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2 ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

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8 Porter Hall
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10 Santa Fe, New Mexico

11 TRANSCRIPT OF PROCEEDINGS

12 CASE NO. 15478

13 APPLICATION OF MATADOR PRODUCTION COMPANY FOR A
14 NON-STANDARD SPACING AND PRORATION UNIT, UNORTHODOX WELL
15 LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

16 CASE NO. 15479

17 APPLICATION OF MATADOR PRODUCTION COMPANY FOR A
18 NON-STANDARD SPACING AND PRORATION UNIT, UNORTHODOX WELL
19 LOCATION, AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

20 CASE NO. 15480

21 APPLICATION OF MATADOR PRODUCTION COMPANY FOR A
22 NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
23 POOLING, LEA COUNTY, NEW MEXICO

24 BEFORE: WILLIAM JONES, Lead Examiner
25 SCOTT DAWSON, Examiner
DAVID K. BROOKS, Legal Examiner

REPORTED BY: DEBRA ANN FRIETZE
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1 EXAMINER JONES: On these Matador cases, do
2 you want to combine them?

3 MS. KESSLER: Yes, Mr. Examiner.

4 EXAMINER JONES: Okay. At this time let's
5 call Case Number 15478 and Case Number 15479 and Case
6 Number 15480, application of Matador Production Company
7 for a non-standard spacing and proration unit,
8 unorthodox well location in Case Numbers 15478 and 15479
9 and compulsory pooling, Lea County, New Mexico.

10 Call for appearances, please.

11 MS. KESSLER: Mr. Examiner, Jordan Kessler,
12 of the Santa Fe Office of Holland & Hart, on behalf of
13 the applicant.

14 EXAMINER JONES: Any other appearances?

15 MS. KESSLER: I have two witnesses today,
16 Mr. Examiner.

17 EXAMINER JONES: Was this the case that Jim
18 Bruce made an appearance in?

19 MS. KESSLER: No. That was the COG case.

20 EXAMINER JONES: Okay. Will the witnesses
21 please stand, and will the court reporter swear the
22 witnesses?

23 [At which time Jeff Lierly and James
24 Andrew Juett were duly sworn under
25 oath.]

1 JEFF LIERLY

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

4 DIRECT EXAMINATION

5 BY MS. KESSLER:

6 Q. Mr. Lierly, can you please state your name for
7 the record and tell the Examiner by whom you're employed
8 and in what capacity?

9 A. Jeff Lierly. I'm a Senior Landman at MRC
10 Energy Company. I'm working in the Delaware Basin.

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

13 A. Yes, I have.

14 Q. Were your credentials as a petroleum landman
15 accepted and made a matter of record?

16 A. Yes, they were.

17 Q. Are you familiar with the applications filed in
18 this case?

19 A. Yes, I am.

20 Q. And are you familiar with the status of the
21 land in the subject area?

22 A. Yes, I am.

23 MS. KESSLER: Mr. Examiners, I would tender
24 Mr. Lierly as an expert in petroleum land matters.

25 EXAMINER JONES: Okay. Your name is in the

1 prehearing statement. Mr. Lierly is so qualified.

2 Q. (By Ms. Kessler) Mr. Lierly, please turn to
3 Exhibit 1 and identify what Matador seeks under these
4 consolidated applications.

5 A. This is a Midland map that shows the aerial
6 extent that we propose to form three 240-acre
7 non-standard spacing units that would be attributed to
8 our Mallon 27 Fed Com 1H, 2H and 3H wells.

9 We're seeking to pool all uncommitted
10 working interest owners in the Bone Spring formation.
11 And for the 1H and 2H, we're also seeking non-standard
12 spacing -- or non-standard locations due to the pool
13 rows.

14 Q. When are these wells scheduled to be drilled?

15 A. Right after the lesser prairie chicken season.
16 So I think the first one in July, like early July, and
17 then August and September.

18 Q. Please turn to Exhibit 2 and identify this
19 exhibit for the Examiners.

20 A. This is the C-102 plat for our Mallon 27 Fed
21 Com Number 1H Well. Again, we are seeking to establish
22 a 240-acre non-standard spacing unit, and it will be
23 comprised of the east half/east half of Section 27 and
24 the east half southeast quarter of Section 22, 19 South
25 and 34 East.

1 Q. Has the Division designated a pool for this
2 project area?

3 A. Yes. This is in the Lea, Bone Spring Pool.

4 Q. And is that Pool Code 37570?

5 A. Yes, it is.

6 Q. Are there special rules for the Lea, Bone
7 Spring Pool?

8 A. Yes. It's 80-acre spacing for oil wells, and
9 then each well has to be located within 150 feet of
10 each -- the quarter four section lines. So we're
11 seeking to apply for statewide 330-foot setbacks.

12 Q. Which would be considered an unorthodox
13 location under the Lea, Bone Spring Pool, correct?

14 A. Yes, that's correct.

15 Q. And that location will be a completed interval
16 of 330 feet from the outer boundary of the spacing unit?

17 A. Yes, ma'am.

18 Q. Please turn to Exhibit 3 and identify this
19 exhibit.

20 A. This is the C-102 plat for the Mallon 27 Fed
21 Com Number 2H well. Again, a 240-acre non-standard
22 spacing unit comprised of the west half/east half of
23 Section 27 and the west half southeast quarter of
24 Section 22.

25 Again, we're seeking to apply for a ' or

1 unorthodox location for the state-wide rules.

2 Q. And that would be because this pool is also
3 placed in the Lea, Bone Spring Pool; is that correct?

4 A. That's correct.

5 Q. Please turn to Exhibit 4 and identify this
6 exhibit.

7 A. It's the C-102 plat for the Mallon 27 Fed Com
8 Number 3H well, another 240-acre ' spacing unit
9 comprised of the east half/west half of Section 27 and
10 the east half southwest quarter of Section 22.

11 We originally applied for an unorthodox
12 location but have since found that it's no longer
13 necessary because the pool rules for this are 330-foot
14 setbacks.

15 Q. The Division has designated this project area
16 as the Quail Ridge Bone Spring South Pool; is that
17 correct?

18 A. Yes, that's correct.

19 Q. And that is subject to state-wide rules?

20 A. Yes.

21 Q. So 330-foot setbacks would be standard under
22 those rules, correct?

23 A. Yes.

24 Q. Are all three of these wells within federal
25 lands?

1 A. Yes, they're all comprised of two federal
2 leases.

3 Q. Does Exhibit 5 identify the interest owners for
4 the proposed project area for the Mallon 1H well?

5 A. Yes. This is an ownership breakdown on a tract
6 basis and on the 240-acre project basis showing
7 ownership. The uncommitted interest owners are
8 highlighted in yellow and bolded, and the committed
9 interest owners are not highlighted.

10 We actually have reached agreements with
11 Magnum Hunter Production, Inc., and Keith McKamey on
12 this well, so the total committed interests are close to
13 about 88 percent.

14 Q. So you no longer seek to pool those two
15 entities, correct?

16 A. That's correct.

17 Q. Are the uncommitted interest owners working
18 interests?

19 A. Yes, they're all working interest owners.

20 Q. Does Exhibit 6 identify Matador's interest in
21 the parties whom you seek to pool for the 2H well?

22 A. Yes, it does. It's again an ownership plat on
23 a tract-and-unit basis. And similar to the 1H, we have
24 reached agreements with Keith McKamey and Cimarex or
25 Magnum Hunter Production, so we no longer seek to pool

1 their interests, bringing the total committed interest
2 to approximately 88 percent.

3 Q. Do you seek to pool the remaining interest
4 owners highlighted in yellow?

5 A. Yes, we do.

6 Q. And does Exhibit 7 identify the interest owners
7 in the Mallon 2H well?

8 A. Yes. And we have reached an agreement with
9 Magnum Hunter Production for this well, as well, so our
10 committed interests are closer to 98 2/3 for this well.

11 Q. Is that the only remaining party for the 3H
12 well to pool, would be Nadel and Gussman; is that
13 correct?

14 A. Yes, that's correct.

15 Q. Turning to Exhibit 8, is this a sample of the
16 well proposal letter that you sent to uncommitted
17 interest owners for the 1H well?

18 A. Yes. This is the well-proposal letter that we
19 sent to all working interest owners at the beginning of
20 this year.

21 Q. On what date was this letter sent?

22 A. At approximately January 5th, 2016.

23 Q. And did you include an AFE with this letter?

24 A. Yes, we did.

25 Q. What is Exhibit 9?

1 A. This is the well-proposal letter that we sent
2 for the Mallon 27 Fed Com Number 2H well. It's all
3 working interest owners, and it was also sent around the
4 same time, January 6th, 2016.

5 Q. Did it also include an AFE?

6 A. Yes, it did.

7 Q. And Exhibit 10, what is that?

8 A. This is the initial well-proposal letter that
9 we sent for the Mallon 27 Fed Com Number 3H well. And
10 it was also sent on January 6th, 2016, and accompanied
11 by an AFE.

12 Q. Did Matador subsequently update the costs on
13 the AFE and send letters and the revised AFE to interest
14 owners for each of the three wells?

15 A. Yes, we did.

16 Q. Are those exhibits included as 11, 12 and 13?

17 A. Yes. Eleven is the letter that we sent with
18 updated AFE to the Mallon Fed Com 1H well; 12 is the
19 letter with updated AFE for the 2H; and then 13 is a
20 letter with updated AFE for the 3H well.

21 Q. Are the costs reflected on the revised AFE
22 consistent with what operators have insured for drilling
23 similar holes on the wells in the area?

24 A. Yes.

25 Q. And for each of the three wells, has Matador

1 estimated overhead administrating costs for drilling the
2 well and also producing it?

3 A. Yes. 7,000 a month while drilling, and 700 a
4 month while producing.

5 Q. Are these costs similar to what other operators
6 charge for similar wells in the area?

7 A. Yes, they are.

8 Q. And do you ask that the administrative and
9 overhead costs be incorporated into any order resulting
10 from this hearing?

11 A. Yes, we do.

12 Q. Do you ask, as well, that it be adjusted in
13 accordance with COPAS Accounting Procedures?

14 A. Yes, we do.

15 Q. With respect to uncommitted interest owners for
16 each of the three wells, do you request that the
17 Division impose a 200 percent risk penalty?

18 A. Yes, we do.

19 Q. In addition to sending these well proposal
20 letters and revised letters to each of the parties, what
21 additional efforts have you undertaken to reach a
22 voluntary agreement?

23 A. We've made phone calls. We've had a number of
24 email discussions, conversations, verbal conversations
25 with a lot of people. There are a few people that I

1 think we're pretty close to reaching agreements with.

2 There were a few parties that we were
3 unable able to locate, and we used public and
4 subscription-based search engines to try to find updated
5 addresses and provide additional mailings to those
6 addresses, so we've kind of exhausted everything that we
7 had at our disposal.

8 Q. And did you publish notice of this hearing?

9 A. Yes, we did.

10 Q. Are Exhibits 14, 15 and 16 notices that were
11 published for the Mallon 1H, 2H and 3H respectively?

12 A. Yes, they are.

13 Q. Did you identify the offset operators or
14 interest owners in the 80-acre tract surrounding those
15 non-standard units?

16 A. We did. In fact, we noticed the offset
17 operators and offset interest owners in the surrounding
18 80 acres for all three wells, even though we
19 subsequently found out that it was only necessary for
20 80-acre spacing for the 1H and 2H and 40-acre for the 3H
21 well.

22 Q. And that would have been the affected parties
23 for your request for an unorthodox location; is that
24 correct?

25 A. Yes, that's correct.

1 Q. Is Exhibit 17 an affidavit prepared by my
2 office with attached letters providing notice of this
3 hearing to the pooled parties and the affected parties
4 and offsets?

5 A. Yes, it is.

6 Q. Were Exhibits 1 through 16 prepared by you or
7 compiled under your direction and supervision?

8 A. Yes, they were.

9 MS. KESSLER: Mr. Examiner, I'd move
10 admission of Exhibits 1 through 17.

11 EXAMINER JONES: Exhibits 1 through 17 are
12 admitted.

13 [Exhibits 1 through 17 admitted.]

14 EXAMINER DAWSON: I just have a couple of
15 questions.

16 These wells are mile-and-a-half horizontal
17 wells. It looks like they're all going from south to
18 north?

19 THE WITNESS: Yes, sir. The surface oil
20 locations will all be located in Section 27 and then the
21 bottom oil locations in Section 22.

22 EXAMINER DAWSON: Okay. Do you know who
23 owns the north half of Section 22, 19 South, 34 East?

24 THE WITNESS: I believe it's unleased BLM
25 tracts. But off the top of my head, that's my best

1 guess. I'd have to go through and double-check that.

2 EXAMINER DAWSON: You've been drilling
3 mile-and-a-half long laterals in this area?

4 THE WITNESS: This will be the first that
5 our company has, but a number of other companies have
6 drilled similar wells.

7 EXAMINER DAWSON: So the mile and a half
8 seemed to be more economic than the mile-long laterals?
9 That's why you're proposing it?

10 THE WITNESS: That's beyond my knowledge.
11 We've got, you know, a leasehold that provides for that,
12 and a large percentage of the working interest owners
13 are agreeable to this form of development. But as to
14 the economics, I just handle the land matters.

15 EXAMINER DAWSON: On the AFE, I was looking
16 at the AFEs. And the revision of your AFE went from 8.9
17 million to 7.7 million; is that correct?

18 THE WITNESS: Yes, sir.

19 EXAMINER DAWSON: And it looked like it was
20 mostly due to the reduction in the completion costs of
21 the wells?

22 THE WITNESS: I believe most of it was due
23 to lower service costs.

24 EXAMINER DAWSON: Okay. So the completion
25 of frac stages and stuff, they didn't change? It was

1 just due to the lower service company costs; is that
2 true?

3 THE WITNESS: I believe that's the case.

4 EXAMINER DAWSON: That's all the questions
5 I have. Thank you.

6 THE WITNESS: Certainly.

7 EXAMINER JONES: I have one.

8 I guess George Mallon gave up on this area
9 a little too soon.

10 THE WITNESS: I take it so.

11 EXAMINER JONES: And the Lea, Bone Spring
12 with 80-acre spacing units; is that correct?

13 MS. KESSLER: Correct.

14 EXAMINER JONES: You're putting together a
15 project area of spacing units. So which direction are
16 these 80-acre spacing units, or how are they already
17 oriented?

18 THE WITNESS: They would be north to south.

19 EXAMINER JONES: Just north/south?

20 MS. KESSLER: Yes.

21 EXAMINER JONES: I didn't know if there was
22 an existing vertical well that might have been where you
23 defined a spacing unit.

24 THE WITNESS: I believe in one of the wells
25 there had been -- or one of the proposed project

1 areas -- I think it's the 2H there -- there had been a
2 vertical well that produced, but it's no longer
3 producing anymore.

4 EXAMINER JONES: So it released -- if it's
5 been zoned abandoned, it releases its spacing. As long
6 as it's been abandoned, that's all, officially.
7 Otherwise, it's still got that spacing.

8 Anyway, if you find out different, let me
9 know. But you're in a hurry for these, I take it?

10 THE WITNESS: We are trying to make pretty
11 quick timelines. But the good thing is we've got the
12 majority of the working interests on board. And I think
13 for the 3H, that we're pretty close to where we may not
14 need to worry about a pooling order.

15 MS. KESSLER: In which case, we'll notify
16 the Division.

17 EXAMINER JONES: Okay. So your biggest
18 non-signed owner is Chevron?

19 THE WITNESS: In the 1H and 2H, they've got
20 approximately just under 7 percent on each one of those
21 wells. So we've had numerous discussions with them on
22 JOA negotiations, but we still haven't received any
23 indication as to whether or not they would even like to
24 participate. So they've kind of been a little slow to
25 respond.

1 EXAMINER JONES: Do you think it's because
2 the people you're talking to have been told not to
3 participate, or the people you're talking to have been
4 laid off?

5 THE WITNESS: They did indicate that they
6 were going through some reduction in staff, so I don't
7 know if that has impacted their ability to make
8 decisions.

9 Again, we've told them that we would
10 continue to try to work out an agreement with them even
11 after the date of this hearing.

12 EXAMINER JONES: Okay.

13 THE WITNESS: So we've expressed that to
14 all uncommitted working interest owners, that we'll
15 continue to try work out an agreement with you in good
16 faith. But at some point in time, we have to rely on a
17 pooling order because we do have a timeline to maintain.

18 EXAMINER JONES: Your other offer of terms
19 say 100 to 300. The 300 is a penalty for not --

20 THE WITNESS: That would be the 200 percent
21 additional -- that would be the 100 percent cost plus
22 the 200 percent risk penalty.

23 EXAMINER JONES: Okay. So that's what your
24 operating agreement in the area would say also?

25 THE WITNESS: Yes, sir.

1 EXAMINER JONES: Okay. I don't have any
2 more questions. Mr. Brooks?

3 EXAMINER BROOKS: No questions.

4 EXAMINER JONES: Thank you.

5 EXAMINER BROOKS: Oh, I do have something,
6 not for the witness.

7 You said you would notify us about the
8 spacing unit in the --

9 MS. KESSLER: I said that I would notify
10 you in the event that it's different than what the
11 testimony has reflected.

12 EXAMINER BROOKS: Yeah, because we -- since
13 we have only one type of spacing units and we are
14 adhering to the principle that we don't have spacing
15 units overlap, and we don't have separate horizontal and
16 vertical well spacing units in this pool, as we may do
17 in some of the future pools, we can't do a standup
18 horizontal -- we can't do a horizontal non-standard
19 spacing unit based on standup units if there's an
20 existing ADA or laydown in the middle of it.

21 MS. KESSLER: Right. Mr. Examiner, it
22 sounds like because production no longer exists from the
23 vertical well, that spacing --

24 EXAMINER BROOKS: If that zone has been
25 plugged, then there would be no problem.

1 MS. KESSLER: Right.

2 And I would also reiterate, Mr. Examiner,
3 that Mr. Lierly testified that as to the 3H well,
4 there's no longer a request for unorthodox well
5 location. We are dismissing that portion of the
6 application only as to the 3H well.

7 EXAMINER JONES: Yeah. It actually didn't
8 say in the docket request for maybe -- that's
9 interesting. Because it didn't say it in the bolded
10 sentence, but it does say it down below. Okay.

11 Thank you for saying that.

12 JAMES ANDREW JUETT

13 having been previously sworn under oath,
14 was questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MS. KESSLER:

17 Q. Can you please state your name for the record
18 and tell the Examiners by whom you're employed and in
19 what capacity?

20 A. Yes. My name is James Andrew Juett. I'm
21 employed by MRC Energy Company, an affiliate of Matador
22 Production Company, as a senior geologist.

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

25 A. Yes, I have.

1 Q. Were your credentials as a petroleum geologist
2 accepted and made a matter of record?

3 A. Yes, they were.

4 Q. Are you familiar with the applications filed by
5 Matador in this case?

6 A. Yes, I am.

7 Q. And have you conducted a geologic study of the
8 area?

9 A. Yes, I have.

10 MS. KESSLER: I would tender Mr. Juett as
11 an expert in petroleum geology.

12 EXAMINER JONES: He is so qualified.

13 Q. (By Ms. Kessler) Could you please turn to
14 Exhibit 18 and identify this exhibit for the Examiners?

15 A. Yes. Exhibit 18 is just a simple locator map
16 to show where our Mallon project area is in Lea County,
17 New Mexico.

18 Q. And that would be the orange --

19 A. Yes, the orange is the project area that is on
20 the maps that you'll see in future exhibits, and the
21 three little green outlines are the locations of the
22 wells in that project area.

23 Q. What is Exhibit 19?

24 A. Exhibit 19 is a structure map on the -- Sub C
25 structure map on the top of the third Bone Spring sand.

1 It shows the locations of the Mallon 1, 2 and 3H in the
2 yellow, surrounded by red boxes. It also shows the
3 control that was used -- or the purple attributes on
4 this map.

5 The red attributes are wells that are
6 currently -- horizontal wells that are currently
7 producing out of the third Bone Spring in the area.

8 The structure shows the third Bone Spring
9 is gently dipping to the south/southwest, and there
10 doesn't appear to be any geologic impediments or faults
11 in the area.

12 Q. Did you prepare a cross-section of the logs to
13 determine the relative thickness and porosity of the
14 third Bone Spring sand in this area?

15 A. Yes, I did. And also, that line of
16 cross-section is on the structure map, as well, as
17 designated as AA prime.

18 Q. And those wells are depicted in Exhibit 20?

19 A. Yes.

20 Q. This exhibit shows a cross-section of the wells
21 in this area; is that correct?

22 A. Yes, ma'am.

23 Q. Can you discuss this exhibit briefly?

24 A. Yes. This is a cross-section that's hung on
25 the top of the third Bone Spring sand. It shows the

1 character of the sand to be fairly contiguous and
2 uniform across the area that we intend to drill these
3 three wells.

4 It shows the porosity is fairly continuous
5 across the area, and it also shows the interval that we
6 intend to land our well by the bold red line that's on
7 the map.

8 Q. What is Exhibit 21?

9 A. Exhibit 21 is a gross thickness isopach of the
10 third Bone Spring sand in this area. What this shows is
11 that we expect through all three of these locations, to
12 have a fairly uniform thickness of sand, and that we
13 should have at least 350 feet gross thickness of the
14 interval across this section.

15 Q. What conclusions have you drawn, based on your
16 geologic study of this area?

17 A. There should be no impediments to drilling a
18 horizontal well. Each corner quarter section should be
19 productive in the third Bone Spring formation, and that
20 horizontal drilling should be a most effective way to
21 drill and produce these wells and provide for the
22 greater EUR of these wells.

23 Q. Can you please identify Exhibits 22, 23 and 24?

24 A. Yes. Exhibit 22 is a construction diagram for
25 the 1H well, 23 is a construction diagram of the 2H

1 well, and 24 is a construction diagram of the 3H well.

2 These diagrams show our surface oil
3 locations and our first take points and last take points
4 and show that we intend to drill no closer than 330 to
5 the lease lines.

6 Q. So once again, the 1H and 2H wells will be at
7 unorthodox locations, and the 3H well will be at an
8 orthodox location?

9 A. Yes.

10 Q. In your opinion, will the granting of Matador's
11 applications be in the best interest of conservation for
12 the prevention of waste and the protection of
13 correlative rights?

14 A. Yes.

15 Q. Did you prepare Exhibits 18 through 24?

16 A. Yes, I did.

17 MS. KESSLER: Mr. Examiner, I would move
18 admission of Exhibits 18 through 24.

19 EXAMINER JONES: Exhibits 18 through 24 are
20 admitted.

21 [Exhibits 18 through 24 admitted.]

22 EXAMINER JONES: Mr. Dawson?

23 EXAMINER DAWSON: Good morning, Mr. Juett.
24 I have a few questions.

25 On your cross-section, you have the center

1 well in there as the Chesapeake Shogun Federal?

2 THE WITNESS: Yes, sir.

3 EXAMINER DAWSON: Is that a third Bone
4 Spring well?

5 THE WITNESS: This is. That is the
6 previous well that we had talked about. It was P&Ad in
7 2010, at the very end of 2010. It actually did have
8 perms from 10,806 to 10,856, which is the interval that
9 our red line is going through there.

10 It also, in that same completion, had perms
11 in the second Bone Spring sand, so it produced out of
12 the second and third Bone Spring sand at the same time.

13 EXAMINER DAWSON: Do you know what the
14 cumulative production was on that well?

15 THE WITNESS: Yes, sir. It was about
16 103,000 barrels, and 43 million cubic feet of gas came
17 out of that.

18 EXAMINER DAWSON: And in your
19 cross-section, it looks like that well, which has the
20 same target and it produced from the same zone, it looks
21 like it has roughly an 8 to 10 percent porosity. Is
22 that what you're calculating?

23 THE WITNESS: Yes, sir. Well, the
24 highlighted red is greater than 8 percent porosity. So
25 it has on here -- it's probably 10 to 12 percent

1 porosity.

2 EXAMINER DAWSON: And on your Exhibits 22,
3 23 and 24, it looks like the -- when I look at that well
4 path that you had, are these going to be toe down or toe
5 up?

6 THE WITNESS: They're going to be toe up.
7 We're drilling south to north and drilling updip.

8 EXAMINER DAWSON: I would assume that you
9 get better production from a toe-up well. Is that your
10 take?

11 THE WITNESS: We would like to think the
12 gravity helps us out when we're doing that, so yes, sir.

13 EXAMINER DAWSON: That's all the questions
14 I have, Mr. Juett. Thank you.

15 THE WITNESS: Thank you.

16 EXAMINER JONES: So you put gas lift
17 systems in?

18 THE WITNESS: We have a combination in our
19 wells out here. Sometimes we gas lift, and sometimes we
20 put ESPs down hole. It depends on the well and the
21 pressure in what we do.

22 EXAMINER JONES: How much volume of water
23 do you think you'll make? Like much water per barrel of
24 oil are you looking for?

25 THE WITNESS: I'm not exactly sure what

1 we're going to do on those. We have a system where the
2 engineers look at downhole pressures and decide if ESP
3 or gas lift is better. But as far as actual water
4 production, I do not know.

5 MS. KESSLER: So they do an IPR curve when
6 completed?

7 THE WITNESS: Yes, sir. And based on the
8 Shogun well, it made 23,000 barrels for the 103,000
9 barrels of oil. So it's a fairly low water -- oil/water
10 rate -- or high oil/water ratio.

11 EXAMINER JONES: Is that water in the third
12 Bone Spring pretty salty or -- any differences between
13 that and the waters in the other Bone Springs uphold?

14 THE WITNESS: We see more differences in
15 the water produced down in the first Bone Spring, but
16 the second and third are a little closer to the same.

17 EXAMINER JONES: Okay. You're getting down
18 low in the third Bone Spring, so you're moving right on
19 down to the Wolfcamp; is that right, or Abo? No Abo in
20 this area?

21 THE WITNESS: No Abo. But we are going to
22 be, looking at this, probably 75 to 100 feet above the
23 top of the Wolfcamp in the way we had it designated.

24 EXAMINER JONES: Thank you very much.

25 THE WITNESS: You're welcome.

1 EXAMINER JONES: Mr. Brooks, do you have
2 any questions?

3 MR. BROOKS: No questions.

4 THE WITNESS: Okay.

5 EXAMINER JONES: Is that it, these three
6 cases?

7 MS. KESSLER: Yes. I'd ask that these
8 consolidated cases be taken under advisement.

9 EXAMINER JONES: Case Numbers 15478, 15479
10 and 15480 are all three taken under advisement.

11 [The proceedings concluded at 11:11 a.m.]

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1 STATE OF NEW MEXICO.
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

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11 I, DEBRA ANN FRIETZE, New Mexico Certified Court
12 Reporter No. 251, do hereby certify that I reported the
13 foregoing proceeding in stenographic shorthand and that
14 the foregoing pages are a true and correct transcript of
15 those proceedings and was reduced to printed form under
16 my direct supervision.

17

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

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DEBRA ANN FRIETZE
Certified Court Reporter No. 251
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