

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:

CASE NO. 22599

APPLICATION OF ENDURING RESOURCES, LLC FOR (1) THE CREATION OF THE Greater Lybrook Unit, EFFECTIVE OCTOBER 1, 2021; (2) TO AMEND ORDER NO. R-14051 TO FREEZE THE EXISTING West Lybrook Unit, EFFECTIVE OCTOBER 1, 2021; (3) TO AMEND ORDER NO. R-14084 TO FREEZE THE EXISTING KIMBETO Wash Unit, EFFECTIVE OCTOBER 1, 2021; (4) TO EXPAND THE West Lybrook; Mancos Pool TO INCLUDE THE PROPOSED Greater Lybrook Unit AND KIMBETO Wash Unit AREAS; AND (5) TO CONTRACT THE BASIN MANCOS GAS POOL OUTSIDE THE PROPOSED Greater Lybrook Unit AND KIMBETO Wash Unit AREAS, SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
March 3, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, HEARING OFFICER WILLIAM BRANCARD and TECHNICAL EXAMINER DEAN McCLURE on Thursday, March 3, 2022, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

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1 HEARING EXAMINER BRANCARD: All right. And we
2 are now at what I hope is the final case of the day, Case
3 22599, Number 64 on your worksheet, Enduring Resources LLC.

4 MR. RANKIN: Good afternoon, Mr. Examiner. May
5 it please the Division, Adam Rankin with the Santa Fe office
6 of Holland & Hart appearing on behalf of the applicant in
7 this case, Enduring Resources LLC.

8 Today we have two witnesses who have prepared
9 affidavits and intend to present the case by affidavit, but
10 also we will have them available if there are any questions
11 by LOGOS lawyers or the examiners.

12 HEARING EXAMINER BRANCARD: Thank you. We have
13 entry of appearance LOGOS Resources, LOGOS Operating.

14 MR. HALL: Mr. Examiner, Scott Hall on behalf of
15 LOGOS Resources II LLC, and LOGOS Operating LLC. We do not
16 object to this case proceeding on affidavits.

17 HEARING EXAMINER BRANCARD: Thank you. Are there
18 any other interested parties for Case 22599?

19 (No audible response.)

20 HEARING EXAMINER BRANCARD: Hearing none, Mr.
21 Rankin, can you get us started here?

22 MR. RANKIN: Thank you very much, Mr. Examiner.
23 This is a case in which the applicant, Enduring, is making
24 several requests of the Division; first, the creation of a
25 proposed unit, the Greater Lybrook Unit to be effective as

1 of October 1, 2021; the second, to amend Order R 14051 to
2 freeze or time bound the existing West Lybrook Unit to the
3 wells that were drilled and producing as of October 1 --
4 prior to October 21, 2021; to amend the order Number R 14084
5 to do the same with respect to Kimbeto Wash Unit effective
6 with respect to wells drilled as of October 1, 2021; then to
7 expand the West Lybrook Mancos Pool to include the Greater
8 proposed Lybrook Unit and Kimbeto Wash Unit areas; and then
9 to contract the Basin Mancos gas pool outside of the
10 proposed Greater Lybrook Unit and Kimbeto -- I believe it's
11 pronounced Kim'-beto Wash Unit areas all in San Juan, New
12 Mexico.

13 There is a lot in there, but essentially what
14 they are asking to do is create an overlapping unit which
15 would be designated as the Greater Lybrook Unit which would
16 effectively cover the same acreage as the two existing units
17 that constitute all federal and Indian allotted acreage in
18 San Juan County being the Kimbeto Unit and West Lybrook
19 Unit.

20 The reason for doing so is that essentially it's
21 a matter of federal convenience addressing BLM and OMR
22 requirements as to how to deal with the difference in timing
23 between what wells would be applicable to what units, so BLM
24 has requested that Enduring create this overlapping unit.

25 Attached in the packet of exhibits that we have

1 provided are the -- the table of contents that identifies
2 each of the elements of the packet that we provided.

3 Exhibit A is a copy of the application with the
4 exhibits that were filed with the Division.

5 Exhibit B is a copy of the affidavit of Anita
6 Ashland. She is the senior landman with Enduring. Attached
7 to her affidavit is a copy of her resume. She has not
8 previously testified before the Division, but has been a
9 landman for a number of years in New Mexico and elsewhere
10 across the country. We ask that Miss Ashland be recognized
11 as an expert in petroleum land matters.

12 Exhibit B-2 is a copy of the unit location map
13 identifying the location of the existing units and the
14 proposed boundary of the Greater Lybrook Unit that would
15 overlap those units.

16 Exhibit B-3 is a plan of development that
17 identifies Enduring's proposed locations for its future
18 horizontal wells that will be dedicated to the Greater
19 Lybrook Unit area, as well as five wells that were drilled
20 from beginning in October of 2021 that will be dedicated to
21 the unit and will serve as the initial obligation wells for
22 the unit.

23 B-4 is a copy of the C-102s for each of those
24 initial obligation wells.

25 And B-5 is a copy of the BLM preliminary approval

1 of the designation letter that was issued by the BLM in
2 support of this proposed unit.

3 Exhibit C -- before I move on, I will just
4 explain that in Miss Ashland's affidavit she also goes on to
5 explain what exactly Enduring is requesting, and also
6 effectively why they are requesting the contraction of the
7 Basin Mancos Pool and the expansion of the West Lybrook
8 Pool, effectively, so that -- essentially so that in the new
9 unit there will only be one pool, and as they drill wells
10 across what would be the existing unit boundaries, these
11 wells will be designated in one gas -- one pool only.

12 She also reviews some of the efficiencies and
13 some of the benefits of the proposed unit, including the
14 ability to reduce surface impacts, elongate their laterals,
15 have fewer well pads, which all have associated benefits in
16 terms of reduced surface impacts and fewer wells resulting
17 in fewer emissions and so forth.

18 Enduring owns approximately 96.6 percent of the
19 working interest in the proposed unit and anticipates
20 getting the approval the remaining interest owners in the
21 unit as well.

22 Exhibit C is a copy of the affidavit of
23 Enduring's geologist, Raffaello -- I may get this wrong,
24 Mr. Sacerdoti can correct me, but I believe it's Sacerdoti.
25 He is a geologist with Enduring and has not previously

1 testified.

2 His affidavit and his Exhibit C-1 review his
3 background and education in petroleum geology. He is a
4 graduate of Colorado College in 2003, and also the Colorado
5 School of Mines in 2008, and has worked as a geologist for
6 Encanna Oil in Denver and then now with Enduring. We ask
7 that he be accepted by the Division and recognized as an
8 expert in petroleum geology.

9 His affidavit goes on to identify the unitized
10 interval, which is defined in his -- by type log which is an
11 exhibit in the unit agreement, which is also an exhibit in
12 the exhibit packet. It essentially was comprised of Mancos
13 Shale.

14 Exhibit C-1 is his resume.

15 Exhibit C-2 is a copy of the type log that
16 identifies the unitized interval as well as the initial
17 proposed target intervals for the development in the unit.

18 Exhibit C-3 is a copy of a structure map that --
19 for the -- on the top of the Mancos formation. It also has
20 contour intervals of 50 feet. It identifies the outlines of
21 the existing units and in purple or magenta would be the
22 proposed unit boundary for the Greater Lybrook Unit.

23 Also included in red are the lines of cross
24 section which from A to A prime north to south, and then B
25 to B prime west to east. Also identified on the map are the

1 locations of the -- of the type log for the unitized
2 interval Nageezi Federal Number 1.

3 The next map is a copy of a structure map on the
4 base of the unit interval, again, the contour intervals at
5 50 feet and also identifies the same lines of cross section.

6 Subsequent Exhibit C-5 is a copy of the cross
7 section from A to A prime showing the top and bottom of the
8 unitized interval as well as the target interval shaded in
9 green the Mancos Gallup.

10 C-6 is a copy of a cross section from B to B
11 prime from west to east showing the top of the unitized
12 interval and base of the unitized interval confirming that
13 the target intervals here in the Mancos Gallup shaded in
14 green are consistent and appear throughout the unitized
15 area.

16 Exhibit D is a copy of the affidavit that was
17 prepared by me and my office reflecting required notice to
18 every single one of the working interest owners, overrides
19 and Indian allottees as well as the BLM, that the Indian
20 allottees were identified to Enduring by FMO, the Federal
21 Management Office.

22 So we provided notice to all of those parties who
23 would be impacted by the creation of the Greater Lybrook
24 Unit and proposed amendments to the West Lybrook Unit and
25 Kimbeto Wash Unit. And the list is long, and you will see

1 it goes on for quite some time, and we also published notice
2 in the newspaper of general circulation in the county,
3 Farmington Daily Times.

4 And you will see, if you get out your magnifying
5 glass, you might actually be able to read some of those
6 words. It came to my attention on Tuesday these were hardly
7 legible, so if requested, Mr. Examiner, we will gladly ask
8 the newspaper to try to provide us a better copy so that we
9 can actually see who was included in the notification. I
10 can't read it.

11 So with that, Mr. Examiner, one other thing I
12 will say, however, before I ask that the exhibits be
13 accepted into the record is that Enduring is under a bit of
14 a -- has a drilling schedule and under a bit of a time
15 crunch.

16 They intend to spud additional wells, and I can
17 point out which those are. If you go to Exhibit B-3, which
18 is the plan of development map, and if it's easy for you to
19 navigate on your own, that's great, if you would like me to
20 share my screen, I can point it out for you as well, I'm
21 happy to do that.

22 But on B-3 you will see the area of interest here
23 is shaded in yellow outlined in a thin magenta line. And
24 you will see on that map there are some well pads that are
25 brownish-gray in color, and they are numbered going from

1 west to east 772, 730, 726 and 720. 720 is the well pad that
2 contains the five wells that have been drilled as of October
3 2021 and constitute the obligation wells under the unit
4 agreement.

5 Going to the west, there is another set of --
6 another pad, the wells that had just recently been drilled
7 that will also be dedicated to the new proposed unit. And
8 then on Pad 730 there are wells, and you will see that they
9 actually propose to extend across the existing Kimbeto Wash
10 Unit boundary, and these wells would be dedicated to the new
11 proposed Greater Lybrook Unit.

12 These wells are planned to be spud later this
13 month, I believe in the middle of this month in March, so I
14 just want to point out to the Division that while we have
15 the approval of the BLM for this unit agreement to proceed,
16 and Enduring is working with the working interest owners to
17 obtain the necessary ratifications and to obtain the
18 necessary amendments to the APDs that would be -- that are
19 necessary to drill these wells off of their 730 pad, I want
20 to let the Division know of the time issues related to
21 Enduring's plans, and if there is any issues about the
22 Division's approval either of this unit or of the amendments
23 to the other unit, fortunately amendments of the APD that
24 will necessarily be -- that are necessary, that we will do
25 what we can to work with the Division either to draft

1 proposed orders or to do whatever else we can do this help
2 facilitate any necessary approvals so we can hopefully meet
3 the time lines that is -- that Enduring is trying to achieve
4 here.

5 With that, Mr. Examiner, I will move the
6 admission of Exhibits A through E with their attachments.
7 And as I mentioned, both of our witnesses are available for
8 questions should the Division have any or should Mr. Hall
9 have any questions as well.

10 HEARING EXAMINER BRANCARD: Thank you. I will
11 start with Mr. Hall.

12 MR. HALL: No objection to the tender, and I
13 would like some clarification on one point because it's not
14 expressed in the face of the application, but when you say
15 Enduring intends to freeze the existing units and existing
16 wells, I infer from that to mean that ownership as of
17 October 1, 2021 and before will remain unaffected.

18 MR. RANKIN: Mr. Hall, I may defer that question
19 to Miss Ashland, but I will say that the intent is that the
20 ownership percentages will remain the same and will be
21 unaffected by the overlap of the -- of the Greater Lybrook
22 Unit. So unless there is a conveyance or some other change
23 in ownership by assignment or record title, you know, that
24 would be in the normal course, this application would not
25 affect in any way the ownership percentages in the existing

1 units.

2 MR. HALL: Okay, thanks for that. And that's all
3 I have, Mr. Brancard.

4 HEARING EXAMINER BRANCARD: Thank you. Mr.
5 McClure?

6 TECHNICAL EXAMINER McCLURE: Mr. Rankin, you
7 mentioned that the BLM requested that Enduring set this unit
8 up; is that correct?

9 MR. RANKIN: Well, they requested that the
10 BLM -- they requested that Enduring set this unit up in
11 this way. Enduring initially conceded to this project as
12 being an amendment to the existing West Lybrook Unit whereby
13 Enduring would expand the unit boundaries of the West
14 Lybrook to encompass the boundaries of the Kimbeto Wash Unit
15 and simply extinguish the Kimbeto Wash Unit and effectively
16 be a first expansion of the West Lybrook Unit.

17 Upon meeting with the BLM about those plans and
18 proposals, BLM informed Enduring that that would not work
19 well, if at all, for OMR in the way they manage their
20 assignments for royalty purposes. So the way that the BLM
21 requested Enduring to proceed was as we have done, which is
22 to simply time bound the existing units to the existing
23 wells and then overlay a new unit on top.

24 TECHNICAL EXAMINER McCLURE: I'm with you now
25 here. Thank you. I was just a little confused but with

1 your expanded explanation, that makes far more sense to me,
2 I guess.

3 A question I had, it looks like now on your, I
4 guess your Exhibit B-3, it's like Page 62 of 130 in this
5 packet, this exhibit packet here. You only have the four
6 locations numbered, but you have an additional five that's
7 highlighted in brown, are those future projects or are those
8 just showing an existing battery site.

9 MR. RANKIN: Mr. Examiner, I believe they are
10 future plans, but I will, I will defer to Miss Ashland to
11 answer that question. Maybe, Mr. Examiner, if -- since they
12 haven't been sworn, it may be appropriate to swear them in
13 at this time.

14 TECHNICAL EXAMINER McCLURE: Mr. Brancard? Are
15 you there, Mr. Brancard?

16 (No audible response.)

17 MR. RANKIN: He may be dealing with his
18 bandwidth.

19 (Audio-video connection disrupted.)

20 TECHNICAL EXAMINER McCLURE: Maybe in the
21 meantime I can move on, maybe the future questions you might
22 know the answers to, Mr. Rankin.

23 A question I had, do you know if the BLM had
24 consideration, I guess, or do you know if there is any
25 current plans for future EUR projects in these units and how

1 production and allocation of that would be handled with the
2 overlapping units like this?

3 MR. RANKIN: I don't know. I don't know the
4 answer to that question at this time, Examiner McClure, I
5 don't know, and I would have to defer again to Miss Ashland
6 whether that's a consideration at all or and whether BLM has
7 asked or had any discussions around that.

8 TECHNICAL EXAMINER McCLURE: Okay. See if I
9 have -- and I wanted to ask about the formation.
10 Mr. Brancard, you don't happen to be available currently,
11 are you?

12 HEARING EXAMINER BRANCARD: I think I am.

13 TECHNICAL EXAMINER McCLURE: Oh, yeah, you are.
14 Okay, good.

15 HEARING EXAMINER BRANCARD: Do you need me to
16 swear in the witnesses, or did you get that done?

17 TECHNICAL EXAMINER McCLURE: We were waiting on
18 you, sir.

19 HEARING EXAMINER BRANCARD: Raise your right
20 hands.

21 (Oath administered collectively to witnesses.)

22 HEARING EXAMINER BRANCARD: Go for it.

23 TECHNICAL EXAMINER McCLURE: If we could back up
24 to my first question about the location pads. Those are
25 future projects; is that correct?

1 MS. ASHLAND: That is correct. We are in the
2 process of working on APDs for the future locations and, and
3 the position of the pads is going to be dependent on getting
4 approval from the BLM for the Greater Lybrook Unit.

5 If we were forced to develop the units separately
6 and shorter laterals, we would need more pads in different
7 locations.

8 TECHNICAL EXAMINER McCLURE: Yes, ma'am. So if
9 I'm looking at it, it looks like most of your future
10 projects is orientated in the -- more towards the Kimbeto
11 Wash Unit in the western half of the West Lybrook Unit. But
12 you guys' original intent was to expand the West Lybrook
13 Unit rather than the Kimbeto Wash Unit then; is that
14 correct?

15 MS. ASHLAND: That is correct. The five wells
16 that were drilled in Kimbeto Wash were drilled by WPX back
17 in 2015, and Enduring has concentrated all of its surface
18 facilities in the West Lybrook where we have 35 wells of
19 them drilled by Enduring since it acquired the property in
20 2018.

21 So we have a very elaborate water recycling
22 facility and press lines and scale facilities, and it would
23 be most efficient for us to develop the Kimbeto Wash Unit by
24 utilizing all the same facilities that are already in place
25 on the surface.

1 TECHNICAL EXAMINER McCLURE: Makes, makes perfect
2 sense. I guess, essentially it looks like all the future
3 wells are being drilled on the western half and then
4 reunitizing the entire area, but not sharing the production
5 from the existing wells in the eastern half, I guess, with
6 anything on the western half, if that makes sense, and for
7 freezing the current unit.

8 So having said that, I guess there isn't really a
9 question that I have there because its obviously something
10 that the BLM has already reviewed is just the thought
11 process was interesting to me, I guess.

12 But on to my other question in regards to -- do
13 you know if the BLM had considered -- or does Enduring have
14 any plans to potentially in the future have any secondary
15 recovery projects that could affect production from the
16 existing wells that are being frozen in the current unit
17 rather than being carried over to the new overlapping unit,
18 I guess?

19 MS. ASHLAND: I'm going to defer to Raffaell on
20 that one.

21 MR. SACERDOTI: At this time Enduring does not
22 have any secondary recovery plans for any of our wells. I
23 would say that that technology hasn't really been applied to
24 horizontal wells in the industry to date. We are going to
25 produce these wells along their typical --

1 TECHNICAL EXAMINER McCLURE: I gotcha, and yeah,
2 just looking into technologies now might be the thought
3 process, so I'm with you. So having said that, I guess if
4 that were to occur, that's something that the BLM is going
5 to have to revisit the unit and maybe the thought process,
6 but I guess we will cross that bridge when we get there.

7 Now we are wanting to base the expanding pool on
8 essentially its current -- its current type log, I guess.
9 Does that match the stratigraphic type log for the existing
10 pool that's being contracted? Does my question make sense,
11 I guess? I'm wondering if we are looking at the apples-
12 to-apples comparison in the stratigraphic column. Does that
13 question make sense to you?

14 MR. RANKIN: Mr. Examiner, may I just interject
15 to make sure the question is clear. You are asking about
16 the OCD's designation of the pools, what the top and bottom
17 are of those pools for Basin Mancos and for the West Lybrook
18 Pool?

19 TECHNICAL EXAMINER McCLURE: Correct, yes. And
20 the question is to contract -- I'm not seeing it, it's not
21 in front of me, but to contract one of the pools which is
22 based off a well within that pool and expand the Greater
23 Lybrook Pool or the West Lybrook Pool, Mancos Pool to take
24 over that area. And I just wanted to confirm that
25 stratigraphically we are still looking at essentially the

1 top of the Mancos down to -- actually, I don't know if you
2 have the top identified that the column is going down to.

3 It doesn't look like it goes down to the
4 Greenhorn. It looks like it's down below the Gallup Shale
5 or down -- base of WLU interval. My question is, is the
6 pool that's being contracted, is the new pool going to have
7 the same vertical bounds as that one?

8 MR. RANKIN: Mr. Examiner, I don't know. I may
9 just say that our understanding is that the creation of the
10 pools and the designation of their extent is really an
11 administrative matter for the Division. But I will ask, you
12 know, I understand you are asking whether any of our
13 witnesses know the answer to that question, and I don't know
14 if they do or not, but I will defer to them and see if they
15 do.

16 But my from my understanding, how the pools are
17 defined and what they encompass in terms of the extent
18 vertically is really an administrative matter for the
19 Division, the Division geologist to confirm. But I will,
20 you know, I understand that's, I think, in answer to your
21 question, and I believe either Miss Ashland or Mr. Sacerdoti
22 may or may not know the answer.

23 MS. ASHLAND: I will defer to the Raffaell.

24 MR. SACERDOTI: I focus on the cross section work
25 on showing the unitized interval in the type logs, and for

1 me to give you a hundred percent answer on how the pools are
2 affected, I would need to spend some time looking at the
3 definition of those pools in relation to the unitized
4 interval.

5 TECHNICAL EXAMINER McCLURE: As far as the well
6 is currently existing in the pool that's being contracted,
7 would it be your understanding that it would fall within the
8 new vertical limits?

9 MR. SACERDOTI: I believe that the prospective --
10 the prospective oil and gas intervals are within the limits,
11 but in terms of the definition of the base of the pool, I'm
12 not sure that it is apples to apples.

13 TECHNICAL EXAMINER McCLURE: I touched base with
14 our district geologist, and the base should have been, to
15 her recollection, should have went to the base of the
16 Greenhorn which does not seem like that's the case. Having
17 said that, the exploratory unit agreement that was approved
18 by the BLM specifically specifies a top and bottom to the
19 unit agreement.

20 So I guess it's more ideal for the pool to be in
21 agreement with that exploratory unit. It could potentially
22 be something we could touch base with the BLM on if we need
23 to to amend it if it becomes necessary later, but
24 regardless, I think you kind of answered my question to the
25 best of what you guys are aware of, I guess.

1 MR. RANKIN: Mr. Examiner, may I interject to
2 make sure -- I think I understood your question, and I want
3 to make sure that it is answered. Is it okay if I try to
4 rephrase and maybe Mr. Sacerdoti can provide a -- because I
5 think you are asking -- if we go back to Exhibit B-3, which
6 is the (inaudible) map. Are you asking whether when the
7 Kimbeto Wash from the Basin Mancos Pool is contracted out
8 the Kimbeto Wash Unit, whether the existing wells will fall
9 within the proposed expansion of the West Lybrook Pool?

10 TECHNICAL EXAMINER McCLURE: That was definitely
11 one of my questions. The other question was in trying to
12 determine whether the original well that was selected for
13 the Kimbeto Wash Unit Pool used the same tops in the
14 stratigraphic column to make its selection. So your first
15 was one of my questions, correct, yes.

16 MR. SACERDOTI: So the existing wells in Kimbeto
17 have been drilled in an interval that will be part of the
18 Greater Lybrook Unitized Interval. And then as far as the
19 unitized interval of the Kimbeto Wash, you are correct in
20 that the base of that unitized interval was, I believe, the
21 Greenhorn -- the base of the Greenhorn Shale.

22 And in the new -- in West Lybrook it was a
23 slightly -- not as deep of a base to the unitized interval.
24 The West Lybrook Unitized Interval goes down to the base of
25 West Lybrook interval top in the exhibit, and that depth was

1 due to certain leases in the West Lybrook Unit that only
2 went to that depth.

3 So the new unit, the unitized interval of the
4 Grater Lybrook Unit is matching the West Lybrook Unit
5 unitized interval, not the Kimbeto Unitized interval. So
6 there was a type log for Kimbeto, a type log for West
7 Lybrook, and we are using the top and the top and base
8 unitized interval from West Lybrook for the new proposed
9 unit.

10 TECHNICAL EXAMINER McCLURE: Thank you. That's
11 exactly what I'm asking. So essentially the reason that the
12 base of the unitized area in the West Lybrook unit is above
13 the Greenhorn is because you have a depth severance of one
14 of the leases that concluded then; is that correct?

15 MS. ASHLAND: That is correct.

16 TECHNICAL EXAMINER McCLURE: Okay. Having said
17 that, all your proposed wells going forward is going to fall
18 within that unitized even though it doesn't extend to the
19 base of the Greenhorn; is that correct?

20 MR. SACERDOTI: Yes, that's correct. It
21 identifies the Mancos Silt and the Gallup intervals on the
22 cross sections, and our producing intervals from all wells
23 in this area going back to the beginning of exploration in
24 the Gallup.

25 So the vertical wells from the '60s and '70s

1 targeted these two intervals, and all the horizontal wells
2 that have been drilled to date have targeted these
3 intervals. And we have done a lot of subsurface analysis to
4 understand this is the extent of the prospective targets in
5 this area, and we believe that to be the case.

6 TECHNICAL EXAMINER McCLURE: Okay, very good.
7 That kind of answers -- that answered my question, I think
8 I'm on the same page of understanding where we were at at
9 least.

10 MS. ASHLAND: Mr. McClure, I would like to
11 address your earlier comment about the location of the pads
12 being the western portion of the West Lybrook Unit, I just
13 wanted to leave open the concept that we may be drilling
14 infill wells off of the other existing pads in the eastern
15 portion of the unit, and those wells, because they would be
16 drilled after October 1 would also be part of the Greater
17 Lybrook, et cetera, et cetera. So we have not ruled out
18 going back in and drilling additional, additional infill
19 wells, they are just not shown on this plan of development
20 because we are in the process of evaluating that.

21 TECHNICAL EXAMINER McCLURE: That there does kind
22 of answer or address some of my earlier question, I just
23 wasn't sure, because I know what we have on this map is on
24 the western half. I didn't know, I guess, if there was
25 additional thought processes extending towards the east,

1 although --

2 MS. ASHLAND: Would you like to address that,
3 Raffaell? You have been looking at that.

4 MR. SACERDOTI: Yeah. That is a -- so on the map
5 there is horizontal wells in green that are color coded to
6 indicate those wells targeting the Gallup interval. And
7 then the brown colored wells are the Mancos Silt wells. And
8 we are in the process of evaluating and starting the APD
9 submittals for Mancos Silt infill wells between the Gallup
10 wells in the eastern -- northeastern portion of the West
11 Lybrook Unit. And we do have intention to fully develop the
12 remainder of the east side of the unit with Mancos Silt as
13 well.

14 TECHNICAL EXAMINER McCLURE: Very good. That
15 completely addresses my earlier question for sure. I'm not
16 sure I have any additional questions here. Since you will
17 be looking at is -- once we look at reestablishing full
18 boundaries, Enduring will obviously have to go back through
19 and submit sundries for each and every one of these wells,
20 including the ones in the existing pools to -- I guess it
21 looks like the only ones you will be changing is your --
22 there is only like five in the Kimbeto Wash Unit; is that
23 correct?

24 MS. ASHLAND: That's correct.

25 TECHNICAL EXAMINER McCLURE: I guess those would

1 probably be the only ones by looking at changing the current
2 pool because then they would become a part of the new
3 expanded pool essentially. I think that's all my questions.
4 Thank you for your time.

5 HEARING EXAMINER BRANCARD: Thank you. I'm going
6 to risk putting on my video here. Mr. Rankin, were you
7 saying that you were going to change the pool boundaries
8 administratively?

9 MR. RANKIN: I'm sorry if I misspoke. My intent
10 was to say that the pool boundaries is an administrative
11 matter for the Division to determine internally, I believe.
12 And that was my intent was just to say that I think -- but I
13 think I may have also said that for ease of administration a
14 single pool boundary is the preferred circumstance here so
15 that there won't be two different pools within the unit.

16 HEARING EXAMINER BRANCARD: Okay, that's fine.
17 And we have some time -- the West Lybrook is all tied
18 together in one order, both the unit and the pool.

19 MR. RANKIN: Correct.

20 HEARING EXAMINER BRANCARD: So if we are going to
21 go in and change that order, we can change both the unit and
22 pool at the same time. Seems to make sense.

23 MR. RANKIN: Well, I guess, to be perfectly
24 clear, that West Lybrook Unit will stay the way it is, only
25 the pool will change -- I'm sorry, let me refine my

1 statement. The West Lybrook Unit, the boundaries will stay
2 as it is. It will be time bound going forward, in other
3 words, no further wells will be attributed to it starting on
4 October 1. And then the only thing that will change is the
5 expansion of the West Lybrook Pool.

6 HEARING EXAMINER BRANCARD: Okay. And you know,
7 what your witness was referring to before, the difference
8 between the unitized interval and the pool interval, that's
9 all set out in that order. In fact, Ms. Ashland's affidavit
10 quotes directly from that order, the difference between the
11 pool interval and unit interval is what Mr. McClure was
12 asking about.

13 All right. So I noticed, I think on Page 20 of
14 your exhibits, the big map, it looks like down in the bottom
15 there, there is some unleased federal minerals?

16 MS. ASHLAND: That is correct. Those will
17 continue to be handled as they have been with the royalty
18 being paid.

19 HEARING EXAMINER BRANCARD: Okay. So you are
20 going to drill through them even though they are unleased?
21 Look at your map on Page 62 from your pad on 730, you have
22 intervals that appear to go right through those unleased
23 minerals.

24 MS. ASHLAND: I believe we are going to have to
25 observe setbacks on these tracts.

1 HEARING EXAMINER BRANCARD: Your intervals are
2 going right in there into the unleased tract, so --
3 according to that picture on Page 62. Which sort of brings
4 me to kind of a broader question, which is, when I looked at
5 the BLM website, what I observed is that much of the BLM
6 land, particularly in the sort of southern and western
7 portion of your unit, is covered by the ten mile Chaco
8 moratorium area, which has been put in effect and is now
9 being debated about whether it should be longer term.

10 How is that impacting what Enduring is doing
11 here, if at all?

12 MS. ASHLAND: Well, my understanding is that it's
13 going to impact our ability to acquire those federal leases
14 in the future, but it won't affect our ongoing operations.

15 HEARING EXAMINER BRANCARD: Okay. So the
16 moratorium will not affect future drilling on currently
17 leased acreage. Is that your understanding?

18 MS. ASHLAND: That's my understanding.

19 HEARING EXAMINER BRANCARD: Okay. Doesn't sound
20 like a way to win friends out there, but whatever.

21 MS. ASHLAND: We have many friends amongst the
22 allottees.

23 HEARING EXAMINER BRANCARD: Well, that's true and
24 the allottees are pushing for a five-mile barrier as opposed
25 to a ten-mile radius, which I think the five mile you would

1 be kind of (inaudible) entirely. Okay.

2 I just want to make -- get a good sense, Mr.
3 Rankin, of what all we need to do to modify to make this
4 work. We really have two orders here that need to be
5 amended creating these units and one also creating a pool.
6 I'm not sure where the Basin Mancos Pool is found and what
7 we have to amend there, if anything.

8 So if you have any clarification on that, that
9 would be helpful. You know, try to make these things clear
10 so that when somebody comes into the record years from now
11 and goes searching through orders they can find how things
12 changed, it's all cleaner.

13 So to the extent that we can amend all the
14 current orders and get that in our system so that people can
15 follow it, that's helpful.

16 MR. RANKIN: I think I thought through it, Mr.
17 Examiner, and I believe -- here is my thought on it. Number
18 one, the Kimbeto Unit order should be amended to, number
19 one, indicate that it is time bound and limited to wells
20 that were drilled prior to October 2021, and that it is
21 subject to the -- the Basin Mancos Pool has been contracted
22 and the West Lybrook Pool has been expanded into its area.
23 And I think that's all that probably needs to be done on the
24 Kimbeto Unit order.

25 HEARING EXAMINER BRANCARD: That's 14084?

1 MR. RANKIN: Yes. On the West Lybrook Unit
2 order, which is 14051, I believe that order should reflect
3 that the unit agreement is time bound to wells existing as
4 of prior to October 2021. I don't believe that that order
5 needs any further amendment or change.

6 HEARING EXAMINER BRANCARD: That order is the one
7 that creates the West Lybrook Pool.

8 MR. RANKIN: Correct. I guess, Mr. Examiner, if,
9 if the Division thought it efficient, that we could include
10 language in that order expanding the pool to include the
11 Kimbeto Unit area.

12 (No audible response.)

13 (Audio-video connection disrupted.)

14 REPORTER: I think we lost him again.

15 TECHNICAL EXAMINER McCLURE: Alternatively,
16 though, you are imagining a third order being drafted
17 recognizing the new unit; correct? And your thought process
18 would be to expand the pool using that order. Is that your
19 thought process?

20 MR. RANKIN: I wasn't sure how the Division
21 wanted to handle the pool expansion issue because it's
22 really an internal issue for the Division, but I do see
23 Mr. Brancard's point that since the pool is created in the
24 West Lybrook order, that it would, you know, there would be
25 some logic to expanding and amending. So I think that does

1 make sense.

2 So on the one hand, one order would be to time
3 bound the Kimbeto Wash Unit and note it is subject -- as of
4 the effectiveness of this order, subject to the West Lybrook
5 Pool. And then the West Lybrook Unit order would be amended
6 to indicate that it is time bound to all wells prior to
7 October 2021, and that the West Lybrook Pool is being
8 expanded to the geographic boundaries of the Kimbeto Wash
9 Unit. And a third order would be recognizing or creating
10 the Greater Lybrook Unit and designating it as being subject
11 to the expanded West Lybrook Pool.

12 TECHNICAL EXAMINER McCLURE: Are you with us
13 again, Mr. Brancard?

14 HEARING EXAMINER BRANCARD: I hope so.

15 TECHNICAL EXAMINER McCLURE: Oh, yeah, you are.
16 We hear you. Did you hear Mr. Rankin's response?

17 HEARING EXAMINER BRANCARD: I heard parts of it.
18 It sounded like three orders.

19 MR. RANKIN: I think that's right, Mr. Brancard.
20 I think the first one as I mentioned would be to time bound
21 Kimbeto Wash Unit order and reflect that it is, Basin Mancos
22 Pool has been expanded out subject to the West Lybrook Pool.
23 The second order would be to time bound the West Lybrook
24 Unit to wells drilled prior to October 2021. And to, as you
25 suggested, which I think makes a lot of administrative

1 sense, note that the West Lybrook Pool is being amended to
2 expand to the geographic boundaries of the Kimbeto Wash
3 Unit.

4 And then a third order would be simply
5 acknowledging or creating the West Lybrook -- or rather the
6 Greater Lybrook Unit and indicating that it is designated --
7 production is designated to the West Lybrook Unit --
8 expanded West Lybrook Unit Pool.

9 HEARING EXAMINER BRANCARD: Okay. If we can --
10 we will try on our end, obviously, to come up with order
11 numbers so that each of the orders can sort of reference the
12 other orders so that people know where to look.

13 And so with these pools, Mr. McClure already
14 covered this, if we expand a pool, does that mean all the
15 existing wells that were in another pool now become part of
16 that pool?

17 MR. RANKIN: That's correct, Mr. Examiner. We
18 understand from the Division and the district's geologist,
19 that Enduring would then be required to, to submit sundries
20 effectively indicating that the wells in the Kimbeto Unit
21 will be then transferred to the new pool, to the West
22 Lybrook Pool.

23 HEARING EXAMINER BRANCARD: Okay. Mr. McClure,
24 do you need something more from Mr. Rankin in writing about
25 this or sort of a post hearing --

1 TECHNICAL EXAMINER McCLURE: I don't think we do,
2 actually, Mr. Brancard. I think we should be, I think we
3 should be good.

4 HEARING EXAMINER BRANCARD: Okay.

5 TECHNICAL EXAMINER McCLURE: I have talked to the
6 district geologist about the pool bounds, but I'm not really
7 seeing a ton of what we are looking at here, so I think we
8 should be good.

9 HEARING EXAMINER BRANCARD: Are you drafting the
10 order?

11 TECHNICAL EXAMINER McCLURE: We have a base of an
12 order to amend from.

13 HEARING EXAMINER BRANCARD: We did have a
14 disconnect with our hearings where the people in the
15 hearings aren't the ones drafting the order.

16 TECHNICAL EXAMINER McCLURE: For some things for
17 sure, I don't know what the -- whatever -- however you would
18 like us to proceed, Mr. Brancard, just let us know.

19 HEARING EXAMINER BRANCARD: I'm not in charge of
20 signing orders or drafting, so if somebody else does it, you
21 have to be able to explain it to them.

22 MR. RANKIN: Mr. Examiner, Mr. McClure, I would
23 offer our assistance to do any drafting, proposed drafting
24 if that would be helpful to facilitate this. The last point
25 before we go, and I appreciate your input and questions, is

1 just to make sure that, that Enduring is in a position that
2 it can proceed with its plans to drill.

3 I believe, as I understand it, we will be able to
4 get the amended APDs from the BLM, but I want to make sure
5 that they will be -- that there is no -- that they have
6 whatever approval they need from the Division. And given
7 the time frame here, they are looking to spud these wells
8 sometime in the middle of this month.

9 TECHNICAL EXAMINER McCLURE: Mr. Rankin, am I
10 understanding correctly? For some reason I thought these
11 APDs were already approved. Is that your understanding as
12 well?

13 MR. RANKIN: Yes, I think maybe Miss Ashland can
14 answer more specifically, but I believe they were approved
15 for the shorter laterals, so they need to extend the APDs to
16 reflect the longer laterals to cross.

17 TECHNICAL EXAMINER McCLURE: I didn't realize
18 there was going to be a change. Has that been submitted
19 then, or were you waiting for this hearing?

20 MS. ASHLAND: We were waiting for this hearing
21 before we submitted sundries extending them across the
22 boundaries between the existing units.

23 TECHNICAL EXAMINER McCLURE: So you have approved
24 APDs, but they stopped short at the edge of the unit and you
25 need to submit a change of plans --

1 MS. ASHLAND: Correct.

2 TECHNICAL EXAMINER McCLURE: -- to extend across?

3 MS. ASHLAND: Correct.

4 TECHNICAL EXAMINER McCLURE: And those have not
5 been submitted yet because you are waiting for this?

6 MS. ASHLAND: Correct, and we will obviously have
7 to change the well names as well.

8 TECHNICAL EXAMINER McCLURE: See, for some reason
9 I -- I had thought that the plan was -- yeah, okay. Yeah,
10 that we were to submit a change of plans, change the name,
11 and I hadn't realized -- I knew about changing the name. I
12 didn't realize there was extensions or laterals involved.

13 MR. RANKIN: Mr. Examiner, these are -- these are
14 100 percent federal acreage and federal APDs. So our
15 understanding is as long as the BLM approves, that they
16 would be able to proceed and it would just be a matter of
17 coordinating the findings with the OCD.

18 So I want to make sure that as long as that is in
19 place and we have the appropriate BLM approvals, that
20 everything would be okay on the OCD side.

21 TECHNICAL EXAMINER McCLURE: To my understanding,
22 I think federal wells get a greater latitude, but having
23 said that I believe that operators have to have concurrent
24 approval from both the Division and the BLM. Although
25 having said that, I have to talk to -- whether there is any

1 concerns here, I would have to talk to our technical staff
2 that approve the APDs.

3 I don't personally foresee a problem being to get
4 a change of plans, but I don't personally review those, so
5 it's hard for me to say something on the spot, I guess.

6 HEARING EXAMINER BRANCARD: Okay. Are we done
7 with questions?

8 TECHNICAL EXAMINER McCLURE: I didn't have any
9 other questions. Maybe other than trying to respond to some
10 of their questions.

11 MR. RANKIN: I appreciate that, Mr. Brancard, we
12 have no further questions. And I think these issues about
13 how to handle the BLM approvals and change of plans can be
14 addressed outside the scope of this hearing, but I wanted to
15 bring it to the Division's attention. I appreciate their
16 feedback, and we'll do what we can to coordinate with them.

17 HEARING EXAMINER BRANCARD: Anything further,
18 Mr. Hall.

19 MR. HALL: Nothing more. Thank you.

20 HEARING EXAMINER BRANCARD: So you need to wrap
21 up, Mr. Rankin?

22 MR. RANKIN: Mr. Examiner, at this time we would
23 ask that the case be taken under advisement, and if there is
24 any issues that come up or questions that arise, we would be
25 happy to address them. And if there is anything we can do

1 to help facilitate in terms of drafting orders, we are happy
2 to do that as well. And we'll await any questions or
3 requests for assistance as they come our way.

4 HEARING EXAMINER BRANCARD: Thank you. I will
5 ask once again, are there any other interested persons with
6 comments on Case 22599, Enduring Resources?

7 (No audible response.)

8 HEARING EXAMINER BRANCARD: Hearing none, the
9 exhibits in Case 22599 will be accepted into the record and
10 Case 22599 will be taken under advisement. Thank you.

11 MR. RANKIN: Thank you, Mr. Brancard, thank you
12 McClure. Appreciate it. You all have a great day.

13 TECHNICAL EXAMINER McCLURE: Thank you. We are
14 wrapping up the hearing, right, Mr. Brancard?

15 (No audible response.)

16 (Audio-video connection disrupted.)

17 MS. SALVIDREZ: We are done, Dean. Have a good
18 day.

19 TECHNICAL EXAMINER McCLURE: You too.

20 (Exhibits admitted.)

21 (Taken under advisement.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the Virtual Proceeding was of poor to good quality.

Dated this 3rd day of March 2022.

/s/ Irene Delgado

Irene Delgado, NMCCR 253
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