

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

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

APPLICATION OF CIMAREX ENERGY COMPANY Case 14921
FOR A NONSTANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

APPLICATION OF CIMAREX ENERGY COMPANY Case 14922
FOR A NONSTANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

APPLICATION OF CIMAREX ENERGY COMPANY Case 14923
FOR A NONSTANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

December 13, 2012

Santa Fe, New Mexico

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This matter came on for hearing before the
New Mexico Oil Conservation Division, DAVID K. BROOKS,
Presiding Examiner, and WILLIAM V. JONES, Technical
Examiner, on Thursday, December 13, 2012, at the New
Mexico Energy, Minerals and Natural Resources Department,
1220 South St. Francis Drive, Room 102, Santa Fe, New
Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
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FOR THE APPLICANT:

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1 EXAMINER BROOKS: Okay. We'll go back on
2 the record and call Case Number 14921, application of
3 Cimarex Energy Company for a nonstandard oil spacing and
4 proration unit and compulsory pooling, Lea County, New
5 Mexico; Case 14922, application of Cimarex Energy Company
6 for a nonstandard oil spacing and proration unit and
7 compulsory pooling, Lea County, New Mexico; and Case
8 Number 14923, application of Cimarex Energy Company for a
9 nonstandard oil spacing and proration unit and compulsory
10 pooling, Lea County, New Mexico.

11 Call for appearances in these three cases.

12 MR. BRUCE: Mr. Examiner, Jim Bruce, of
13 Santa Fe, representing the applicant. I have two
14 witnesses.

15 MR. FELDEWERT: Mr. Examiner, Michael
16 Feldewert, with the Santa Fe office of Holland & Hart,
17 appearing on behalf of Fasken Oil & Ranch, and I'm also
18 appearing on behalf of EOG Resources, and I have no
19 witnesses here today.

20 EXAMINER BROOKS: Very good. Would the
21 witnesses please stand and identify yourselves?

22 MR. TRESNER: Hayden Tresner.

23 MS. RAMOUTAR: Meera Ramoutar.

24 EXAMINER BROOKS: Please swear the
25 witnesses.

1 (Two witnesses were sworn.)

2 HAYDEN TRESNER

3 Having been first duly sworn, testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Would you please state your name and city of
7 residence for the record?

8 A. Hayden Tresner. I reside in Midland, Texas.

9 Q. Who do you work for, and in what capacity?

10 A. Cimarex Energy Company. I'm a landman.

11 Q. Have you previously testified before the
12 Division?

13 A. Yes, I have.

14 Q. And were your credentials as an expert landman
15 accepted as a matter of record?

16 A. Yes.

17 Q. Are you familiar with the land matters
18 involved in these applications?

19 A. Yes, I am.

20 MR. BRUCE: Mr. Examiner, I tender
21 Mr. Tresner as an expert petroleum landman.

22 EXAMINER BROOKS: He's so qualified.

23 Q. Mr. Tresner, we're here on -- let's look at
24 Exhibit 1A, first of all, the second page of Exhibit 1A.
25 You have certain wells that we're here for today, and all

1 of them have surface locations in the northeast
2 quarter/northeast quarter of Section 26 of 20 South, 32
3 East. What is the reason for that?

4 A. The surface is subject to potash restrictions.

5 Q. And this is federal acreage?

6 A. Yes. There's an existing well that is located
7 in the northeast/northeast quarter, so our surface
8 locations have to be drilled off of that pad.

9 Q. These are the only surface locations that the
10 Bureau of Land Management would approve?

11 A. That's correct.

12 Q. And looking at Exhibit 1A, which well is this,
13 and could you describe the well unit?

14 A. Yes. This is the APD for the Snoddy Federal
15 Number 21 H well that is located in the east half/east
16 half of Section 26, 20, 32. The surface location will be
17 in the northeast northeast/quarter, and the well will be
18 drilled to the south to a bottomhole located in the
19 southeast/southeast quarter.

20 Q. All of these are Bone Spring wells, are they
21 not?

22 A. That's correct.

23 Q. And based on interest ownership, you only need
24 to force pool the Bone Spring formation for these wells;
25 is that correct?

1 A. That is correct.

2 Q. What is Exhibit 1B?

3 A. That is the APD and corresponding C-102 that
4 have been filed for the Snoddy Federal Number 22 H well.
5 If you flip to the second page of Exhibit 1B, the C-102,
6 you can see the spacing -- the proposed spacing unit
7 that's been -- is shown there. And the surface hole
8 location of the well is in the northeast/northeast
9 quarter, and it's going to be drilled to a bottomhole in
10 the southwest/southwest quarter.

11 Q. And a couple of things. What is the acreage
12 in the proposed well unit?

13 A. The acreage is 240 acres, I believe. 280,
14 excuse me.

15 Q. 280 acres?

16 A. 280, seven quarter/quarter sections.

17 Q. And then move on to Exhibit 1C. What is this?

18 A. Exhibit 1C is the APD and C-102 for the Snoddy
19 Federal Number 23 H. Again, the spacing unit is outlined
20 in bold on the C-102, page 2 to 1C. It's got a surface
21 hole located in the northeast/northeast quarter of the
22 section, and it will be drilled to a bottomhole in the
23 northwest quarter of the southwest quarter.

24 Q. And this well unit contains 240 acres?

25 A. That's correct.

1 Q. There's also on this plat a Number 20 well in
2 the north half/north half. What is the status of that
3 well?

4 A. We don't have any plans to drill that well in
5 the foreseeable future.

6 Q. In the north half, the Number 20 well?

7 A. Excuse me. The Number 20 well has been
8 drilled and completed as a producer in the second sand of
9 the Bone Spring formation. It's spaced in the north
10 half/north half.

11 Q. And there wasn't any force pooling necessary
12 for that well, was there?

13 A. There was not, no.

14 Q. So you request, number one, approval of the
15 three nonstandard units and, secondly, approval of force
16 pooling into those three nonstandard well units?

17 A. Yes, as to the Bone Spring formation.

18 Q. Could you identify Exhibit 2 for the Examiner?

19 A. Exhibit 2 is just a breakdown of the
20 ownership. In all of Section 26, you can see I broke it
21 up in the north half. In the south half, we're seeking
22 to force pool the Dow Chemical Company. They own 15
23 percent in the south half of Section 26.

24 Q. And does Exhibit 2 also set forth its working
25 interest in each of the three well units?

1 A. Yeah. On Exhibit 2, you have a breakdown of
2 the interests, how each spacing unit is owned in the 21,
3 22 and 23 wells by tract interest, and then based on the
4 spacing unit interests.

5 Q. And again, although there's different
6 ownership in the north half versus the south half, it is
7 all a single federal lease?

8 A. It is a single federal lease. That is
9 correct.

10 Q. I'll have you move on to Exhibit 3. What is
11 Exhibit 3?

12 A. Exhibit 3 is the well proposal letter that was
13 sent to the Dow Chemical Company for the three wells that
14 describes how the wells will be drilled and so forth.
15 And that's accompanied by the AFE.

16 No, those are on the next exhibit.

17 Q. Now, taking a step back, you sent these well
18 proposals out on August 8th of this year. How long have
19 you been dealing with Dow Chemical Company to try to get
20 their joinder in these wells?

21 A. For approximately four and a half, five
22 months, on these proposals.

23 Q. On these proposals. But we had a hearing on
24 these wells in the spring, did we not?

25 A. That's correct.

1 Q. So you have been trying for about a year to
2 obtain their joinder in the well units?

3 A. That's correct.

4 MR. BRUCE: Mr. Examiner, just for your
5 reference, we had filed the application seeking a single
6 project area comprised of all of Section 26.

7 EXAMINER BROOKS: I recall that.

8 MR. BRUCE: And that was denied by Order
9 R-13554, dated in May of this year. So that's why we're
10 seeking the individual well units.

11 EXAMINER BROOKS: Yeah, I had assumed
12 that. I do recall that case.

13 Q. (By Mr. Bruce) And Mr. Tresner, Exhibit 4 --
14 besides your dealing with them prior to August 8th and
15 your proposal letters, you had a number of -- you called
16 and emailed Dow Chemical quite a number of times, did you
17 not?

18 A. Yeah. Exhibit 4 is just some correspondence
19 that we had with Dow. In addition to that, I've been in
20 constant communication with Jere Dial, their land
21 manager, for the past five months on a weekly basis. I
22 made a trip to Houston and met with them. We're just not
23 getting anywhere.

24 Q. In your opinion, has Cimarex made a good-faith
25 effort to obtain the voluntary joinder of Dow Chemical

1 Company in the three wells?

2 A. Yes, we have.

3 Q. If you could briefly identify Exhibits 5A, 5B
4 and 5C?

5 A. Those are the AFEs for the 21, 22 and 23 H
6 wells, setting forth the dry hole cost, costs after
7 casing point, and the total well cost for the project.

8 Q. Are these costs reasonable and in line with
9 the costs of other wells drilled to this depth in this
10 area of New Mexico?

11 A. Yes, they are.

12 Q. And what overhead rates do you request?

13 A. We're requesting 7,000 for drilling and 700
14 for producing.

15 Q. And are those rates in line with the rates
16 charged by other operators in this area for wells of this
17 depth?

18 A. Yes, they are.

19 MR. BRUCE: Now, Mr. Examiner, Exhibit 6
20 is simply my Affidavit of Notice to Dow Chemical, and you
21 will see that they did receive actual notice.

22 Q. (By Mr. Bruce) What is Exhibit 7,
23 Mr. Tresner?

24 A. Exhibit 7 is a Midland map showing Section 26
25 of 20, 32, and the location of the Snoddy 22 Well, the

1 surface location and bottomhole location.

2 Q. Does page 2 of this exhibit identify the
3 offset operators or working interest owners?

4 A. Yes, it does.

5 Q. Looking at this map, and you mentioned the
6 potash restrictions, there are very few wells in this
7 area; correct?

8 A. Yes, there are.

9 Q. And for instance, over in Section 25, there's
10 three or four wells drilled there. But two of them were
11 directional wells because of limited surface use
12 requirements?

13 A. That's correct.

14 MR. BRUCE: Mr. Examiner, Exhibit 8 is my
15 Affidavit of Notice to the offsets, and all of the
16 offsets received actual notice.

17 Q. (By Mr. Bruce) Mr. Tresner, if you will, go
18 back to Exhibit 3, please. And maybe you could also look
19 at Exhibit 1B.

20 A. Um-hum.

21 Q. The proposed bottomhole location is in the
22 southwest quarter of the southwest quarter of Section 26,
23 is it not?

24 A. That's correct, for the Snoddy Federal 22 H.

25 Q. When the well was first proposed, where was

1 the bottomhole location?

2 A. When it was originally proposed, it was
3 located in the quarter/quarter section directly to the
4 east, the southeast quarter of the southwest quarter.

5 MR. BRUCE: Mr. Examiner, when I filed the
6 application in Case 14922, I used the southeast/southwest
7 quarter bottomhole location. So that case will need to
8 be continued to the --

9 EXAMINER BROOKS: Which case is this?

10 MR. BRUCE: 14922. It will have to be
11 continued to the January 24th hearing to give a corrected
12 notice to Dow Chemical.

13 Q. (By Mr. Bruce) And the last page of Exhibit
14 3, Mr. Tresner, what is that?

15 A. That is just giving Dow notice that the
16 bottomhole location of the Number 22 Well changed, and
17 the acreage that will be included in the spacing unit
18 dedicated to that well also changed as a result of the
19 change in bottomhole location.

20 Q. Will you continue trying to get Dow Chemical
21 to voluntarily join in these wells?

22 A. Yes. They're more than welcome to.

23 Q. Were Exhibits 1A through 8 either prepared by
24 you or under your supervision or compiled from company
25 business records?

1 A. Yes, they were.

2 Q. In your opinion, is the granting of these
3 three applications in the interest of conservation and
4 the prevention of waste?

5 A. Yes, they are.

6 MR. BRUCE: Mr. Examiner, I move the
7 admission of Exhibits 1A through 8.

8 EXAMINER BROOKS: Any objection, Mr.
9 Feldewert?

10 MR. FELDEWERT: No.

11 EXAMINER BROOKS: 1A through 8 are
12 admitted.

13 (Exhibits 1A through 8 were admitted.)

14 EXAMINER BROOKS: Do you pass the witness,
15 Mr. Bruce?

16 MR. BRUCE: Yes.

17 EXAMINER BROOKS: Mr. Feldewert?

18 CROSS-EXAMINATION

19 BY MR. FELDEWERT:

20 Q. Mr. Tresner, I'm looking at your Exhibit 1B,
21 and I think I've figured this out. There's a -- I'm
22 looking at the second page of Exhibit 1B, and there's a
23 new -- I guess there's a solid line that is now depicted
24 on there?

25 A. Yes.

1 Q. With a bottomhole of 330 from the south line
2 and 1,980 from the east line. Is that the new proposed
3 location?

4 A. No. That's the proposed location for the
5 Number 24 well that we don't have any plans to drill.

6 MR. BRUCE: At this time?

7 THE WITNESS: Yeah, at this time.

8 Q. (By Mr. Feldewert) All right. So it's just
9 depicted on here, but you don't have any plans to drill
10 that well?

11 A. Not in the near future.

12 Q. If I'm looking at this plat here, Exhibit 1B,
13 does it reflect the new bottomhole location for the 22 H?

14 A. Yes, it does, 330 feet from the south line and
15 990 from the west line.

16 Q. Okay. I guess Dow Chemical was not involved
17 in your north half/north half well that's shown on this
18 exhibit?

19 A. The Number 20 H that was drilled and spaced in
20 the north half/north half, no, Dow is not involved.
21 Their interest is only in the south half of the section.

22 Q. That well in the north half of the north half,
23 I think you said that is drilled in the second Bone
24 Spring sand?

25 A. That's correct.

1 Q. When was that well drilled?

2 A. That well was drilled and completed here
3 within the past couple of months.

4 Q. And has it been successful, and are you --

5 A. We're happy with it.

6 Q. What's your current production?

7 A. I'm not sure.

8 Q. Do you have an estimate of what it is?

9 A. No.

10 Q. Okay. When you say you're happy with it, what
11 do you mean?

12 A. We'll be drilling three more in the section,
13 so it's good enough to drill three more.

14 Q. Have you filed your production reports yet?

15 A. I'm not sure. Probably so.

16 Q. When do you plan to drill your subsequent
17 wells?

18 A. We'll start on the project just as soon as we
19 can get the orders.

20 Q. Do you have a rig schedule?

21 A. Yes.

22 Q. Do you have a tentative date as to when you
23 would commence drilling?

24 A. It would be sometime next year.

25 MR. FELDEWERT: That's all the questions I

1 have. Thank you.

2 EXAMINER BROOKS: Thank you.

3 EXAMINATION

4 BY EXAMINER BROOKS:

5 Q. You presented the 21 H and 22 H. Now there's
6 a third well here, is there not?

7 A. Yes. We're seeking pooling on the 21, 22 and
8 23 H Wells.

9 Q. But you didn't tell us about the 23 H.

10 MR. BRUCE: Exhibit 1C is the C-102.

11 EXAMINER BROOKS: Okay. So you did tell
12 us about the 23 H.

13 Q. (By Examiner Brooks) Who is involved in each
14 of these wells? Is Dow the only person you're compulsory
15 pooling in any of these cases?

16 A. Yes, sir. If you look at Exhibit 2, it has a
17 breakdown of the interests in the section and a breakdown
18 of the interests in each of the proposed spacing units
19 for the 21, 22 and 23 wells. And Dow's interest is
20 listed on the very last row at the bottom of those pages.

21 Q. So they have three-quarters of 100 percent in
22 the 21 H?

23 MR. BRUCE: Seven and a half percent.

24 A. They have 7 and a half percent in the 21, they
25 have a little less than 9 percent in the 22, and then

1 they'll have about 2 and a half percent of the 23. They
2 own 15 percent in the south half of Section 26.

3 EXAMINER BROOKS: Mr. Feldewert, your
4 clients are offsets; is that the deal?

5 MR. FELDEWERT: Yes.

6 EXAMINER BROOKS: Because I don't see them
7 on this list.

8 MR. FELDEWERT: Yes, they're the offset
9 operators.

10 EXAMINER BROOKS: Okay. I guess that's
11 all the questions I have.

12 Mr. Jones?

13 EXAMINER JONES: I missed the hearing
14 order or the case number that covered this whole
15 section -- attempted to cover the whole section.

16 MR. BRUCE: I don't like broadcasting my
17 failures, Mr. Examiner. It was Case 14802, Order
18 R-13554.

19 EXAMINER JONES: Thank you very much. I
20 don't have any questions.

21 EXAMINER BROOKS: Okay, thank you.

22 MR. BRUCE: Mr. Examiner, if you look at
23 Exhibit 7, you can see Fasken Oil & Ranch is located in
24 the north and northwest of Section 26. They have a
25 substantial amount of acreage to develop there.

1 EXAMINER BROOKS: Okay, yeah. They're in
2 23, 22. And where is EOG?

3 MR. BRUCE: EOG is not depicted on there,
4 but they are in the south half of Section 24.

5 EXAMINER BROOKS: Okay, thank you.
6 Then the next witness?

7 MEERA RAMOUTAR

8 Having been first duly sworn, testified as follows:

9 DIRECT EXAMINATION

10 BY MR. BRUCE:

11 Q. Would you please state your name and city of
12 residence for the record?

13 A. My name is Meera Ramoutar, and I reside in
14 Midland, Texas.

15 Q. Who do you work for, and in what capacity?

16 A. I work for Cimarex Energy as a geologist.

17 Q. Have you previously testified before the
18 Division as a geologist?

19 A. Yes, I have.

20 Q. Were your credentials as an expert geologist
21 accepted as a matter of record?

22 A. Yes, they were.

23 Q. Are you familiar with the geology involved in
24 these applications?

25 A. Yes, I am.

1 MR. BRUCE: Mr. Examiner, I tender
2 Ms. Ramoutar as an expert petroleum geologist.

3 EXAMINER BROOKS: Okay. Any objection,
4 Mr. Feldewert?

5 MR. FELDEWERT: No.

6 EXAMINER BROOKS: So qualified.

7 MR. BRUCE: Mr. Examiner, I did include
8 all the exhibits in the package I gave you first, so I
9 don't have any additional handouts.

10 Q. (By Mr. Bruce) Ms. Ramoutar, I've included
11 all of your geologic exhibits in the packet as Exhibit 9.
12 Can you run through those and describe the geology for
13 the Hearing Examiners?

14 A. Sure. Our Snoddy lease is identified on
15 the -- if you look to the first page of the little
16 packet, it's identified in yellow in Section 26.

17 The first map you're looking at is a structure
18 map on the top of the Bone Spring formation. And
19 basically it highlights the fact that the structure dips
20 off to the southeast, so you get structurally higher once
21 you're northwest.

22 I've also superimposed here just offset wells
23 to the Snoddy locations that we do have that have been
24 identified with the green symbols as producers either out
25 of our zone of interest, which is the second sand, or

1 commingled with other zones and produced.

2 We have all the locations that we intend to
3 drill at some point or the other for that lease in
4 Section 26 identified on that map.

5 Q. Looking at Section 23, to the north, that is a
6 vertical Bone Spring well?

7 A. Yes, sir, it is a vertical well, as is the
8 other green spot just to the north, 150 feet away from,
9 you know, where we're going to be drilling all of our
10 wells from.

11 Q. The Section 23 is four vertical wells, not too
12 bad of a well?

13 A. No, not too bad of a well. Good enough to
14 offset with a couple of horizontals.

15 Q. The next page?

16 A. The next page is just a type log. And this
17 type log is for that green spot that just offsets our
18 location on the previous page. So you can see we've
19 identified the top of the Bone Spring formation at 7,900
20 feet. We've also gone ahead and broken that up into the
21 three zones of interest. So you have your first Bone
22 Spring sand, second and third Bone Spring sands. We have
23 the base of the Bone Spring identified in this area at
24 1,970.

25 So we've also identified on this our target,

1 which is the second sand, highlighted in orange. And so
2 you can see it's approximately a TVD of approximately
3 9,900 feet that we will be targeting and have targeted
4 successfully on this lease.

5 The next page is an isopach of the second Bone
6 Spring sand, so it is that orange interval of interest
7 that was just seen on the type log. And basically it's
8 contoured on a 50-foot contour interval. We have two
9 control points highlighted in red, so that vertical well
10 that we alluded to earlier has 117 feet of pay just to
11 the north of our lease. And on lease itself, our type
12 log came in at 58 feet of pay within the second Bone
13 Spring sand.

14 So the contour intervals are 50-foot contour
15 intervals. And you see the green contours are your
16 50-foot contours, and then the hundreds are in between.

17 Q. What is the last page of your Exhibit 9?

18 A. The last exhibit basically is we --
19 Mr. Tresner has testified that we have already drilled
20 our Snoddy 20 H in the north half/north half. What this
21 is is a recap end of well showing our final well path for
22 that well from east to west.

23 And all this is just showing that it's a
24 continuous zone that we are targeting within this
25 interval, and we've had good shows throughout it. The

1 top curve is your gamma ray, just helping us steer the
2 well.

3 EXAMINER JONES: The top curve is gamma
4 ray?

5 THE WITNESS: Yes, the green curve is
6 gamma ray. So the top curve is the gamma ray that helps
7 us steer the well within the targeted interval. The
8 bottom curve, the red curve, is the total gas shows
9 throughout the well. As you can see here, we had pretty
10 good gas shows for the majority of the well. And then
11 the black is just where we identified cut from our mud
12 logs.

13 EXAMINER JONES: Where the little steps
14 are?

15 THE WITNESS: Yes, the little black steps.
16 And basically, this display is just to show
17 that we have a continuous zone that is productive.

18 Q. (By Mr. Bruce) And in your opinion, will each
19 quarter/quarter section in each well contribute more or
20 less equally to production from that well?

21 A. Yes, sir.

22 Q. Ms. Ramoutar, Exhibits 10A, 10B and 10C, are
23 they simply the directional drilling plans for these
24 three wells proposed in these hearings?

25 A. Yes, sir, they are.

1 Q. I notice that no pilot hole is proposed in any
2 of these.

3 A. No. And this is simply because we have that
4 58-foot type log that is located just offset.

5 Q. And how many completion stages does Cimarex
6 use in its wells?

7 A. Typically, eight.

8 Q. And was Exhibit 9 prepared by you?

9 A. Yes, sir.

10 Q. And were Exhibits 10A, 10B, and 10C compiled
11 from company business records?

12 A. Yes, sir.

13 MR. BRUCE: Mr. Examiner, I'd move
14 admission of Exhibits 9, 10A, 10B and 10C.

15 MR. FELDEWERT: No objection.

16 EXAMINER BROOKS: 9, 10A, 10B and 10C are
17 admitted.

18 (Exhibits 9, 10A, 10B and 10C were admitted.)

19 MR. BRUCE: I pass the witness.

20 EXAMINER BROOKS: Okay. I don't have any.
21 Mr. Feldewert?

22 MR. FELDEWERT: I just have a couple.

23 CROSS-EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Ms. Ramoutar, I'm looking at the second page

1 of -- actually the first page of Exhibit 9, which is your
2 structure map.

3 A. Yes, sir.

4 Q. Your green dot there within Section 26, is
5 that a current vertical producer?

6 A. It is currently producing not out of the Bone
7 Spring, but out of the Delaware.

8 Q. So that's a vertical well producing out of the
9 Delaware?

10 A. Yes.

11 Q. And is that the well location that you're
12 using for your proposed wells here? Is that the well pad
13 that's being used?

14 A. Yes, it is.

15 Q. And then the last page of this exhibit, as I
16 understand it, is your well path for the north half/north
17 half well that's shown in green on the first page?

18 A. Yes, sir.

19 Q. And do you know what your production has been
20 from that north half/north half well?

21 A. I don't have a specific number, but I do know
22 it's upwards of 500 barrels of oil, I believe.

23 Q. Are you seeing any gas?

24 A. I cannot tell you the gas volumes.

25 Q. But your estimate is 500 barrels of oil?

1 A. Roughly. It's been a while since I've looked
2 at the production off of it.

3 MR. FELDEWERT: Thank you.

4 EXAMINATION

5 BY EXAMINER BROOKS:

6 Q. You probably addressed this, but I just want
7 to make sure for the record.

8 In each of these units throughout this
9 section, are the prospects in the Bone Spring going to be
10 roughly the same in each basic unit?

11 A. Yes, sir. We're going to be targeting the
12 second sand.

13 Q. And it looks more or less equally prospective
14 throughout the section?

15 A. Yes.

16 EXAMINER BROOKS: Okay. Mr. Jones?

17 EXAMINATION

18 BY EXAMINER JONES:

19 Q. So the green is the first Bone Spring sand?

20 A. Yes, sir.

21 Q. So it was half as thick as it was in the
22 section to the north --

23 A. Yes.

24 Q. -- in your section?

25 Now, all we know about your section, though,

1 is it's northeast/northeast?

2 A. That is true.

3 Q. Does that bother you any?

4 A. It does, somewhat. But if you -- on a larger
5 scale map, when you look at these depositional trends for
6 the Bone Spring, where we have these sands deposited in
7 channels, as they move off, how this is mapped, we are
8 confident that we will be able to have sufficient sand to
9 produce economically for us in this area.

10 Q. What about for your wells staying in the sand
11 as far as -- especially these diagonal wells going
12 southwest? I think on your map here, you've got three of
13 them, and we're talking about two of them here in our
14 application; is that correct? Number 24 is not being
15 talked about here; right?

16 A. No, it's not on our drill schedule.

17 MR. BRUCE: The second one, the 24, the
18 second one from the right-hand side, at this point, we're
19 not here to discuss that. That hasn't been proposed to
20 Dow Chemical yet.

21 Q. (By Examiner Jones) It looks like all you're
22 using is a gamma ray to stay in your zone; is that
23 correct?

24 A. We are. And we've drilled upwards of 100
25 wells in this trend. And being able to stay in the

1 second sand, we targeted that lower lobe, if you look at
2 the type log. So looking at that orange packet, if you
3 will, we target the lower lobe off the sand. But because
4 the scale is kind of off -- I mean the gross thickness is
5 upwards of 75 feet, we're not specifically trying to
6 target an individual sand, per se. We just would like to
7 stay in the sand.

8 Q. And you tail your well upward a little bit to
9 the toe of the well. So that's where your production
10 engineer, I take it -- it's not necessarily your
11 recommendation; is that correct?

12 A. You know, our recommendation usually is to try
13 to stay with structure, stay in the sand, and drill as
14 fast can as you can.

15 Q. So cost is a factor here?

16 A. It certainly is.

17 Q. Is there any stress data you get from this,
18 besides your gamma ray, for your frack people? When they
19 frack it, they can kind of tell a little bit about what's
20 going on?

21 A. Yeah, they do. My reservoir engineer is
22 usually the person that fiddles with that a little bit
23 more.

24 Q. If you had your druthers, to be correct
25 grammar over here, which direction would you drill this

1 section?

2 A. If I were able to drill this without potash
3 restrictions, I would go north/south.

4 Q. So your well, it went east/west, may be not as
5 good as you wanted it to be?

6 A. But good enough for us to offset it a couple
7 of times, yes.

8 Q. Because your frack job might have went right
9 along your wellbore, instead of transverse to your
10 wellbore?

11 A. Maybe, yeah.

12 EXAMINER JONES: Okay. I can't keep up
13 with you, so I better quit asking questions here.

14 Thank you.

15 MR. BRUCE: That's all I have in this
16 matter or in these cases. But again, I would request
17 that Case 14922 be continued to the January 24th hearing.

18 EXAMINER BROOKS: Okay. Do you have
19 anything further to contribute, Mr. Feldewert?

20 MR. FELDEWERT: No, Mr. Examiner.

21 EXAMINER BROOKS: Very good. Then Case
22 Number 14942 will be continued until --

23 MR. BRUCE: 14922.

24 EXAMINER BROOKS: Somebody made a
25 typographical error. It says, "14942."

1 MR. BRUCE: That's Celero.

2 EXAMINER BROOKS: Okay, that's the Celero.
3 Okay. Let me see. Case Number 14922 will be continued
4 to January 24th for purposes of notice.

5 EXAMINER JONES: And all you're going to
6 do is say, "southwest/southwest," instead of,
7 "southeast/southwest"?

8 MR. BRUCE: Well, yeah.

9 EXAMINER BROOKS: Case Numbers 14921 and
10 14923 will be taken under advisement.

11 If no one has anything further, this docket
12 stands adjourned.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examinee hearing of Case No. 14921, 22 & 23
heard by me on 12-13-12.

David K. Brooks Examiner
Oil Conservation Division

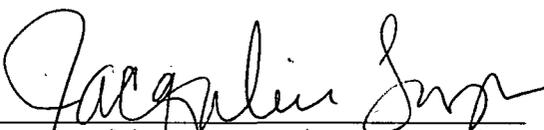
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on December 13, 2012, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

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

WITNESS MY HAND this 24th day of December,
2012.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2012