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

Application of Devon Energy Production Company, LP, for approval of a pilot infill drilling project in the Pictured Cliffs formation in a portion of the Northeast Blanco Unit, and for special well location requirements, Rio Arriba and San Jan Counties, New Mexico.

Case No. 14546

November 18, 2010
8:15 A.M.
Santa Fe, New Mexico

HEARING EXAMINER: RICHARD EZEANYIN
TECHNICAL ADVISOR: DAVID BROOKS

For The Applicant:

JAMES GARRETT BRUCE, Esq.
P.O. Box 1056
Santa Fe, New Mexico 87504
505-982-2043

For ConocoPhillips:

TOM CALLAHAN, Esq.
Santa Fe, New Mexico

REPORTED BY: JAN GIBSON, CCR, RPR, CRR
Paul Baca Court Reporters
500 Fourth Street, NW - Suite 105
Albuquerque, New Mexico 87102

THE WITNESSES: PAGE:

LIST OF EXHIBITS

1. Maps
2. Pilot Infill Area List
3. Offset Owners Maps
4. Affidavit of Notice
5. Order of the Division
6. NEBU Application
7. Township 31 List
8. BLM Letter - 8/31/10

(Note: In session at 8:30.)

HEARING EXAMINER EZEANYIN: We call Case 14546. Application of Devon Energy Production Company, LP for approval of a pilot landfill drilling project in the Pictured Cliffs formation in a portion of the Northeast Blanco Unit and for special well location requirements, Rio Arriba and San Juan counties. Call for appearances.

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

MR. CALLAHAN: Mr. Examiner, I am Tom Callahan of the Santa Fe law firm of Callahan & Callahan. I am appearing this morning on behalf of ConocoPhillips. We have no position and no witnesses.

HEARING EXAMINER EZEANYIN: Any other appearances? Okay. May the witness state your name and stand to be sworn.

MS. WOLDRIDGE: Jan Woldridge.

MR. SINGLETARY: Chris Singletary.

JAN WOLDRIDGE

after having been first duly sworn under oath, was questioned and testified as follows:

EXAMINATION

BY MR. BRUCE

Q. Would you please state your full name for the record?

A. Peggy Janet Woldridge.

Q. Where do you reside?

A. McLoud, Oklahoma.

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

A. I am a senior landman for Devon Energy Corporation.

Q. Have you previously testified before the Commission?

A. Yes, I have.

Q. Were your credentials as an expert petroleum landman accepted as a matter of record?

A. Yes.

Q. Are you familiar with the land matters involved in the application?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I tender Ms. Woldridge as an expert petroleum landman.

HEARING EXAMINER EZEANYIN: She will be so qualified.

Q. Would you is identify Exhibit 1 and describe it for the examiner.

A. This is a plat of the entire northeast

Blanco unit. What you see in yellow is the Pictured Cliffs participating area which is the proposed pilot that we request permission for to drill the PC infill wells. In the outline in blue which sounds this, it shows the Mesa Verde participating area which we will be drilling Mesa Verde PC wills.

Q. To clarify, you are seeking up a pilot infill drilling project?

A. Yes, sir.

Q. The upper quadrant outlined in black and blue is the area that you seek the infill project?

A. Yes.

HEARING EXAMINER EZEANYIN: Which one? I am looking at the yellow. Which is the yellow?

MR. BRUCE: Mr. Examiner, if I could.

Q. First of all, Ms. Woldridge, starting at the very upper right and heading southward it goes around in blue, and then there's a black line taking off to the west and then it goes to the north. Is all that area in the pilot infill drilling project?

A. Yes, it is.

Q. And what is the yellow?

A. The yellow is the Pictured Cliffs participating area.

HEARING EXAMINER EZEANYIN: So then the

remainder on the upper right is part of the project area? But the yellow is the Pictured Cliffs participating area?

THE WITNESS: Yes.

HEARING EXAMINER EZEANYIN: Is that what you are seeking to do on that Pictured Cliff?

THE WITNESS: Yes.

HEARING EXAMINER EZEANYIN: Not this quarter -- not this part here? This is where you are looking at?

THE WITNESS: Yes, that's correct.

HEARING EXAMINER EZEANYIN: I'm sorry, go ahead.

MR. BRUCE: That's okay, Mr. Examiner.

Q. Then you have some blue colors. What is that?

A. The blue color is to indicate where we have paying wells and the Pictured Cliffs PA expansions are pending approval.

Q. And do you, based on other wells you have in the area and other wells that you intend to drill, would you anticipate the yellow area expanding?

A. We would. At this point we probably have four wells, I think, that we have not received well

determinations on, and I think -- you know, so that could be another four quarter sections --

Q. Okay.

A. -- if they are paying wells.

Q. Just to be clear, in the southern portion of the map there's some Pictured Cliffs PAs. These are not involved in the application.

A. That's correct.

Q. And what is Exhibit 2?

HEARING EXAMINER EZEANYIN: Before you leave that area, I see the two blue sections there. Is that where you have the paying wells?

THE WITNESS: Yes, sir.

HEARING EXAMINER EZEANYIN: And they have infill currently? Infill well currently.

THE WITNESS: Not on these two, no. The only infill we have is in Section 19, I believe.

HEARING EXAMINER EZEANYIN: Section 18? I think you have it in Section 18.

THE WITNESS: Yes, yes, you are right.

MR. BRUCE: And the engineer will discuss that infill well.

Q. Is Exhibit 2 simply a legal description of the land in the pilot infill area?

A. Yes, it is.

Q. Now, what are the Pictured Cliffs pool rules?

A. The Pictured Cliff pool rules are that wells spaced on 160 acres with one well per quarter section and the well can be no closer than 660 feet to a quarter section line or closer than ten feet to a quarter quarter section line.

Q. What does Devon seek in this case?

A. It seeks permission to drill two PC wells per quarter section within the entire pilot area. In addition, within the PA, as it may be expanded from time to time, Devon requests it be allowed to drill wells no closer than 660 feet from the outer boundary of the PA and no closer than ten feet to a section, quarter section or quarter quarter section line.

Q. So within the participating area, the yellow and blue areas as it may be expanded, you request not only two wells but you request relief from the well setback requirements?

A. Yes, sir.

HEARING EXAMINER EZEANYIN: From what I heard you say, the well setback currently is 60 feet from the boundary and 10 feet from the quarter quarter section, but what is different from what you

are looking for? What setback do you want? I want to understand that.

MR. BRUCE: Mr. Examiner, what they are looking for, for instance, in the participating area, if it's on the outside of the participating area they want a setback of 660 feet.

HEARING EXAMINER EZEANYIN: From the outside?

MR. BRUCE: From the outside. But if you look at, say, the heart of the interior of the PA, the heart of the PA, they would like to be able to drill wells ten feet from a quarter section line.

HEARING EXAMINER EZEANYIN: Not the interior, the quarter section line?

MR. BRUCE: In other words, they wouldn't have to have a 660 foot setback from the quarter section line.

HEARING EXAMINER EZEANYIN: Within the unit? Okay.

MR. BRUCE: Within the participating area.

Q. And within the participating area Ms. Woldridge, would ownership be uniform?

A. Yes, sir.

HEARING EXAMINER EZEANYIN: Okay. I think you need to state that very clearly, that ownership

is identical in all respects and you want the setback requirement.

Q. Let me ask a couple follow-up questions. Again, when a participating area is formed and then enlarged, all interest ownership, working royalty and overriding royalty ownership is uniform?

A. Absolutely.

Q. And within that participating area, essentially, you want to be allowed to drill wells ten feet off of any quarter section line or section line or quarter quarter section line?

A. That's correct.

HEARING EXAMINER EZEANYIN: And you are asking that because it's identical. That's why you are asking for that?

A. Yes. And that conforms with the same rules with the other PAs, the Mesa Verde as far as the setbacks are concerned.

Q. Now, we are talking about drilling Pictured Cliffs wells, but what Devon is talking about here in this pilot area, they are not stand-alone Pictured Cliff wells, are they?

A. No, the PC wells will be completed as -- the recompletions of existing deeper wells are in connection with new Mesa Verde wells that may be

drilled.

Q. Again, the Mesa Verde participating area covers not only the pilot infill area but virtually almost the entire unit?

A. The entire unit, absolutely.

Q. So with respect to deeper wells, Mesa Verde or Dakota, what are the pool rules in the area?

A. They are spaced on 320 acres with two wells allowed per border section.

Q. So you'd be able to drill -- say a Mesa Verde well, two wells on each quarter section, and if this application is granted you could also complete the PC interval in each of those wells?

A. Yes, that's correct.

HEARING EXAMINER EZEANYIN: Are you also seeking something --

MR. BRUCE: No.

HEARING EXAMINER EZEANYIN: Why are we talking about that now?

MR. BRUCE: It's simply to point out -- there's a couple of things. First and foremost, Mr. Examiner, they are not -- Devon is not going to go drill a Pictured Cliffs well. All the wells it's talking about initially will be deeper wells. And

the Mesa Verde already allows and the Dakota, two wells per quarter section. So this will just allow Devon to complete that Mesa Verde. Even where it already has an existing PC well or PC completion in the quarter section, it will allow it to have another PC completion.

HEARING EXAMINER EZEANYIN: Okay. I see what you are trying to do.

Q (By Mr. Bruce) Ms. Woldridge, topography is important in this area, is it not?

A. Yes, it is.

Q. What is it like?

A. If you refer back to Exhibit 1, you can see the river and you can see the blue outline of the Navajo Lake. The restrictions, the BLM restrictions on the drilling on the property is very, very strict. They prefer that we not have any new surface damage, and we do a very good job of trying to make sure that we don't drill anything new unless we absolutely have to. We try to stay within our limits and they are very particular about what we drill the closer we get to the lake, those kinds of things. We must minimize the surface disturbance and allowing Pictured Cliff completions in the existing wells will do that.

HEARING EXAMINER EZEANYIN: Are the lines on federal or mixed?

THE WITNESS: Federal for the most part, 85 percent federal.

HEARING EXAMINER EZEANYIN: And state or fee?

THE WITNESS: Probably about 5 percent fee, if that.

Q. Next, Exhibit 3. What does that reflect?

A. Exhibit 3 simply shows the position in the San Juan Basin and shows the contiguous federal units to the acreage that's in question. Everything is a federal unit with the exception of to the north you will see to the northwest that one is in Section 2, Four Stars, the operator of the section, and directly to the north of Section 6 in the northeast bumper unit you see Burlington is the operator of that acreage. Both of those are not in federal units.

Q. And were all of the offset operators notified of this hearing?

A. Yes, they were. All the operators were notified.

Q. Is that reflected in the affidavit of notice submitted as Exhibit 4?

A. Yes, it is.

Q. And the Bureau of Land Management and the Oil Conservation Division were notified of the application, were they not?

A. Yes, sir.

Q. Were Exhibits 1 through 4 prepared by you or under your supervision or compiled from company business records?

A. Yes, sir.

Q. Is the granting of the request in interest of conservation and prevention of waste?

A. Absolutely, yes, sir.

Q. I move the admission of Exhibits 1 through 4.

HEARING EXAMINER EZEANYIN: Exhibits 1 through 4 will be admitted.

(Note: Exhibits 1 through 4 admitted)

MR. BROOKS: No questions.

HEARING EXAMINER EZEANYIN: I know you have another witness who can give me more data, but I am hazy on -- I know you mentioned that in the valley you are allowed one well with infill, right? Those are the deep formations. Now when you come up with the Pictured Cliffs, you want to import that to the Pictured Cliffs so you can have one original

well and the one infill in the Pictured Cliffs, right.

THE WITNESS: Yes, sir.

HEARING EXAMINER EZEANYIN: What I am trying to understand is exactly what you are asking for. See, that's why. So that if the other is approved so we can give you exactly what you are asking. That's why I want to ask all these questions. And one of the questions that we come up is in that unit, Blanco Unit, I am aware it has been approved for pilot test and we want to see how that is doing.

MR. BRUCE: The engineer will have data.

HEARING EXAMINER EZEANYIN: So now that I understand that was your idea we can go along with the data. Okay.

MR. BRUCE: I call Mr. Singletary I to the stand.

CHRISTOPHER SINGLETARY

after having been first duly sworn under oath, testified as follows:

EXAMINATION

BY MR. BRUCE

Q. Please state your full name and city of residence.

A. Christopher Singletary. I live in Edmund, Oklahoma.

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

A. Devon Energy and I am a reservoir engineer.

Q. Have you previously testified before the Division as a reservoir engineer?

A. Yes.

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

A. Yes.

Q. Are you familiar with the engineering matters involved in the application?

A. Yes.

MR. BRUCE: I tender Mr. Singletary I as an expert reservoir engineer.

HEARING EXAMINER EZEANYIN: I know you have been admitted. You have a degree in petroleum engineering?

THE WITNESS: I have a degree in mechanical engineering from Louisiana Tech University and I worked as a reservoir engineer for Devon Energy over this project for almost three years now.

HEARING EXAMINER EZEANYIN: You are

registered as a registered professional engineer?

THE WITNESS: No.

HEARING EXAMINER EZEANYIN: That's okay. Go ahead.

Q. First of all, Mr. Singletary, what is Exhibit 5?

A. This is the order from the previous application we made for the pilot recompletion of the NEBU 321 in the Pictured Cliffs so the first of the -- it's a recompletion for an infill PC pilot.

Q. Will you discuss the results of that recompletion in your testimony?

A. Yes.

Q. Why don't you go to Exhibit 6. It's a mass of exhibits stapled together, and why don't you just run through that and tell the examiner why you think infill drilling is needed in this area.

A. Some of this is an overview and a lot of this has been covered previously in the 321 PC application but I thought we needed to at least get back familiar with what was applied for in that case. This first slide just states some things that Jan's testimony already covered, but also that infill pilot was approved in July of 2009 and the well was actually recompleted in September of 2009.

Now the well has been producing for 14 months, has performed very comparably with the offset 160-acre wells and it's produced 200 million cubic feet to date. No interference has been seen with the offset wells to this point.

We also made pressure tests, and I will be showing those to try to justify the rule change. We presented this project to the BLM in July of 2010 and received their letter of support in August of 2010.

The next page there just shows the unit and where it's located within the basin and just gives some general information regarding the Pictured Cliffs or the geology there. It's a shaly sand upper Cretaceous in age, and in our area the main PC interval is 120 to 150 feet thick. There's two PC sands in the area, one we call the upper PC which is 40 to 60 feet thick and a basal fruitland coal interval which is ten to 20 feet thick, and then the main PC interval.

This is the only interval of wells that we are discussing is completed in. They haven't been completed in the upper PC and there's no commingling with the basal coal.

I think I may have said this, but it's

around 3300 feet measured depth, typically is the depth of the sand in this area.

Q. What's the next page?

A. The next page shows the 321 recompletion and it shows the offsets, 223, 241, 224 and 333. The red line shows the distances to the offsets and the ellipses there in yellow represent the calculated drainage areas and are oriented in the direction of our expected frac growth orientation. This is just shown to kind of show you where this is located.

Again, this is stuff that was shown in the original recompletion applications. There's very few wells because of the surface disturbance issues in the unit that have been drilled off pattern with the other wells. So like they tried to drill from the same pad so the Dakota Mesa Verde wells will be drilled basically at the same location as the PC wells. So there's not many places you can do a recompletion that's off pattern and spaced between the existing PC wells to try to get an infill test.

HEARING EXAMINER EZEANYIN: I want you to look at that page where you have 321 and 224, 333. Could you just tell me what it is you are trying to demonstrate with that configuration? I know it

approved for your pilot, but you are trying to demonstrate something there? I want to understand what you are trying to demonstrate.

THE WITNESS: This represents the spacing --

HEARING EXAMINER EZEANYIN: I want you to go slow. We want to understand what you are saying. You prepared this, so go slow and tell me what those surrounding wells -- you indicated in circles what they are doing with each one.

THE WITNESS: The idea here is just to show -- for the recompletion of the 321 the purpose was to have a well that we could cheaply test that was not going to cause any new surface disturbance that would be spaced in such a way that would be similar to where we would drill additional infill PC wells.

So this is the type of spacing, you know, centered among the offsetting 160 PC wells where we would be looking to drill additional Mesa Verde and PC wells. This configuration approximately is what we will be looking when we would come in and drill new infill Mesa Verde PC wells and the type of spacing where those would be.

The drainage ellipses are just intended to

show that based on our calculation, that drainage area was less than 160 acres and that there was additional gas that could be recovered by completing the 321 well.

HEARING EXAMINER EZEANYIN: Okay. You did the calculation?

THE WITNESS: Yes. On the next page I will discuss a little more about how we did that, if that's okay.

HEARING EXAMINER EZEANYIN: Sure.

THE WITNESS: The drainage area calculations were performed based on decline curve EURs being compared to volumetric gas in place calculations. Those were done for 13 wells in the unit where open hole logs were available. So a lot of the wells here only have case still logs and we are not able to do the log analysis necessary to make the gas in place calculations. Those calculations resulted in an average drainage area of 100 acres and a recovery factor of the gas in place in the 160 proration unit of about 50 percent, which is low for this type of production.

Then the decline curve EUR versus that volumetric gas in place calculation showed 40 percent of the gas in place would be recovered from

the wells offsetting the NEBU 321. So we went through in detail in the previous pilot application of the methods used, the shaly sand log analysis method used and then the decline curve estimation methods used to come up with these so, you know, the next table shows --

HEARING EXAMINER EZEANYIN: And the calculation is just that one well, not the infill, right?

THE WITNESS: Yes. The calculations are based on what would be recovered from the existing parent wells.

HEARING EXAMINER EZEANYIN: The 160?

THE WITNESS: That's right. This page just shows what was shown in the NEBU 321 pilot. It shows the four offsetting wells, their cumulative production, what the predicted EUR curves were and the volumetric calculated gas in place for those 160 acre proration units and then what that represents as far as a recovery factor goes. So, you know, on a total, that's what that 40 percent came from.

The next page shows -- the wells with the blue dots are where the volumetric -- the gas -- I'm sorry, the log analysis and the volumetric calculations were performed. Those were the 13

wells that I discussed earlier. So that is kind of the background leading up to this point of the application.

All of my remaining information is the results of the 321 recompletion. So this page shows a rate versus data production graph for the four offsetting 160 acre Pictured Cliffs wells and then also for the 321. The 321 is shown in red, and this shows that the 321 performance has been comparable if not better actually than the offset parent wells.

Also, looking at the character of the decline wells of the parent wells, they have not changed materially, or at least in a way that we can detect, since the 321 has been brought online.

Q. So there was no interference by completing the 321 well?

A. Yes.

HEARING EXAMINER EZEANYIN: 321 is an infill, right?

THE WITNESS: Yes. So the next page just shows another way of showing the same thing, which is to take the production from all of those wells and represented as producing day so they all start on Day 1 and go forward. The 321 well is shown in red and the average of the offset parent wells is

shown in blue.

So what that shows is just that it's performing better than the average of the offset 160-acre wells, the infill wells. And then the actual offset wells are shown in gray. It's performing better than any well except the NEBU 324 which is the only of the original 160-acre wells that has performed better than the 321.

Q. You would not expect that if the NEBU 321 location had been drained by the existing wells?

A. Correct. And one thing here, because we had some shut-ins, it made it difficult to make the comparison. So the next page is just another way of looking at the same thing again. It shows the rate versus Cum production where the 321 is performing as well or better than the offsets.

Q. On the graph, that's the average of all of the offsets? If I look at all of the offset wells?

A. Yes.

HEARING EXAMINER EZEANYIN: The 321 is performing better?

THE WITNESS: Than the average of the offset wells, that's correct. The only one of the offset wells that's performing better than the 321 is the NEBU 324.

HEARING EXAMINER EZEANYIN: Why is that?

A. I think it's quality of the pay. There's some variance in the permeability and net pay of these wells and that determines within some range how they perform. The one that you are looking at now, that's an attempt to smooth out some of the shut-in periods we had with the 321. So it's a rate versus cumulative production graph. So basically it just shows that at the point that these wells reached 200 million cubic feet per day of cumulative production, the 321 is producing at a higher rate than three of the four offset wells. You see it in red there. That's the production -- that's all of the production performance information that I have.

The rest of the information is based on pressure testing that we did. On September 9th of 2009 we checked the initial pressure after perforating the 321 and before the well was fracture-stimulated. We ran bottom hole pressure gauges and monitored for a one-day buildup. The final pressure was 1420 PSI. The pressure was still building, but this is very similar to offset original 160-acre wells in the area where we perform similar tests. And I will show you that again.

Then in October of 2009 the well was shut

in for some shallow -- there had to be a shallow casing squeeze on some of it and also had to be some surface construction and compressor move. So the well was shut in for 35 days at that time. We monitored the surface pressure and the pressure built to 1360 pounds, which translates approximately to 1428 bottom hole pressure. This was after cumulative production of 41 million cubic feet.

Then in March of 2010 we ran bottom hole pressure gauges for an eleven-day pressure buildup test. I made an analysis of the pressure buildup test but there was some uncertainty in getting a really high quality match there. But the pressure test shows the reservoir pressure there was a minimum of 1390 pounds.

Then we made a comparison to an eight-day pressure buildup done at the NEBU 224 in May of 2009 to show that the 224 well had undergone significant depletion and that depletion had not been seen at this point of the NEBU 321.

So the next graph, the rate from the 321 is shown in red and the pressures are shown in black so you can see when the well was shut in, the pressure measurements. That's just to give you an idea over time when the shut-ins occurred and what

those pressure buildup tests looked like.

The next piece of paper shows where we had these initial pressure checks done after perforating and before fracture stimulation, and those wells are shown with the red dots. Actually, one well that did not get highlighted here is the NEBU 335 which is just -- it's in Section 25 in the northeast quarter so that was for some reason an error on the graph.

Anyway, the point here is there's an average of 1500 pounds which was the initial pressure from the wells where this was looked at and a pressure grading of .4 PSI per foot and the 321 had a pressure grading and pressure that was very similar to that, .4314.

Then the last page here just shows a comparison of the bottom hole pressure versus ours from shut-in for the NEBU 321, shut in on March 2010 and the NEBU shut-in after that well accummed 540 million cubic feet. In an eight-day period it built around 350 pounds. A build-up analysis there showed the reservoir pressure to be around 534 pounds.

During that same time period, the 321 built to 700 pounds and, you know, that reservoir pressure from a build-up analysis was a minimum of

1390 pounds.

Q. Again, the NEBU 324 is the best well in the area?

A. Yes.

Q. Real quickly, what is Exhibit 7?

A. Exhibit 7 is just a list of the quarter sections of the possible infill Mesa Verde PC wells that we would like to be able to drill under this pilot project.

Q. So that's where you initially intend to drill Mesa Verde wells and those would be the initial additional PC completions?

A. That's correct.

Q. And finally, did you meet with the Bureau of Land Management regarding your project?

A. Yes.

Q. Was the District Office of the Division invited to that meeting also?

A. Yes.

Q. And what is Exhibit 8?

A. This is their letter of recommendation regarding this project.

Q. And will Devon comply with the terms that the BLM put at the bottom of the letter?

A. Yes.

Q. One final thing regarding this letter. In Paragraph 2 at the bottom, Mr. Singletary, what does the BLM state in its letter regarding the recompletion of existing wells?

A. It says that Devon has expressed to the BLM that the proposed Pictured Cliffs infill development be accomplished by recompleting existing Mesa Verde and Dakota well bores, which are currently being developed on 80-acre effective spacing.

Q. Have you spoken with the BLM about that term existing?

A. Yes. I spoke with Jim Lovato on the phone on November the 8th just to make sure that we were on the same page, and he let me know that he intended existing to mean even new Mesa Verde wells that would be drilled; that they would still intend that would be recompleted. He also said that if there was any questions regarding that, to give him a phone call. I did discuss that with him and he was on the same page that that's what that was intended to mean.

Q. So the BLM isn't limiting it to currently existing wells, it's existing wells plus planned development by Devon?

A. Yes. There's only one other well where you could do another recompletion. So that was never our intent, and I think they understood that at the time and Mr. Lovato confirmed it.

Q. In your opinion, is the granting of the application in the interest of conservation and the reduction of waste?

A. Yes.

Q. And are Exhibits 5 through 8 prepared by you or compiled from company records?

A. Yes.

MR. BRUCE: Mr. Examiner, I tender the admission of Exhibits 5 through 8.

HEARING EXAMINER EZEANYIN: Exhibits 5 through 8 will be admitted.

MR. BRUCE: No further questions of the witness.

MR. BROOKS: No questions.

HEARING EXAMINER EZEANYIN: One more question I have for you. Did you demonstrate with identical communication among those wells? Communication between the wells like 224 -- any communication.

THE WITNESS: No. I have not seen any.

HEARING EXAMINER EZEANYIN: Did you ever

do any calculation to show that there's no communication between the wells, among the wells?

THE WITNESS: The issue with that is because of how tight the formation is, the time to do an interference test would be in like a year's type of time frame with a shut-in. So the basic idea is to analyze existing producing data to try to confirm that instead of a pressure buildup.

HEARING EXAMINER EZEANYIN: Because what they are trying to demonstrate is the basic question that you have a pilot to do 321 and from what 321, you know, is demonstrating it appears that an infill may be necessary. That's why I am asking you whether there's any interference or communication among the wells.

THE WITNESS: We haven't seen any evidence of interference or communication at this point.

HEARING EXAMINER EZEANYIN: Because that would be something that we would have to look at, but if it's not, then we can look at the performance of 321 to see whether we could grant an infill on other wells. Do you understand what I am trying to ask you? It's going to take you a year to do interference to demonstrate that.

THE WITNESS: Yes. The way we try to

demonstrate no interference is occurring is through the analysis of the producing data.

HEARING EXAMINER EZEANYIN: Okay. I would ask that you try to draft what the client wants in this case so we can take a look at it.

MR. BRUCE: I will do that.

HEARING EXAMINER EZEANYIN: Okay. Thank you.

(Note: The case stood adjourned at 9:10.)

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 15566 heard by me on 11/18/15

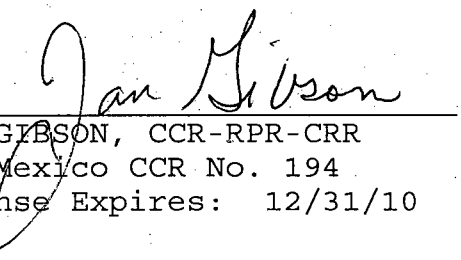
Examiner

Oil Conservation Division

REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, 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 and was reduced to printed form under my direct supervision.

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.



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
License Expires: 12/31/10