

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

6 APPLICATION OF ELEVATION RESOURCES,  
7 LLC FOR A NONSTANDARD SPACING AND  
8 PRORATION UNIT AND COMPULSORY  
9 POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 15087

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 February 20, 2014

13 Santa Fe, New Mexico

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

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18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Richard Ezeanyim,  
20 Chief Examiner, on Thursday, February 20, 2014, at the  
21 New Mexico Energy, Minerals and Natural Resources  
22 Department, 1220 South St. Francis Drive, Porter Hall,  
23 Room 102, Santa Fe, New Mexico.

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

FOR APPLICANT ELEVATION RESOURCES, LLC:

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FOR INTERESTED PARTY EOG RESOURCES, INC.:

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EXHIBITS OFFERED AND ADMITTED

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1 (8:49 a.m.)

2 EXAMINER EZEANYIM: At this point, we're on  
3 page 2. We call Case 15087. This is the application of  
4 Elevation Resources, LLC for a nonstandard oil spacing  
5 and proration unit and compulsory pooling, Lea County,  
6 New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of  
9 Santa Fe representing the Applicant. I have two  
10 witnesses.

11 EXAMINER EZEANYIM: Any other appearances?

12 MR. FELDEWERT: Mr. Examiner, Michael  
13 Feldewert, with the Santa Fe office of Holland & Hart,  
14 appearing on behalf of EOG Resources, Inc., and I do not  
15 have any witnesses here today.

16 EXAMINER EZEANYIM: Any other appearances?

17 All the witnesses have to stand, as you  
18 normally do, and then state your name for the record to  
19 be sworn in.

20 MR. CAUSEY: My name is Gary Causey,  
21 geologist.

22 MR. REECE: My name is Tim Reece, landman.  
23 (Witnesses sworn.)

24 EXAMINER EZEANYIM: You may proceed.

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TIM REECE,

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Mr. Reece, where do you reside?

A. I reside in Midland, Texas.

Q. And who do you work for and in what capacity?

A. I work for Elevation Resources, LLC in the capacity of vice president of land [sic].

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

A. No, sir.

Q. Could you summarize for the Examiner your educational and employment background?

A. Yes, sir. I have a Bachelor of Business Administration from the University of Texas. I graduated in '79. I've been a practicing landman for 33 years.

Prior to forming Elevation last April, I worked for Samson Resources and then Pure Resources-Unocal, and for 16 years for Wagner & Brown, Limited.

Q. Does your area of responsibility at Elevation Resources include this area of southeast New Mexico?

1 A. Yes, sir.

2 Q. And are you familiar with the land matters  
3 involved in this application?

4 A. Yes, sir.

5 MR. BRUCE: Mr. Examiner, I tender  
6 Mr. Reece as an expert petroleum landman.

7 EXAMINER EZEANYIM: Thank you.

8 What was your name?

9 THE WITNESS: Tim Reece.

10 EXAMINER EZEANYIM: Mr. Reece, it's not  
11 good to go to the University of Texas.

12 THE WITNESS: I'm sorry?

13 EXAMINER EZEANYIM: It's not good to go to  
14 the University of Texas.

15 THE WITNESS: (Laughter.)

16 EXAMINER EZEANYIM: I'm sorry. I'm joking  
17 (laughter).

18 You are so qualified.

19 THE WITNESS: I went to Tech for a couple  
20 of years.

21 EXAMINER EZEANYIM: You should have gone to  
22 A & M (laughter). Okay.

23 Q. (BY MR. BRUCE) Mr. Reece, could you identify  
24 Exhibit 1 for the Examiner?

25 A. Exhibit 1 is a plat from the Midland Map

1 Company showing Elevation's acreage in Township 21  
2 South, 34 East. It also shows EOG's interest in the  
3 north half of Section 19, Yates Petroleum's interest in  
4 the north half of Section 19, also.

5 Q. And there is an outline on the map. Is that  
6 for the proposed well?

7 A. Yes, sir, the proposed unit for the Birddog 19  
8 State 1H being the west half of the east half of Section  
9 19.

10 Q. And what do you seek in this case?

11 A. Elevation seeks the approval of 160-acre  
12 nonstandard oil spacing and proration unit in the Bone  
13 Spring Formation comprised of the west half of the east  
14 half of Section 19 and the pooling of the mineral  
15 interests in the Bone Spring Formation.

16 Q. And what is Exhibit 2?

17 A. Exhibit 2 is our APD, and it shows that the  
18 surface location for the well -- proposed well is at 225  
19 feet from the south line and 1,980 feet from the east  
20 line, with the terminus being located 330 feet from the  
21 north line and 1,980 feet from the east line.

22 Q. Go ahead.

23 A. And the producing interval would be an orthodox  
24 location.

25 EXAMINER EZEANYIM: Do you have an idea

1 where it penetrated the formation?

2 THE WITNESS: No, sir. It would be the  
3 legal location in 19.

4 EXAMINER EZEANYIM: Okay. Good.

5 MR. BRUCE: And, Mr. Examiner, the Division  
6 has placed this as a wildcat Bone Spring.

7 EXAMINER EZEANYIM: Is that the name of the  
8 pool?

9 MR. BRUCE: No. I mean, it is a wildcat.

10 EXAMINER EZEANYIM: It is a wild card  
11 [sic]. Okay. Wildcat Bone Spring?

12 MR. BRUCE: (Indicating.)

13 Q. (BY MR. BRUCE) And who do you seek to pool in  
14 this case, Mr. Reece?

15 A. We seek to pool EOG Resources, Inc.

16 Q. And what contacts have you had with EOG?

17 A. We've had several contacts with EOG. On  
18 September 17th, we met with EOG in their offices and  
19 discussed some jointly-owned interests we had in Texas  
20 and also discussed these holdings in Section 19. And we  
21 talked about Elevation wanting to drill a well here.

22 We spoke with Gary Pitts at that time, the  
23 general manager and vice president of EOG, and he  
24 advised at that time they really didn't want to trade  
25 any acreage, which we were trying to do, but EOG would

1 not stand in our way in the drilling of this well in  
2 Section 19. He asked for Elevation to send him an AFE  
3 to review.

4 Then on November 12th, I sent EOG a  
5 proposal and an AFE covering the drilling of the Birddog  
6 19 State 1H, which is marked as Exhibit 3. Elevation  
7 asked EOG to either participate in the well or to  
8 farm out its interests in the northeast quarter of  
9 Section 19 under mutually acceptable terms.

10 Within about a week or two of sending EOG  
11 the AFE, I contacted Pat Tower, their land manager, to  
12 ask what EOG thought of the proposal. And at that time,  
13 he informed me that they had sent it to their New Mexico  
14 team for their input, review and recommendation.

15 On December 11th, I received a phone call  
16 from Matt Phillips, a landman with EOG. He informed me  
17 that the team really had no recommendation and really  
18 didn't know if they wanted to drill a well and wanted to  
19 know if we had any acreage to trade EOG.

20 On January 28th, I had a telephone  
21 conversation Pat Tower, discussed the status of our well  
22 proposal. And at that time, he informed me that EOG was  
23 in the process of trading this acreage to a third party.  
24 And he didn't disclose who the party was at that time  
25 but that the closing was expected to take place shortly

1 for the acreage.

2 Since that time, I've had another  
3 conversation with Pat, and he informed me they were  
4 working a trade with XTO and probably wouldn't close  
5 until the end of the month -- or the end of March.

6 Q. Will you continue to work with EOG or XTO to  
7 try to obtain their voluntary joinder?

8 A. Yes, sir.

9 Q. And if they join in the well, will you notify  
10 the OCD?

11 A. Yes.

12 Q. In your opinion, has Elevation made a  
13 good-faith effort to obtain the voluntary joinder of the  
14 interest owners in the well?

15 A. Yes, sir.

16 Q. Please identify Exhibit 4 and discuss the cost  
17 of the proposed well.

18 A. Exhibit 4 is our AFE that we furnished EOG.  
19 Our estimated costs for the drilling of the well is  
20 \$3,815,000 and a completed well cost of \$8,567,000.

21 Q. Are these costs in line with the cost of other  
22 wells drilled to this depth in this area of New Mexico?

23 A. Yes, sir.

24 Q. And do you request that Elevation be appointed  
25 operator of the well?

1 A. Yes, sir.

2 Q. Do you have a recommendation for the overhead  
3 supervision and administrative expenses?

4 A. Yes, sir. We request \$7,000 a month be allowed  
5 for a drilling well -- 7,000 a month for a drilling well  
6 and 700 allowed for a producing well.

7 Q. And are these amounts equivalent to those  
8 normally charged by operators in this area for wells of  
9 this depth?

10 A. Yes, sir.

11 Q. Do you request that the overhead rates be  
12 adjusted pursuant to the COPAS accounting procedure?

13 A. Yes, sir.

14 Q. And do you request the maximum cost plus  
15 200 percent risk charge if an interest owner does not  
16 consent in the well?

17 A. Yes.

18 Q. And was EOG notified of this hearing?

19 A. Yes, sir.

20 Q. And is that reflected in Exhibit 5?

21 A. Yes, sir.

22 Q. What is Exhibit 6?

23 A. Exhibit 6 is showing the offset owners in  
24 Sections 18 and 19 and 30.

25 Q. Was notice given to these parties?

1 A. Yes, sir.

2 Q. Is that reflected in Exhibit 7?

3 A. Yes, sir.

4 Q. And were Exhibits 1 through 7 either prepared  
5 by you or under your supervision or compiled from  
6 company business records?

7 A. Yes, sir.

8 Q. And in your opinion, is the approval of this  
9 application in the interest of conservation and the  
10 prevention of waste?

11 A. Yes, sir.

12 MR. BRUCE: Mr. Examiner, I'd move the  
13 admission of Exhibits 1 through 7.

14 EXAMINER EZEANYIM: Any objection?

15 MR. FELDEWERT: No objection.

16 EXAMINER EZEANYIM: Exhibits 1 through 7  
17 will be admitted.

18 (Elevation Resources, LLC Exhibit Numbers  
19 1 through 7 were offered and admitted into  
20 evidence.)

21 MR. BRUCE: And I pass the witness.

22 CROSS-EXAMINATION

23 BY MR. FELDEWERT:

24 Q. Mr. Reece, I'm looking at Exhibit Number 1 --

25 A. Yes, sir.

1 Q. -- your map. What is the significance of the  
2 yellow coloring? Is that Elevation's acreage?

3 A. That's Elevation's acreage. Elevation is shown  
4 in yellow. Yates is shown in green, and EOG is shown in  
5 kind of a pinkish color.

6 Q. I noticed you proposed your well in November.

7 A. That's when we sent the AFE to EOG.

8 Q. And when do you plan to drill the well?

9 A. As soon as we can get approval for this pooling  
10 in here, or we would have tried -- we haven't gotten a  
11 rig as of this date because we're concerned that we  
12 would be held up further and then have a commitment for  
13 a rig and have to pay for it. So we're waiting on the  
14 outcome of this.

15 Q. So you don't have a rig scheduled yet?

16 A. No, sir.

17 Q. Do you have any leases expiring?

18 A. First lease expires in January of '15.

19 Q. So you've got plenty of time.

20 Now, you said you were aware that XTO is in  
21 the process of acquiring acreage from EOG?

22 A. Yes.

23 Q. When did you become aware of that?

24 A. Monday.

25 Q. Have you had another chance to visit with XTO

1 about your well proposal?

2 A. It is my understanding they have not yet closed  
3 the deal. Originally, when I talked to Pat and he first  
4 informed me about it, he wouldn't tell me who the party  
5 was. He said he could not disclose who the party was at  
6 that time. That was on January 28th.

7 Q. Right. He's now been able to disclose it to  
8 you?

9 A. Yes, sir.

10 Q. Okay. And he indicated to you that the deal  
11 should close by the end of March?

12 A. That's what he said. Yes, sir.

13 Q. About a month from now?

14 A. Uh-huh.

15 Q. Is there any reason -- would you have any  
16 objection to continuing this to allow the closing to  
17 occur, and then if you wanted to have discussions with  
18 XTO -- let me step back. Is there any reason why you  
19 wouldn't discuss your well proposal with XTO at this  
20 point?

21 A. We would talk to XTO. We don't have a problem  
22 if they want to discuss. At the time, Pat didn't give  
23 me the indication it was okay to really contact them,  
24 but we don't have a problem discussing it and working  
25 with XTO. We just want to drill a well out here.

1 Q. Do you have any problem with continuing this  
2 matter, so you have time to visit with XTO about your  
3 well?

4 A. Yes, sir. We think that would be unfair to us.  
5 We've been trying to drill a well out here for some time  
6 now.

7 Q. I understand. I'm just trying to -- my  
8 understanding is you don't have a rig scheduled and  
9 leases aren't expiring until next year, right?

10 A. In January, but we would like to commence  
11 operations as soon as possible. We've been looking for  
12 a rig. We just haven't committed to a rig. Obviously,  
13 if we committed to a rig and then for some reason we  
14 were delayed here, then we would have to possibly pay  
15 for that rig and not have a unit to go drill on.

16 Q. My only concern is that by the time you would  
17 get to your discussions with XTO, it looks like you may  
18 have a pooling order in place. And I'm just wondering  
19 if there is a reason why you wouldn't be able to  
20 continue the matter for a period of time so you could  
21 visit with XTO about your well proposal.

22 A. Well --

23 EXAMINER EZEANYIM: Excuse me. Let me come  
24 in here. I need to understand what's going on.

25 XTO is not listed as one of the offset

1 operators to be notified. Why are we discussing XTO?  
2 Why are they pertinent to this case? Because you are  
3 talking, but I don't understand. I'm trying to make  
4 sure I follow what you're saying.

5 MR. FELDEWERT: Sure.

6 EXAMINER EZEANYIM: So why are we  
7 discussing XTO in reference to this case?

8 MR. FELDEWERT: XTO is in the process of  
9 acquiring the acreage from EOG, and according to  
10 Mr. Reece, he was told it would close by the end of  
11 March. So XTO is going to be an interest owner in this  
12 acreage, and they have not yet had an opportunity to  
13 visit with XTO about their well proposal.

14 EXAMINER EZEANYIM: But they have not yet  
15 acquired the acreage?

16 MR. FELDEWERT: It has not yet occurred;  
17 that is correct. They are in the process of getting the  
18 paperwork.

19 EXAMINER EZEANYIM: I don't know much about  
20 that. So I just want to know why you want --

21 MR. FELDEWERT: That's the reason,  
22 Mr. Examiner. We're not talking about a long period of  
23 time. We're just talking about the opportunity for them  
24 to sit down with XTO and talk about their well proposal.

25 EXAMINER EZEANYIM: Now I follow.

1                   Okay. Go ahead.

2                   MR. FELDEWERT: That's all the questions I  
3 have.

4                   EXAMINER EZEANYIM: Okay. Good.

5                   What was the answer?

6                   THE WITNESS: I was going to say, well,  
7 even Pat phrased it -- it may not close. So if it  
8 failed to close, then we're just further deferred in  
9 commencing our operations.

10                  MR. BRUCE: Mr. Reece, would you rather  
11 have a party committed to a JOA rather than a forced  
12 pooling order?

13                  THE WITNESS: Yes, sir.

14                  Q. (BY MR. FELDEWERT) Have you sent your JOA to  
15 XTO?

16                  A. XTO doesn't own an interest in this acreage.  
17 And at this time, EOG hasn't consented to do anything,  
18 so there wasn't a reason to send it to them at this  
19 time.

20                  Q. Okay. I understand.

21                  EXAMINER EZEANYIM: Now I understand why  
22 EOG appeared. Right?

23                  MR. FELDEWERT: Uh-huh.

24                  EXAMINER EZEANYIM: I understand now,  
25 because they want to give their interest to XTO. And if

1 XTO acquired it, which we don't know whether they  
2 will -- hopefully they will. But right now, the witness  
3 says they don't have any interest.

4 MR. FELDEWERT: That is correct.

5 EXAMINER EZEANYIM: Yeah. Okay. So in  
6 that case -- that's why I should have gone to law  
7 school, to know most of these things, but I didn't.

8 MR. BRUCE: It's never too late to go back,  
9 Mr. Examiner.

10 EXAMINER EZEANYIM: Oh, no. I couldn't do  
11 that. I'm tired. You can go back, Counselor. I'm not  
12 going back (laughter).

13 MR. BRUCE: (Laughter.)

14 EXAMINER EZEANYIM: I want you to answer  
15 the question: Do you want to continue the case to do  
16 that?

17 THE WITNESS: No, sir.

18 EXAMINER EZEANYIM: Then I will ask you my  
19 questions. I have questions for you.

20 THE WITNESS: Okay. Yes, sir.

21 MR. FELDEWERT: I have no more questions.

22 EXAMINER EZEANYIM: Oh, okay.

23 CROSS-EXAMINATION

24 BY EXAMINER EZEANYIM:

25 Q. You did all the notices the way you're supposed

1 to do, right?

2 A. Yes, sir.

3 Q. And what has happened with this -- Yates went  
4 nonconsent, right, Yates Petroleum? Did you discuss  
5 anything with them, Yates?

6 A. With XTO?

7 Q. Yates Petroleum. Is one of those --

8 A. Oh, Yates. They're an offset operator. We  
9 just sent notice to them of our hearing here today.

10 Q. But they don't have any interest in the units?

11 A. That's correct.

12 Q. Of course, this is -- correct me if I'm wrong.  
13 When a well is named "State," does it automatically mean  
14 it's state land?

15 A. State lands, yes, sir.

16 Q. Do you have an API number in there?

17 A. Yes, sir.

18 MR. BRUCE: It's on Exhibit 2,  
19 Mr. Examiner.

20 EXAMINER EZEANYIM: Exhibit 2.

21 THE WITNESS: Top right.

22 EXAMINER EZEANYIM: Oh, yeah.

23 Q. (BY EXAMINER EZEANYIM) What is the true  
24 vertical depth for this well; do you know?

25 A. Proposed depth is 16,345.

1 Q. No. I'm not talking about measured depth. I'm  
2 talking about true vertical depth.

3 A. I'd have to let the geologist answer that.

4 Q. We still have the geologist. I'm asking too  
5 many questions.

6 Who is going to answer the question on the  
7 AFE? Can you answer the question if I have a question  
8 there?

9 A. Yes, sir. I'll try to answer you.

10 Q. I looked at the AFE. The AFE's about 8 million  
11 in the Bone Spring Formation. Is it because it's  
12 wildcat? Normally -- is that why it's more than what  
13 you have in that Bone Spring Formation?

14 A. We're drilling a horizontal well, would be what  
15 I would think. You know, drilling the horizontal well  
16 is costing it more than -- but -- I guess I can't answer  
17 that question specifically.

18 Q. Yeah. Yeah, you can't. Because there is a  
19 case we just had. It's 5.7 million in the Bone Spring  
20 Formation, TVD of 7,720. So that's something I want to  
21 know. Of course, I know it's -- maybe spend more money  
22 trying to acquire information, which I understand. But  
23 if the area of the Bone Spring is more developed, then  
24 it might cost less. But I wanted -- could the geologist  
25 answer that question? You see my concern?

1 A. (Indicating.)

2 Q. In that other case, it was 5.7 million. Then  
3 the Bone Spring, I get eight-point-something. Remember  
4 now we have the authority to look at the AFE --

5 A. Yes, sir.

6 Q. -- to see whether it's -- you know, who is the  
7 offset operator -- I mean the people who are going to  
8 share in the production there. You see why I'm asking  
9 that question?

10 A. Yes, sir.

11 MR. BRUCE: Mr. Examiner, I think the  
12 geologist could answer it, but if you look at the AFE,  
13 the depth of the well is 11,800 feet, which is about  
14 4,500 -- 4,600 feet deeper than the Devon wells.

15 EXAMINER EZEANYIM: Is that the measured  
16 depth?

17 MR. BRUCE: That is vertical depth.

18 EXAMINER EZEANYIM: Vertical depth is  
19 11,000?

20 MR. BRUCE: 11,800.

21 EXAMINER EZEANYIM: Makes sense to me. And  
22 then the measured depth is about 16,000, right?

23 MR. BRUCE: Yes.

24 EXAMINER EZEANYIM: That makes a little bit  
25 more sense because you have dollar per foot, so -- I

1 need to get that information to see what I need to  
2 write.

3 At this point you may step down.

4 THE WITNESS: Thank you.

5 EXAMINER EZEANYIM: Thank you.

6 Call your next witness.

7 MR. BRUCE: Call Mr. Causey.

8 GARY CAUSEY,

9 after having been previously sworn under oath, was  
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. Mr. Causey, where do you reside?

14 A. I live in Midland, Texas.

15 Q. And who do you work for?

16 A. I work for Elevation Resources, LLC.

17 Q. What is your job there?

18 A. I am vice president of exploration.

19 Q. Have you previously -- by trade, are you a  
20 geologist?

21 A. Yes, I am.

22 Q. Have you previously testified before the  
23 Division?

24 A. No, I have not.

25 Q. Would you please summarize your educational and

1 employment background for the Examiner?

2 A. I have a Bachelor of Science and Master of  
3 Science from Texas Tech University. I have worked 23  
4 years in the oil and gas business. I've worked 15 years  
5 with Unocal in Houston. I've worked roughly eight years  
6 with Samson Resources in Midland, and now I'm with  
7 Elevation Resources.

8 Q. Does your area of responsibility at Elevation  
9 include this portion of southeast New Mexico?

10 A. Yes, it does.

11 Q. And are you familiar with the geology involved  
12 in this case?

13 A. Yes, sir, I am.

14 MR. BRUCE: Mr. Examiner, I tender  
15 Mr. Causey as an expert petroleum geologist.

16 EXAMINER EZEANYIM: Mr. Causey is so  
17 qualified.

18 Q. (BY MR. BRUCE) Mr. Causey, what is Exhibit 8?

19 A. Exhibit 8 is a structure map of the base of the  
20 3rd Bone Spring, and it shows -- I have a little larger  
21 display. What it shows is a simple regional dip to the  
22 south, and it also shows that there are no structural  
23 barriers that we're going to encounter across our  
24 acreage. It also shows the numerous horizontal wells of  
25 the Bone Spring that are oriented north-south.

1 Q. Virtually all the wells in the -- the Bone  
2 Spring wells in this area are stand-up units; are they  
3 not?

4 A. Correct.

5 Q. And what is Exhibit 9?

6 A. Exhibit 9 is a gross isopach of the 3rd Bone  
7 Spring Sand.

8 Q. And in looking at this map, as in the prior  
9 one, again, is the Elevation acreage in yellow?

10 A. Yes, sir.

11 Q. And the EOG acreage is in purple?

12 A. Yes, it is.

13 Q. Go ahead with this map.

14 A. The gross isopach map shows that essentially  
15 across our acreage, the 3rd Bone Spring Sand -- or the  
16 Bone Spring is essentially equivalent across our  
17 acreage.

18 Q. And what is Exhibit 10?

19 A. Exhibit 10 is a cross section, essentially  
20 north-south, that runs across our acreage through our  
21 proposed location, and it shows the Bone Spring Sand and  
22 how they extend across our acreage at that point.

23 Q. Based on Exhibits 9 and 10, is the Bone Spring  
24 continuous across the --

25 A. Yes, it is.

1 Q. And from a geologic standpoint, does the  
2 quarter-quarter section in the well unit contribute more  
3 or less equally to production?

4 A. Yes.

5 Q. And the Examiner usually asks about stand-ups  
6 or lay-downs. Why do you prefer stand-up units?

7 A. Based upon our analysis of the wells in the  
8 area, looking at the EURs of the Bone Spring wells, we  
9 found that -- in looking at wells that went east-west  
10 versus north-south, the better wells were oriented  
11 north-south by up to 50 percent better.

12 Q. Finally, what is Exhibit 11?

13 A. Exhibit 11 is a proposed completion design, and  
14 it is designed to have ten stages with about 3.1 million  
15 pounds of proppant and roughly about 58,000 gallons of  
16 fluid.

17 Q. And, again, the total -- the vertical depth of  
18 this well is approximately 11,800 feet?

19 A. Yes, it is.

20 Q. And from the courses and distances on here, you  
21 can calculate the landing point for the well?

22 A. Yes. It'll be -- the legal location is roughly  
23 825 feet from the south, 1,980 from the east.

24 EXAMINER EZEANYIM: 825?

25 THE WITNESS: 825.

1 EXAMINER EZEANYIM: Oh. 825. Okay.

2 Q. (BY MR. BRUCE) And were Exhibits 8 through 10  
3 prepared by you or under your direction?

4 A. Yes, they were.

5 Q. And was Exhibit 11 compiled from the company's  
6 business records?

7 A. Yes, it is.

8 Q. In your opinion, is the granting of this  
9 application in the interest of conservation and the  
10 prevention of waste?

11 A. Yes, it is.

12 MR. BRUCE: Mr. Examiner, I'd move the  
13 admission of Exhibits 8 through 11.

14 EXAMINER EZEANYIM: Any objection?

15 MR. FELDEWERT: No objection.

16 EXAMINER EZEANYIM: Exhibits 8 through 11  
17 will be admitted.

18 (Elevation Resources, LLC Exhibit Numbers  
19 8 through 11 were offered and admitted into  
20 evidence.)

21 MR. BRUCE: And I pass the witness.

22 MR. FELDEWERT: I have no questions.

23 CROSS-EXAMINATION

24 BY EXAMINER EZEANYIM:

25 Q. Let's stay with the orientation of your wells.

1 You told me that north-south is 50 percent better than  
2 going east-west. Is that what you said?

3 A. Correct.

4 Q. How did you remember that? How do you know  
5 that? How do you know?

6 A. By looking at estimated ultimate recoveries of  
7 the type curve on the east-west wells versus north-south  
8 and estimating an ultimate recovery from each well.

9 Q. And you did those calculations?

10 A. I'm sorry?

11 Q. You did those calculations?

12 A. Our engineering staff did those calculations.

13 Q. It would have been nice if you would have  
14 brought them along, because as you know, I love --

15 A. I do have them.

16 Q. I know you have them, but --

17 A. They're not in an exhibit, but --

18 Q. If you had it, I wouldn't be asking the  
19 question.

20 A. All right.

21 Q. But, you know, what we need to do -- it's not  
22 anything against you or something. It's just my job to  
23 make sure we drill at an orientation that we reduce more  
24 hydrocarbons, not what is more convenient to the  
25 operator. And it is my job to make sure you are doing

1 it right.

2 A. (Indicating.)

3 Q. Let's say that this well produces 50 percent  
4 more, and because of convenience, you want to drill the  
5 one that will give you 50 percent less. Doesn't make  
6 sense. You see what I mean?

7 A. Uh-huh.

8 Q. So we have to get some idea of those things,  
9 you know?

10 MR. BRUCE: Mr. Examiner --

11 Q. (BY EXAMINER EZEANYIM) Next time when you --  
12 you should do those calculations. You know, you should  
13 provide them for me to see them, because I love to see  
14 them. I like very good wells.

15 A. Okay.

16 Q. And I think you do.

17 A. I do, too.

18 Q. And, again, I want to mention that when I get  
19 the gross isopach map, it doesn't really help me a lot.  
20 It does help, but I know people don't really want to do  
21 the net isopach map, which would give me exactly what I  
22 needed to make these decisions. And even if you do your  
23 net -- because I know some of them are confidential  
24 information from your perspective. I mean, I can keep  
25 them confidential, but they help me determine what's

1 going on.

2 EXAMINER EZEANYIM: Okay. This is a  
3 wildcat, right?

4 MR. BRUCE: (Indicating.)

5 Q. (BY EXAMINER EZEANYIM) But you're going to  
6 produce from the 3rd Bone Spring Sand, right? Is that  
7 your target?

8 A. The idea is to drill a pilot hole down to the  
9 3rd Bone Spring to evaluate both, and we'll make the  
10 decision at that point.

11 Q. I heard you mention the 3rd Bone Spring.  
12 That's why I was asking that.

13 A. Yes.

14 EXAMINER EZEANYIM: Any more questions?

15 MR. BRUCE: No, sir.

16 EXAMINER EZEANYIM: At this point, Case  
17 15087 will be taken under advisement.

18 Let's take about a ten-minute break and  
19 we'll come back about 9:30.

20 (Case Number 15087 concludes, 9:18 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. 15087  
heard by me on 2/20/14  
[Signature], Examiner  
Oil Conservation Division

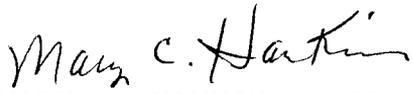
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3  
4 CERTIFICATE OF COURT REPORTER

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

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

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

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