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IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

**ORIGINAL**

APPLICATION OF COG OPERATING, LLC  
FOR APPROVAL OF A NONSTANDARD  
SPACING AND PRORATION UNIT AND  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 14880

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Chief Examiner  
DAVID K. BROOKS, Technical Examiner

2012 AUG -3 A 8:00  
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July 26, 2012

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, WILLIAM V. JONES,  
Chief Examiner, and DAVID K. BROOKS, Technical Examiner,  
on Thursday, July 26, 2012, at the New Mexico Energy,  
Minerals and Natural Resources Department, 1220 South  
St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT COG OPERATING, LLC:

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1 (8:21 a.m.)

2 EXAMINER JONES: Okay. Let's start on the  
3 first case this morning, Case 14880, the application of  
4 COG Operating, LLC for a nonstandard spacing and  
5 proration unit and compulsory pooling, Eddy County,  
6 New Mexico.

7 Call for appearances.

8 MR. RANKIN: Thank you. Adam Rankin,  
9 Holland & Hart, on behalf of COG Operating, LLC.

10 EXAMINER JONES: Any other appearances?  
11 Would the witnesses please stand?

12 (Witnesses comply.)

13 EXAMINER JONES: State your names.

14 MS. WINTER: Lisa Winter.

15 DR. McCARTHY: Andrew McCarthy.

16 EXAMINER JONES: Will the court reporter  
17 please swear the witnesses?

18 (Witnesses sworn.)

19 MR. RANKIN: Mr. Examiner, I'd like to call  
20 my first witness, Ms. Lisa Winter.

21 EXAMINER JONES: I think we have -- I  
22 should mention it on the record. We have an appearance  
23 or at least -- from a Larry A. Jones, but he hasn't  
24 appeared this morning.

25 MR. RANKIN: Yeah. We'll discuss Mr. Jones

1 as we go through the testimony this morning.

2 LISA WINTER,

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

5 DIRECT EXAMINATION

6 BY MR. RANKIN:

7 Q. Ms. Winter, how are you this morning?

8 A. Good.

9 Q. Can you please state your name for the record?

10 A. Lisa Winter.

11 Q. And by whom are you employed and in what  
12 capacity?

13 A. Concho Resources as a landman.

14 Q. And where do you reside?

15 A. Midland, Texas.

16 Q. Have you previously testified before the  
17 Division?

18 A. No, sir.

19 Q. Can you please review for the Examiners your  
20 background in petroleum land matters and your education?

21 A. Sure. I graduated from Texas Tech University  
22 in 2008, where I obtained my Bachelor of Arts in Spanish  
23 and public relations. I have been in the land business  
24 for four years. I started as a field landman for two  
25 years in the Barnett Shale in Fort Worth; and then I

1 moved to Concho, and I've been there for the past two  
2 years.

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

5 A. Yes, sir.

6 Q. Are you also familiar with the status of the  
7 lands?

8 A. Yes, sir.

9 Q. Thank you very much, Ms. Winter.

10 MR. RANKIN: Mr. Examiner, I tender  
11 Ms. Winter as an expert in petroleum land matters.

12 EXAMINER JONES: So qualified.

13 Q. (BY MR. RANKIN) Please state for the Examiners  
14 what COG is seeking in this case.

15 A. COG seeks to create a nonstandard 160-acre  
16 spacing and proration unit in the south half of the  
17 north half of Section 28, Township 23 South, Range 28  
18 East in Eddy County, New Mexico, and we also seek to  
19 pull all mineral interests in the Bone Spring Formation  
20 underlying the said unit and also to designate COG as an  
21 operator.

22 Q. Thank you very much.

23 And is there a designated pool in this  
24 particular --

25 A. Yes, sir. It's the Calligra [phonetic] Bluff

1 Bone Spring South Pool.

2 Q. Can you please explain for the Examiners, as  
3 this is a little bit of a different situation. The  
4 well's already been drilled; is that correct?

5 A. Yes, sir.

6 Q. Can you briefly explain the circumstances that  
7 resulted in the well already being drilled?

8 A. Sure. We acquired this acreage from the OGX  
9 Acquisition, and shortly after we acquired it, it was  
10 very high on our rig schedule. Therefore, we assumed  
11 that OGX had all the loose ends tied up and all the  
12 interests were committed. However, after we commenced  
13 drilling, we realized that not all of the interest had  
14 been committed, so we focused our efforts on going out  
15 and finding those parties and committing all the  
16 interests.

17 Q. So to date, the well's been drilled, but it  
18 hasn't been produced?

19 A. Right. We did not produce it. We only drilled  
20 it.

21 Q. So turning to what's been marked as Exhibit  
22 Number 1, can you just review for the Examiners what  
23 this shows?

24 A. Sure.

25 Q. It's a little fuzzy, but --

1           A.    This is a just a general overview of the area  
2 where the proration unit lies, and that red outline is  
3 our Loving Falcon 28 #1H, the proration unit.  And as  
4 you can see, it is in the south half of the north half  
5 of Section 28, 23 south -- I'm sorry -- 23 south, 28  
6 east.

7           Q.    And flipping to the next exhibit on the  
8 following page, this is a closer view of the proposed  
9 project area; is that correct?

10          A.    Yes, sir.  This is an aerial overview outlining  
11 each of the tracts that make up the proration unit.

12          Q.    And there are eight tracts there; is that  
13 right?

14          A.    Yes, sir.  I'm sorry.  There are eight tracts,  
15 four larger ones, with three smaller ones in the  
16 northwest quarter, and then the railroad running through  
17 one and two.

18          Q.    Turning to the next page, this is a breakdown  
19 by owner and by tract, is that correct, of what we  
20 just --

21          A.    Yes, sir.

22          Q.    -- of the aerial display?

23                   And what is the status of the lands here in  
24 this project area?

25          A.    They are all fee.

1 Q. Have you been able to locate everybody, all the  
2 interests, in this area?

3 A. We have located all of the interest owners,  
4 yes, sir.

5 Q. And, in fact, have all the interest owners but  
6 one committed to the well?

7 A. Yes, sir, only one, and that's Mr. Larry A,  
8 Jones.

9 Q. And his interest was in tract four; is that  
10 correct?

11 A. Yes, sir, tract four, and, I believe,  
12 highlighted in red on page 6 of the exhibit.

13 Q. He's got 0.277; is that right?

14 A. Yes. It's 2.78 mineral interest in that 40  
15 acres.

16 Q. Ms. Winter, in your opinion, has COG undertaken  
17 a good-faith effort to obtain Mr. Jones' voluntary  
18 agreement?

19 A. Yes, sir.

20 Q. And turn to Exhibit Number 3. Is this a  
21 summary or outline of what -- of the attempts COG has  
22 made to reach an agreement with Mr. Jones?

23 A. Yes, sir.

24 Q. Can you please review for the Examiners those  
25 efforts?

1           A.     Sure.  Well, we had a broker, on February 23rd,  
2     contact his sister, Marjorie Deines, and they discussed  
3     more about their family tree and their mineral  
4     interests.  And she then informed the broker that  
5     Mr. Jones did not have a phone, and the only way to  
6     reach him was through any kind of correspondence through  
7     the mail.  So then the broker created a lease packet and  
8     a letter submitting COG's intentions, and he submitted  
9     that to him the following day, on February 24th, to the  
10    address written right there, in Nebraska.  And he never  
11    received any response, so on March 19th, he had  
12    submitted a second letter in an attempt -- so we  
13    could -- via U.S. certified return receipt as well to  
14    the same address.  And the broker did receive two signed  
15    green cards on that but never any response.

16                         So on May 29th, I had sent a well proposal,  
17    an AFE and lease offer packet, via FedEx overnight to  
18    the same address, and there was a receipt that he had  
19    signed for it.  However, still no response until July  
20    6th, where we had received our first response letter  
21    from Mr. Jones, and he was not in agreement with COG's  
22    intentions.

23           Q.     And all of these -- all this correspondence is  
24    on the following pages, behind this exhibit; is that  
25    correct?

1 A. Yes, sir.

2 Q. And as you said, you understood that the letter  
3 you received from Mr. Jones on July 6th indicated that  
4 he was not willing to lease his interest; is that  
5 correct?

6 A. Correct.

7 Q. And that's why you're here seeking to pool his  
8 interest; is that right?

9 A. Yes, sir.

10 Q. Ms. Winter, continuing to Exhibit Number 4, is  
11 this a copy of the well proposal and, on the following  
12 page, the AFE that was sent to Mr. Jones?

13 A. Yes, sir.

14 Q. Looking at the AFE, are these costs that are  
15 identified in this AFE consistent with what COG has  
16 incurred for drilling similar wells in the area?

17 A. Yes, sir.

18 Q. And has COG made an estimate of the  
19 administrative costs and overhead costs while drilling  
20 this well and also producing, if successful?

21 A. We have; (6,000 a) month while drilling and (600 a)  
22 month while producing.

23 Q. And these costs, are they consistent with what  
24 COG and other operators would charge for overhead costs  
25 to operate similar wells in the area?

1 A. Yes, sir.

2 Q. And does COG request that these costs be  
3 incorporated in any order that results from this  
4 hearing?

5 A. I'm sorry. Could you repeat that?

6 Q. Yeah. Does COG request that these costs be  
7 incorporated in any order that results?

8 A. Yes. Yes, sir.

9 Q. And does COG also request that these overhead  
10 and administrative costs be adjusted in accordance with  
11 COPAS accounting procedures?

12 A. Yes.

13 Q. And finally, does COG request that these --  
14 that in accordance with the Division rules, that the  
15 maximum risk penalty of 200 percent be assessed to all  
16 uncommitted interests?

17 A. Yes.

18 Q. Thank you, Ms. Winter.

19 Did COG also bring in a geologist to  
20 testify about the formation of the nonstandard unit?

21 A. We did, uh-huh.

22 Q. And did COG identify the mineral interests in  
23 this 40-acre tract?

24 A. Yes, we did.

25 Q. And did COG also provide notice to those

1 surrounding offsetting interests?

2 A. Yes, sir.

3 Q. Looking at what's been marked as Exhibit Number  
4 5, this is an affidavit -- copy of an affidavit prepared  
5 by your attorney; is that correct?

6 A. Yes.

7 Q. Indicating that we provided notice in  
8 accordance with Division rules?

9 A. Yes.

10 Q. And on the following page is a copy of the  
11 letter that was sent providing notice?

12 A. Yes, sir.

13 Q. And a list of all the offsetting interest  
14 owners who were provided notice?

15 A. Yes, sir.

16 Q. And then the last page of that exhibit is a  
17 copy of the green card received and signed by Mr. Larry  
18 Jones indicating he actually received notice of today's  
19 hearing?

20 A. Yes, sir.

21 Q. Thank you.

22 Ms. Winter, Exhibits 1 through 5, were they  
23 prepared by you or under your supervision and by COG  
24 Operating, LLC?

25 A. Yes.

1 MR. RANKIN: Mr. Examiner, move to admit  
2 Exhibits 1 through 5.

3 EXAMINER JONES: Exhibits 1 through 5 will  
4 be admitted.

5 (COG Exhibit Numbers 1 through 5 were  
6 offered and admitted into evidence.)

7 MR. RANKIN: I have no further questions of  
8 the witness.

9 CROSS-EXAMINATION

10 BY EXAMINER JONES:

11 Q. Well, just for my information, is this coming  
12 under the title of operator -- COG Operating, LLC, or is  
13 it COG Production, LLC?

14 A. It actually, I believe, should have been COG  
15 Production. I apologize. Yes. Since it was an OGX  
16 acreage, it should be COG Production, LLC.

17 Q. What's the relationship between the two  
18 entities?

19 A. Well, COG Production -- as I understand it, COG  
20 Production was the successor to OGX, yet COG Operating  
21 is acting as contract operator for COG Production. And  
22 they are both owned by Concho Resources.

23 Q. So COG Operating would be the operator that you  
24 request in this case, or is it COG Production?

25 A. Can I get back to you on that? I'm going to

1 speak with someone who would know.

2 Q. Yes.

3 A. I don't know that right now.

4 Q. Now, is there an entity above these two that  
5 controls all of COG Production and then Operating?

6 A. I would like to get back to you on that as  
7 well. I'm not very comfortable with the chain of  
8 everything, but --

9 Q. That's okay.

10 Just a couple more questions, and I'll turn  
11 you over to the expert here.

12 This is in the southern edge of Loving,  
13 New Mexico?

14 A. Yes, sir.

15 Q. So these people that you noticed in the  
16 surroundings, are they unleased mineral owners?

17 A. There are some, yes, sir, that were unleased  
18 mineral interest owners.

19 Q. There's not a race to run out and lease to  
20 these people?

21 A. We have not -- at this moment, no, I don't -- I  
22 believe they were under lease, and they expired  
23 recently.

24 Q. I think you're well-coached witness here.

25 MR. RANKIN: She's on her own.

1 EXAMINER JONES: She's a natural, huh?

2 MR. RANKIN: Yeah.

3 Q. (BY EXAMINER JONES) Well, I don't know how to  
4 ask the question without just -- this Larry Jones, it  
5 looks like he's an unleased mineral interest owner --

6 A. Yes, sir.

7 Q. -- of a percentage of a 40-acre tract?

8 A. Yes, sir.

9 Q. And he's a trustee. So that means he  
10 represents other owners under -- he's acting as the  
11 owner of a trust; is that correct?

12 A. I do not believe he was a trustee. The way our  
13 title showed was that he had inherited it through his  
14 father, through his estate. His father had passed away  
15 in 2000, and he never probated the will. So we treat it  
16 as intestate, with only two surviving heirs, being  
17 himself and his sister.

18 Q. So his sister -- he's representing his sister?

19 A. He believes he is, I think in his own way, but  
20 as title shows it, I don't think he's in that capacity.  
21 So --

22 Q. Did his sister sign up?

23 A. Yes, sir. Uh-huh.

24 Q. And it looks like he submitted -- he submitted  
25 something July 23rd, which is only three days ago, so --

1 MR. RANKIN: I don't think we've gotten a  
2 copy of that, if he did.

3 EXAMINER JONES: Oh.

4 EXAMINER BROOKS: We received that  
5 (indicating), and there's nothing to show that any copy  
6 was sent to anybody. No. It's addressed -- well, it's  
7 addressed to "Adam G. Rankin, Attorney for COG, care of  
8 Oil Conservation Division." But as usual, pro se  
9 responses to compulsory pooling applications, it doesn't  
10 raise any defenses of legal -- assuming there are any,  
11 and I don't really know if they would hold up in a  
12 compulsory pooling case.

13 EXAMINER JONES: I don't have any more  
14 questions.

15 EXAMINER BROOKS: I really don't either.  
16 You said you leased the sister's interest?

17 THE WITNESS: Yes, sir.

18 EXAMINER BROOKS: I don't see any --  
19 And you also said that you didn't know  
20 who -- what entity -- at this point, you didn't know  
21 what entity that Concho --

22 THE WITNESS: Correct. I will get back to  
23 you on that as soon as I can.

24 EXAMINER BROOKS: Very well.

25 EXAMINER JONES: Get back through Adam,

1 Mr. Rankin.

2 THE WITNESS: Okay. Thank you.

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

4 We have no further questions of the  
5 witness. I'll call my --

6 EXAMINER BROOKS: You may look at  
7 Mr. Jones' response. In fact, we have two copies.

8 MR. RANKIN: May I have one for our  
9 records?

10 EXAMINER JONES: There was one on July the  
11 6th.

12 EXAMINER BROOKS: Okay. I didn't see that  
13 one.

14 Anyway, you're welcome to look at this.

15 MR. RANKIN: I'll call my second witness,  
16 Mr. Examiner, if that's okay. Mr. Andrew McCarthy -- or  
17 Dr. Andrew McCarthy, to be precise.

18 ANDREW McCARTHY, Ph.D.,  
19 after having been previously sworn under oath, was  
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. RANKIN:

23 Q. Good morning, Dr. McCarthy.

24 A. Good morning.

25 Q. Can you please state your name for the record?

1 A. Yes. Andrew McCarthy.

2 Q. And can you please state the company by whom  
3 you're employed and in what capacity?

4 A. I'm employed by Concho Resources as a  
5 geologist.

6 Q. And have you previously testified before the  
7 Division and had your credentials as an expert in  
8 petroleum geology made a matter of record?

9 A. No, I have not.

10 Q. Can you please review for the Examiners your  
11 educational background and your work experience as a  
12 petroleum geologist?

13 A. Sure. I have a bachelor's degree in geology  
14 from Grand Valley State University in Michigan. I have  
15 a Ph.D. in geoscience from the University of Arizona. I  
16 worked for ConocoPhillips for about four years, working  
17 the Permian Basin, Eagle Ford and the Bakken assets.  
18 And I've been working for Concho Resources for about a  
19 year and a half, working the Permian Basin assets.

20 Q. So you're familiar with the application that  
21 was filed in this case?

22 A. Yes, I am.

23 Q. And you've conducted a study on the lands at  
24 issue here; is that correct?

25 A. Yes. The geology and the lands, yes.

1 Q. Not lands in the landman sense.

2 MR. RANKIN: Mr. Examiner, I would tender  
3 Dr. McCarthy as an expert in petroleum geology.

4 EXAMINER JONES: He is so qualified.

5 Q. (BY MR. RANKIN) Dr. McCarthy, can you please  
6 turn to what's been marked as Exhibit Number 6 and  
7 review for the Examiners what this plan shows?

8 A. Certainly. This exhibit shows a structure map  
9 on the top of the Bone Spring, the area in question.  
10 The proration unit for the Loving Falcon is shown in  
11 yellow in the center of the slide. What the slide shows  
12 is that the Bone Spring dips off somewhat gently to the  
13 east and consistently over the project area.

14 Also shown on the slide is a green line --  
15 a green line from A to A prime, which shows the path of  
16 cross-section that we'll see in a later exhibit, which  
17 includes four wells, two of which are in the same  
18 section as the Loving Falcon. And that cross-section  
19 will serve to show a representative geology in the area.

20 Q. And Dr. McCarthy, if you turn to the next  
21 exhibit, Exhibit Number 7, that actually shows the  
22 cross-section; is that right?

23 A. That's right.

24 Q. And just for the Examiner's understanding --

25 MR. RANKIN: And there's one large map that

1 we provided for the Examiners to review and one for the  
2 record. Otherwise, there's just the small one that's in  
3 the exhibit packet for your review.

4 Q. (BY MR. RANKIN) Dr. McCarthy, can you review  
5 for the Examiners Exhibit 7 and what it shows?

6 A. Sure. This exhibit is a cross-section, as I  
7 previously stated, from west to east, covering the  
8 project area. The top pit shown here includes the top  
9 of the Bone Spring line, and what this cross-section  
10 shows is the upper part of the Bone Spring, including  
11 the target formation for the Loving Falcon, which we've  
12 drawn in the proration unit in question.

13 The logs shown here are a resistivity on  
14 the left and a neutron density porosity on the right,  
15 with a gamma ray track on the left in each of those.  
16 The one deviated well shown here is actually the Loving  
17 Falcon, the well that we drilled on for the proration in  
18 question, and it has open-hole logs only down to -- and  
19 beyond that point, we have mud log only.

20 And what we see here is that the first Bone  
21 Spring sand, which was the target interval for this  
22 well, is consistent across the area. It shows  
23 consistency in terms of porosity. Continuity would be  
24 the word I would use. And there is no observed faulting  
25 or any significant structure in the area that would

1 cause any geologic impediment to the reservoir in this  
2 area.

3 Q. So this cross-section interval just focused on  
4 the upper part of the Bone Spring, as you discussed. Is  
5 it possible that COG will be interested in the rest of  
6 the Bone Spring Formation in this area?

7 A. Yeah, we consider the entire Bone Spring to be  
8 perspective over the basin.

9 Q. So based on your geological analysis and  
10 study -- I think you've already hit on some of these  
11 points, but would you summarize for the Examiners, based  
12 on review of the structure map and surrounding wells and  
13 cross-section, what you've concluded regarding the  
14 potential horizontal development in the area?

15 A. Sure. In terms of the first Bone Spring, as I  
16 mentioned, I see no geologic impediment to the  
17 continuity of the first Bone Spring across the project  
18 area. I think, as we found in other parts of the Basin,  
19 the Bone Spring can be efficiently and economically  
20 developed by horizontal wells in this area.

21 On average, we would expect each -- each  
22 40-acre part of this proration unit to contribute  
23 equally. There is no significant geologic difference in  
24 the reservoir areas. And that's all I have to say about  
25 that.

1 Q. Thank you, Dr. McCarthy.

2 Turning to the last exhibit, this is a  
3 wellbore schematic. Can you please review for the  
4 Examiners the purpose of this last exhibit and what it  
5 shows?

6 A. Sure. This -- this wellbore schematic shows  
7 that the entire complete areas are within the required  
8 set back determined by the State of New Mexico. As you  
9 can see here, the surface-hole location is approximately  
10 530 feet from the east line. The first completed  
11 interval is greater than 530 feet from the east line,  
12 and the toe of the well is approximately 350 feet of the  
13 west line.

14 Q. Based on your analysis, is it your opinion that  
15 the granting of COG's application will be in the best  
16 interest of conservation and the protection of  
17 correlative rights?

18 A. Yes, it is.

19 Q. Were COG Exhibits 6 through 8 prepared by you  
20 or under your supervision?

21 A. Yes, they were.

22 MR. RANKIN: Mr. Examiner, I would like to  
23 move Exhibits 6 through 8.

24 EXAMINER JONES: Exhibits 6 through 8 are  
25 admitted.

1 (COG Exhibit Numbers 6 through 8 were  
2 offered and admitted into evidence.)

3 MR. RANKIN: Pass the witness.

4 CROSS-EXAMINATION

5 BY EXAMINER JONES:

6 Q. Dr. McCarthy, you're aware that you could have  
7 kicked this well off closer to the lease line as long as  
8 your first perforation can't change --

9 A. Yes.

10 Q. -- in the Horizontal Well Rule?

11 A. That's right. This well was staked, as  
12 previously mentioned, by OGX, an entity that we  
13 acquired. Our operating -- typical operating procedure  
14 is to stake the wells as close as we can to the lease  
15 line in order to maximum horizontal length in the  
16 proration unit.

17 Q. I noticed when Ms. Winter was talking about the  
18 tracts, you're going to kick off on tract one, which is  
19 to the east. Is that because of land issues, or is that  
20 because of what you would want them to do?

21 A. Well, the surface-hole location was put on the  
22 east I think because we had some conflict on the west  
23 side with some facilities related to the town of Loving,  
24 New Mexico.

25 Q. And your target is the first Bone Spring. How

1 thick is that sand, and where in the sand are you  
2 targeting?

3 A. Yeah. Well, the sand varies across the area.  
4 In this particular area, the sand is approximately 250  
5 feet thick, and we typically land in the lower -- top of  
6 the lower third of the sand.

7 Q. Is it some sort of grading upward sequence  
8 or -- are you a stratigrapher?

9 A. No, I'm not a stratigrapher by training.

10 Q. What did you get your Ph.D. specialty in?

11 A. Actually, I'm mineralogy, and crystallography  
12 is my specialty.

13 Q. Oh.

14 A. But if you're asking about the nature of the  
15 first Bone Spring sand, we believe it to be a series of  
16 turbidite brief [sic] loads.

17 Q. Now, can you explain those just briefly? I'm  
18 boring everybody here, I know, but for myself --

19 A. Sure.

20 Q. You said turbidites?

21 A. Right. That's correct. We -- although we have  
22 not examined the first Bone Spring sand in this area in  
23 great detail in terms of stratigraphy, we think it's  
24 fairly deep-water mobilized clastic deposit from -- from  
25 the shelf region to west and northwest.

1 Q. And if you had your druthers, would you just do  
2 a mud log on this thing, or what kind of logs would you  
3 have run?

4 A. In terms of the horizontal wellbore?

5 Q. Yeah.

6 A. We typically just collect a mud log from the  
7 horizontal wellbore, because of the cost associated with  
8 trying to run horizontal open-hole logs.

9 Q. There's logging well drilling and capability,  
10 but you don't have any preferences if cost was not an  
11 object?

12 A. If cost was not an object, of course we would  
13 run additional logging well drilling or other types of  
14 open-hole logs in the horizontal, but as a general  
15 business practice, we don't do that in general. Our  
16 competitors don't appear to do that either most of the  
17 time.

18 Q. At what point are you going to know whether to  
19 release your landman to start leasing around here? Is  
20 it right after the frac job or during the frac job or  
21 what, or after you put it on pump?

22 A. On this -- on this particular well, we'll wait  
23 until we have flowback information before we start  
24 actually leasing the surrounding area, yeah.

25 Q. I better stop asking questions?

1 EXAMINER JONES: David, do you have any  
2 questions?

3 EXAMINER BROOKS: I have no questions.

4 EXAMINER JONES: Thank you very much.

5 THE WITNESS: Sure.

6 MR. RANKIN: I have no further questions of  
7 the witness.

8 EXAMINER JONES: Are we done with this  
9 case?

10 MR. RANKIN: I have nothing further.

11 EXAMINER JONES: Mr. Jones hasn't walked in  
12 while we were talking, so -- except in spirit, so with  
13 that, Case 14880 is taken under advisement. But I will  
14 ask you to get back with us about the entity and the  
15 operating entity, especially who is going to be named as  
16 operator.

17 MR. RANKIN: We'll do that, if not today,  
18 then by tomorrow.

19 (The hearing concluded, 8:50 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

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

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

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.



MARY C. HANKINS, CCR, RPR  
Paul Baca Professional Court Reporters  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2012