit, you don't need a
23 compulsory pooling order.

24 MS. CALLAHAN: Okay. Thank you.

25 THE WITNESS: Okay.

1 MS. CALLAHAN: I think that concludes
2 our --

3 EXAMINER McMILLAN: Okay. And the
4 exhibits?

5 MS. CALLAHAN: Yes. I'd like to tender
6 Exhibits -- in 16163, Exhibits 7 through 13, and in
7 16164, Exhibits 7 through 13 as well, and then also
8 Exhibit 14.

9 EXAMINER McMILLAN: Okay. In Case 16163,
10 Exhibits 7 through 14, and in 16164, Exhibits 7 through
11 14 may now be accepted as part of the record.

12 (Devon Energy Production Company, L.P., in
13 Case Number 16163, Exhibit Numbers 7
14 through 14, and in Case Number 16164,
15 Exhibits 7 through 14 are offered and
16 admitted into evidence.)

17 MS. CALLAHAN: And Exhibit 14, I guess I
18 would tender those into all four cases, 16346, 16349,
19 16163 and 16164, since we're incorporating the
20 testimony.

21 EXAMINER McMILLAN: In Cases 16346 and
22 16349, Exhibit 14 may now be accepted as part of the
23 record or entered as part of the record.

24 MS. CALLAHAN: All right. Thank you.

25 EXAMINER McMILLAN: Thanks.

1 THE WITNESS: Thank you.

2 MS. CALLAHAN: And I ask that you take
3 these under advisement.

4 EXAMINER McMILLAN: Okay. What about -- is
5 the notice correct?

6 EXAMINER BROOKS: Well, they had the same
7 notice evidence you had in the previous case, or did I
8 miss something?

9 MS. CALLAHAN: No. We filed these before,
10 and we did include the overrides.

11 EXAMINER BROOKS: You also did the offset.
12 You included the overrides in all four cases.

13 MS. CALLAHAN: Yes. But the notices aren't
14 right in the first two Bone Spring cases, so we're
15 continuing this.

16 EXAMINER BROOKS: But the Wolfcamp, they
17 are?

18 MS. CALLAHAN: The Wolfcamp, they are. We
19 did publish as to the ones who were unlocatable.

20 EXAMINER BROOKS: Okay. And my
21 understanding was that it was basically the same
22 evidence, but you had this issue of notifying the
23 offsets, but you don't -- I'm not really concerned with
24 whether you notified the offsets since that's no longer
25 required, even though it was required at the time you

1 gave the notice. But it was never required by rule. It
2 was simply by a procedure. We had a policy we had
3 adopted.

4 MS. CALLAHAN: Yeah. And that's why we did
5 it initially.

6 EXAMINER BROOKS: That's why most people
7 did it. Okay. I'm okay with the notice.

8 MS. CALLAHAN: Okay.

9 EXAMINER BROOKS: If you have a specific
10 question, go ahead ask it.

11 EXAMINER McMILLAN: No, I don't. You
12 always do better notice questions than I ever do.

13 EXAMINER BROOKS: Well, there is a
14 confusion in the rules as to what you have to do when
15 you don't -- when you don't have evidence of delivery.
16 The rule doesn't make that clear.

17 Now, I believe, if I understood the
18 testimony of the land witness correctly in these
19 cases -- all of the cases -- and you can contradict me
20 if I'm wrong. But what you said was you hired someone
21 to contact these people. They found the whereabouts of
22 everybody and they actually got in touch with them, but
23 they didn't send another set of notices. They just put
24 that on the publication. Is a correct recitation?

25 MR. HAMMOND: On the west side, there were

1 four unlocatables.

2 EXAMINER BROOKS: Right.

3 MR. HAMMOND: And everybody else got notice
4 and was talked to either by myself or the broker.

5 EXAMINER BROOKS: And I believe you said,
6 did you not, they made Internet searches --

7 MR. HAMMOND: Yes.

8 EXAMINER BROOKS: -- and record searches of
9 the addresses of those four unlocatables.

10 MR. HAMMOND: Yes, I did.

11 EXAMINER BROOKS: I never did ask you who
12 the unlocatables were, but I looked at the exhibits, and
13 it's pretty obvious who they were.

14 MR. HAMMOND: Yeah.

15 EXAMINER BROOKS: Okay. I'm okay with the
16 notice.

17 MS. CALLAHAN: So we'd ask that you take
18 Cases 16163 and 16164 under advisement. Notice is
19 complete for those cases.

20 EXAMINER McMILLAN: Okay. Cases 16163
21 shall be taken under advisement. Case 16164 shall be
22 taken under advisement.

23 Thank you.

24 MS. CALLAHAN: Thank you.

25 EXAMINER McMILLAN: This hearing is

1 adjourned.

2 MS. CALLAHAN: Thank you very much for
3 staying late.

4 THE WITNESS: Yeah. We do appreciate that.
5 (Case Numbers 16163 and 16164 conclude,
6 5:33 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 28th day of September 2018.

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23 MARY C. HANKINS, CCR, RPR
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