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

April 14, 2016  
1:16 p.m.  
Wendell Chino Building  
Porter Hall  
1220 S. St. Francis Drive  
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

CASE NO. 15465

APPLICATION OF ENDURANCE RESOURCES LLC TO FOR A SPECIAL  
DEPTH BRACKET ALLOWABLE FOR THE WC-025 G-05 S253523H;  
DELAWARE POOL, LEA COUNTY, NEW MEXICO

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

REPORTED BY: DEBRA ANN FRIETZE  
PAUL BACA COURT REPORTERS  
500 4th Street, NW, Suite 105  
Albuquerque, New Mexico 87102

**Page 2**

1                    A P P E A R A N C E S

2

3            For the Applicant:

4                    HOLLAND & HART

5                    110 North Guadalupe, Suite 1

6                    505.988.4421

7                    jlkessler@hollandhart.com

8                    BY: JORDAN LEE KESSLER

9

10            WITNESSES	PAGE
11            Jason South	3
12            Randall Harris	13
13            Manny Sirgo	25

14

15            EXHIBITS	ADMITTED
16            1 through 2	8
17            3 through 10	32

18

19            REPORTER'S CERTIFICATE	43
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20

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22

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**Page 4**

1            Division?

2                    A. Yes, ma'am, I have.

3                    **Q. Were your credentials as a petroleum landman**

4                    **accepted and made a matter of record?**

5                    A. Yes, they were.

6                    **Q. Are you familiar with the application that's**

7                    **been filed on behalf of Endurance in this case?**

8                    A. Yes, I am.

9                    **Q. And are you familiar with the status of the**

10                    **lands and the subject portion of the WC-025 G-05**

11                    **S253523H Delaware Pool?**

12                    A. Yes, I am.

13                    **Q. Will you understand if I refer to that as the**

14                    **Wildcat Delaware Pool?**

15                    A. Yes, I will.

16                    MS. KESSLER: I will tender Mr. South as an

17                    expert witness in petroleum land matters.

18                    EXAMINER JONES: He is qualified as an

19                    expert in petroleum land matters.

20                    **Q. (By Ms. Kessler) Mr. South, can you briefly**

21                    **summarize what Endurance seeks under this application?**

22                    A. Yes. Endurance is seeking to increase the

23                    depth bracket allowable for all oil wells drilled within

24                    the Delaware Wildcat Pool.

25                    **Q. What are the current applicable rules for this**

**Page 3**

1                    EXAMINER JONES: Case Number 1545,

2                    application of Endurance Resources, LLC, for a special

3                    depth bracket allowable for the -- I want to say Wildcat

4                    Delaware Pool, Lea County, New Mexico.

5                    Call for appearances.

6                    MS. KESSLER: Jordan Kessler, from the

7                    Santa Fe Office of Holland and Hart, on behalf of the

8                    applicant.

9                    EXAMINER JONES: Any other appearances?

10                    MS. KESSLER: I have two witnesses today or

11                    three witnesses today. I apologize.

12                    [At which time Jason South, Randall Harris

13                    and Manny Sirgo were sworn under oath.]

14                    JASON SOUTH

15                    having been previously sworn under oath,

16                    was questioned and testified as follows:

17                    DIRECT EXAMINATION

18                    BY MS. KESSLER:

19                    **Q. Please state your name for the record and tell**

20                    **the Examiners by whom you're employed and in what**

21                    **capacity.**

22                    A. My name is Jason South. I work for Endurance

23                    Resources, LLC, and I serve as land manager for the

24                    company.

25                    **Q. Have you previously testified before the**

**Page 5**

1                    **Wildcat Pool?**

2                    A. About a 40-acre spacing and 330-foot setbacks.

3                    **Q. And what is the current depth bracket**

4                    **allowable?**

5                    A. 230 barrels of oil per day.

6                    **Q. When was this pool created?**

7                    A. This pool was created in 2009 by Chesapeake.

8                    They successfully drilled the Dinwiddie 23 Federal 1

9                    Well in Section 23, 25 South, 35 East. And that well is

10                    now owned by Chevron, as it will be referenced in

11                    Chevron and other exhibits.

12                    **Q. Are the perforations for that well between**

13                    **8,443 and 8,492 feet?**

14                    A. Yes, they are.

15                    **Q. As a result, did the Division set the depth**

16                    **bracket allowable for the range of 8,000 feet to 8,999**

17                    **feet?**

18                    A. Yes, that's correct.

19                    **Q. So that would be 230 barrels of oil per 40-acre**

20                    **spacing, correct?**

21                    A. Yes, that's correct.

22                    **Q. What is the TD for Endurance's current well?**

23                    A. It's 8,897.

24                    **Q. What has the Division granted as a -- or has**

25                    **the Division granted a test allowable for this Endurance**

**Page 6**

1 **well?**  
 2 A. Yes, they did.  
 3 **Q. And what is that allowable?**  
 4 A. It was a 60-day test allowable of just whatever  
 5 the well produced during that timeframe.  
 6 **Q. Could you please identify Exhibit 1?**  
 7 A. Yes. So Exhibit 1 shows the pool boundaries  
 8 for the Delaware Wildcat Pool, which consists of the  
 9 west half of Section 16, the southeast quarter Section  
 10 16, the south half of Section 15, the north half -- or  
 11 the northeast quarter Section 22, and the north half of  
 12 Section 23, which is all in 25 South, 35 East.  
 13 And that is represented by the hashmarks on  
 14 the Exhibit 1 plat. And the red line marks the 1 mile  
 15 boundary around the pool.  
 16 **Q. Are the green dots with the thinner red lines,**  
 17 **I guess, is that the current Endurance producing well?**  
 18 A. Yes. The White Falcon is our current producing  
 19 well, and that's located in the west half, west half of  
 20 Section 16.  
 21 **Q. And Chevron's Dinwiddie Well is also marked on**  
 22 **this exhibit?**  
 23 A. Yes. And that's located in the northeast  
 24 quarter of Section 23.  
 25 **Q. What is the current production of Endurance's**

**Page 8**

1 MS. KESSLER: I would move admission of  
 2 Exhibits 1 and 2.  
 3 EXAMINER JONES: Exhibits 1 and 2 are  
 4 admitted.  
 5 [Exhibits 1 and 2 admitted.]  
 6 EXAMINER JONES: Scott, do you want to  
 7 start?  
 8 EXAMINER DAWSON: So the Chesapeake  
 9 originally drilled the wells that are currently owned by  
 10 Chevron?  
 11 THE WITNESS: Yes, sir, they did, in 2009.  
 12 EXAMINER DAWSON: 2009? Do you know how  
 13 much that well has produced? That might be a  
 14 question --  
 15 THE WITNESS: I don't. Yes, it's coming  
 16 up. They have all that data.  
 17 EXAMINER DAWSON: Okay. That's all the  
 18 questions I have. Thank you.  
 19 EXAMINER JONES: This mile boundary around  
 20 it, was there any other -- what are we, Bone Spring  
 21 here, Delaware -- were there any other Delaware pools in  
 22 that mile radius or mile boundary around it?  
 23 THE WITNESS: I'm honestly not sure on  
 24 that. I know there's a Javelina/Delaware pool, but I'm  
 25 not sure where that lines up with this acreage.

**Page 7**

1 **well?**  
 2 A. Right now, it's currently about -- average,  
 3 about 900 barrels a day.  
 4 **Q. And is that due to compliance with the depth**  
 5 **bracket allowable?**  
 6 A. Yes, ma'am.  
 7 **Q. So it's been throttled back?**  
 8 A. Yes, absolutely.  
 9 **Q. And does Endurance plan to call a geologist and**  
 10 **engineer to discuss the production from this well?**  
 11 A. Yes, we do.  
 12 **Q. What notice did Endurance provide of this**  
 13 **application?**  
 14 A. We sent notice to all the operators that are  
 15 located within this pool, as well as all of the  
 16 operators located within the mile radius of the pool.  
 17 **Q. Are you aware of any objections to this**  
 18 **application?**  
 19 A. No, ma'am.  
 20 **Q. Is Endurance Exhibit 2 an affidavit, with**  
 21 **letters prepared by my office, providing notice of this**  
 22 **hearing to the parties that you described?**  
 23 A. Yes, that is correct.  
 24 **Q. And did you prepare Exhibit 1?**  
 25 A. Yes, we did.

**Page 9**

1 EXAMINER JONES: Okay. I'll have to ask  
 2 David here, but we're going to end up with special pool  
 3 rules for a pool that's still a wildcat. If we gave it  
 4 a name, it would be, you know, creating it as a  
 5 nomenclatured pool. It would have the same pool code  
 6 and the same everything.  
 7 MS. KESSLER: That's correct, Mr. Examiner.  
 8 I believe that the nomenclature hearing would need to be  
 9 initiated by Paul Koutz.  
 10 EXAMINER JONES: Okay. So our district  
 11 geologist -- well, we've had people come up and bring  
 12 their own nomenclature, at least for contractions and  
 13 expansions. I'm not sure about creation of a pool.  
 14 EXAMINER BROOKS: I don't remember if we've  
 15 had such presenting or not. There's nothing in the  
 16 rules prohibiting that. Anybody can file an  
 17 application. That's the general provision of the first  
 18 rule on the applications, whatever the number. I can't  
 19 remember the numbers. They change them every little  
 20 while anyway. But --  
 21 MS. KESSLER: We were under the  
 22 impression --  
 23 EXAMINER BROOKS: -- the question is: Can  
 24 we adopt special pool rules for a pool that does not  
 25 exist, in terms of nomenclature, having been created by

**Page 10**

1 nomenclature orders?  
 2 And I think the answer has got to be yes  
 3 because of the way we operate. We can put whatever  
 4 conditions need to be put in the order about what will  
 5 happen if this pool is not officially created at some  
 6 point in time.  
 7 I think that we have got so many pools that  
 8 have been created by district geologists and have not  
 9 yet been approved by nomenclature orders that I think we  
 10 would be disabled to do our business if we didn't  
 11 proceed on applications like this.  
 12 EXAMINER JONES: Okay. What I hear you two  
 13 saying is that we could go ahead with this. But in  
 14 order to actually create the pool, it would need to  
 15 actually be a formal application at a hearing.  
 16 MS. KESSLER: Well, I think that the pool  
 17 has been created. If you look at the -- if we can turn  
 18 to the C-102 at some point. It's not contained in the  
 19 exhibits, but the C-102 for the subject Endurance well  
 20 has a wildcat designation with that long WC dash name  
 21 and also a pool code associated with it. So --  
 22 EXAMINER BROOKS: However, there is not an  
 23 order on the books that creates this pool --  
 24 MS. KESSLER: That's correct.  
 25 EXAMINER BROOKS: -- and the Oil and Gas

**Page 11**

1 Act gives the Division the power to create pools. It  
 2 doesn't say the district geologist can create pools.  
 3 That's a creation of delegation of duty. So I still  
 4 contend that unless and until this pool is created, its  
 5 status is different from that of pools that have been  
 6 created by Division or Commission orders.  
 7 But I believe that in order to properly  
 8 administer the system we have in place, that we should  
 9 recommend to the Director that he, in this case,  
 10 assuming we don't have some other reason not to grant  
 11 the application, establish special pool rules for this  
 12 pool that provisionally exists to become effective or  
 13 when and if this pool is confirmed to exist.  
 14 Well, no. Not to become effective. To  
 15 become the pool rules for this pool when and if it is  
 16 determined to exist.  
 17 For the meantime, it would be provisional  
 18 rules for a pool that has been designated, but has not  
 19 yet been adopted. You know, I'm thinking out of the box  
 20 a little bit on this, but I think we to have be  
 21 practical.  
 22 EXAMINER JONES: Yeah.  
 23 EXAMINER BROOKS: When nobody objects, you  
 24 know, we can (speaking Spanish) when there's a contested  
 25 proceeding.

**Page 12**

1 EXAMINER JONES: And the pool code is the  
 2 same, whether we end up changing the name to something  
 3 intelligible or not.  
 4 MS. KESSLER: Correct. And as long as  
 5 those rules are provisionally in place, I think that  
 6 satisfies what we're looking for.  
 7 EXAMINER BROOKS: I would assume when the  
 8 pool is created, that it would given a different name.  
 9 You know, it would be good if we had some way to keep  
 10 track of proceedings like this so that in the  
 11 nomenclature order, we could note the existence of those  
 12 pools -- of these special pool rules so that people  
 13 would be able to know what's going on without searching  
 14 through every order we've ever issued.  
 15 EXAMINER JONES: It sounds like you would  
 16 rather it have been advertised as a nomenclature  
 17 hearing?  
 18 EXAMINER BROOKS: Well, I think it would  
 19 have been -- I think it would have made things more  
 20 orderly if applicants would ask -- if they want special  
 21 pool rules, would ask for a nomenclature designation at  
 22 the time.  
 23 But I don't think anybody that practices  
 24 here would be likely to know that, because you and I  
 25 know more about these things than most of the people in

**Page 13**

1 the world, and we kind of need to take charge here.  
 2 EXAMINER JONES: Okay. I don't think I  
 3 have any more questions. Thank you very much.  
 4 THE WITNESS: Thank you.  
 5 MS. KESSLER: I'll call our next witness,  
 6 please.  
 7 RANDALL HARRIS  
 8 having been previously duly sworn under oath,  
 9 was questioned and testified as follows:  
 10 DIRECT EXAMINATION  
 11 BY MS. KESSLER:  
 12 **Q. Would you please state your name for the record**  
 13 **and tell the Examiners by whom you are employed and in**  
 14 **what capacity?**  
 15 A. My name is Randall Harris. I'm a geologist for  
 16 Endurance Resources, LLC, and also the Vice President of  
 17 Exploration.  
 18 **Q. Have you previously testified before the**  
 19 **Division?**  
 20 A. Yes, I have.  
 21 **Q. Were your credentials as a petroleum geologist**  
 22 **accepted and made a matter of record?**  
 23 A. Yes, they were.  
 24 **Q. Are you familiar with the application filed on**  
 25 **behalf of Endurance in this case?**

1 A. Yes, I am.  
 2 **Q. And are you familiar with the geology in this**  
 3 **Wildcat Delaware Pool?**  
 4 A. Yes, I am.  
 5 MS. KESSLER: I tender Mr. Randall as an  
 6 expert in petroleum geology.  
 7 EXAMINER JONES: Mr. Harris is so  
 8 qualified.  
 9 MS. KESSLER: I'm sorry, Mr. Harris.  
 10 **Q. (By Ms. Kessler) Why does Endurance seek to**  
 11 **increase the authorized producing rates for this pool?**  
 12 A. We're seeking a greater allowable because the  
 13 formation itself is capable of it. We're in a very  
 14 unique situation, with a closed stratigraphic sand trap  
 15 not affecting any of the Delaware and the surrounding  
 16 areas. So just on that basis alone, we think it  
 17 deserves its own pool rules.  
 18 Plus the oil saturation is totally  
 19 different than any other Delaware in the immediate  
 20 vicinity for the same reason.  
 21 **Q. Is the sand also thicker in this area than**  
 22 **you've seen in other areas surrounding?**  
 23 A. Yes. One specific sand, the sand that I've  
 24 been tracking, the sand that we have actually completed  
 25 in.

1 we deal with, and we have a little broad trending nose  
 2 going south/southwest.  
 3 **Q. And why is the oil saturation higher in this**  
 4 **particular area?**  
 5 A. The oil saturation is higher. And really, I  
 6 need to go to the next map, if that would be all right?  
 7 **Q. Sure. Let's turn to Exhibit 4.**  
 8 A. Exhibit 4 is an isopach or an iso pay map of  
 9 the specific sand that I have been chasing in the area.  
 10 Throughout this area, you'll see that the  
 11 sand itself is anywhere from 12 feet thick, 18 feet  
 12 thick to the south, 14 to the west, 13 feet to the  
 13 north. However, across this generalized area, the  
 14 greener and the more yellow it gets, it gets thicker.  
 15 We have seen it as high as 69-foot thick. And it's one  
 16 specific sand so far, and that's the target sand.  
 17 The sand in placement has to do with  
 18 residual structures of the top of the Bone Springs.  
 19 There was a little residual structure sitting here at  
 20 one time. That's before basin rotation and tilt  
 21 residual mapping. The sands would have been coming in  
 22 and piled up against this low-lying structure and formed  
 23 an actual dune.  
 24 So we now, at the time of creation of our  
 25 submarine sand dune, we've got it thin on both sides,

1 The sands as a whole unit over the lower  
 2 Delaware doesn't change much due to valley filling and  
 3 differential compaction things that in the State's  
 4 approval are uniform, but individual sands do vary a  
 5 lot.  
 6 **Q. Okay. Can you please identify and review**  
 7 **Exhibit 3?**  
 8 A. Exhibit 3 is -- well, it's a combination of  
 9 things. Number one, it is a structure map on the Lower  
 10 Brushy Canyon on a 20-foot contour interval.  
 11 On this map you'll also see adjacent lines  
 12 from the previous map, the red outline of the 1-mile  
 13 area around the pool, then you'll see the pool outline.  
 14 And the two wells that are in the pool, being the White  
 15 Falcon and this Chevron Dinwiddie Well, that's the only  
 16 two wells within the current pool. All the hashmarked  
 17 acreage is acreage that is operated by Endurance  
 18 Resources.  
 19 **Q. What do you observe with respect to the**  
 20 **structure in this area?**  
 21 A. The structure, we're coming off of the ridge  
 22 separating the Midland Basin into the Delaware Basin,  
 23 coming off a very, very high slope. And we are sloping  
 24 to the southwest, which -- southeast -- no, southwest.  
 25 I'm sorry. It's backwards from most of the basin that

1 thick in the middle, thick on the north, or to the north  
 2 and south. So we're thinning all the way around us. So  
 3 we actually have an isolated sand dune approximately  
 4 2/12 miles long, a mile and a half wide, and downdip is  
 5 in every direction at the time of deposition.  
 6 And that's very important, because later  
 7 you'll see that one of our wells is only about a 20  
 8 percent oil cut, while our center well is about 50. But  
 9 that's because the oil was then placed prior to basinal  
 10 rotation and tilt, stratigraphically in-place oil.  
 11 **Q. Can you turn to Exhibit 5 and review this**  
 12 **exhibit?**  
 13 A. Exhibit 5 and Exhibit 6 are both  
 14 cross-sections. The map that you see the cross-section  
 15 AA prime and BB prime on Exhibit 6 is exactly the same  
 16 map that we just discussed. It's a thickness map of  
 17 that particular sand.  
 18 What Exhibit 5 is is a south-to-north  
 19 cross-section crossing where we go from a pretty skinny  
 20 sand, 20-some-odd feet thick, up to the thicker part of  
 21 the Coachman, the center part of the thick being 69 feet  
 22 thick, all the way up to the Fez Fee 18, when it's back  
 23 to another 12-foot-thick sand.  
 24 It's just demonstrating how rapidly the  
 25 sand thins, thickens and thins back out in the

1 north/south direction.  
 2 The next cross-section, which is 6, is an  
 3 east/west cross-section depicting the exact same  
 4 interval hanging on top of our pay sand. But this one  
 5 does take -- it goes from west to east, with the east  
 6 following up on the Chevron Dinwiddie Well, which is  
 7 within the pool.  
 8 **Q. Are there red sections on these -- the red**  
 9 **marks on these cross-sections, are those where these**  
 10 **wells have been perforated?**  
 11 A. Yes. On the cross-sections themselves, if  
 12 there was a red mark in the Delaware, that is where they  
 13 were perforated and completed.  
 14 And most of the wells to the south of this,  
 15 the Ragin Cajuns, the Rattlesnakes, the Madera, all  
 16 those are perforated in a higher interval of the Lower  
 17 Brushy Canyon. Very seldom do they ever even audit the  
 18 whole -- this thin sand member where it's thick in our  
 19 area.  
 20 **Q. After reviewing the geology in this area, do**  
 21 **you believe that there is a higher oil saturation due to**  
 22 **the stratigraphic tract?**  
 23 A. Oh, definitely. We see it in our production.  
 24 **Q. So this has resulted in higher production**  
 25 **with --**

1 is an Avalon Bone Springs well.  
 2 EXAMINER DAWSON: Okay. Is that a -- oh,  
 3 that's a horizontal --  
 4 THE WITNESS: Correct.  
 5 EXAMINER DAWSON: And then the Rattlesnake  
 6 Federal 6, is that in the northwest corner of Section  
 7 16?  
 8 THE WITNESS: Yes, sir, it is.  
 9 EXAMINER DAWSON: Or is that 15 -- or 17?  
 10 I'm sorry.  
 11 THE WITNESS: 15.  
 12 EXAMINER DAWSON: It would be in 16 or 17,  
 13 right? It's kind of hard to see on this map.  
 14 THE WITNESS: Yes, it is.  
 15 EXAMINER DAWSON: That's not on your  
 16 acreage, is it?  
 17 THE WITNESS: No, it's not on it. Our  
 18 acreage is only the hashmarks.  
 19 EXAMINER DAWSON: Okay. So that must be  
 20 over on 17 in Section 17?  
 21 THE WITNESS: We have all these written  
 22 down.  
 23 MR. SOUTH: I think it's 13.  
 24 THE WITNESS: Yeah, 13, section 13.  
 25 EXAMINER DAWSON: Section 13? 13 is east

1 A. Yes. Higher production, lower water  
 2 saturations, higher oil saturations.  
 3 **Q. And do you believe that this extends more or**  
 4 **less across the current boundaries of the Wildcat**  
 5 **Delaware Pool?**  
 6 A. Yes, it does, and it extends further south,  
 7 also. It's going to follow the main sand trend, as I  
 8 have it currently mapped -- I believe it should follow  
 9 as I currently have them mapped in thickness.  
 10 **Q. In your opinion, will the granting of this**  
 11 **application be in the best interest of conservation for**  
 12 **the prevention of waste and the protection of**  
 13 **correlative rights?**  
 14 A. Yes, I do.  
 15 **Q. Were Exhibits 3 through 6 prepared by you?**  
 16 A. Yes.  
 17 EXAMINER DAWSON: Mr. Harris, on your  
 18 Exhibit 5, AA prime cross-section, the first well on  
 19 that cross-section is up in -- is that in the northwest  
 20 corner of Section 9? Is that where that Madera 24,  
 21 Federal 2H --  
 22 THE WITNESS: Yes, that's correct.  
 23 EXAMINER DAWSON: In that well, they never  
 24 perforated that --  
 25 THE WITNESS: No, no. That's in the -- it

1 of there, isn't it?  
 2 THE WITNESS: The Rattlesnake Federal  
 3 Number 6?  
 4 EXAMINER DAWSON: Yes.  
 5 THE WITNESS: Section 13.  
 6 EXAMINER DAWSON: Section 13? Oh, okay.  
 7 Is that well producing from the same zone?  
 8 THE WITNESS: No, sir. It's producing from  
 9 and upper and lower zones. The Rattlesnake itself, if  
 10 you'll look at the cross-section, there are three sets  
 11 of perforations noted. And yes, one of perforations are  
 12 within this sand interval. But there's 100 feet above  
 13 it, and there's another set 100 feet below it.  
 14 This was a lateral that transversed 200  
 15 feet, so we just had to classify everything as  
 16 productive.  
 17 EXAMINER DAWSON: Okay. Is that well still  
 18 producing, or do you know?  
 19 THE WITNESS: Yes, it's still producing.  
 20 EXAMINER DAWSON: But that's not on your  
 21 acreage?  
 22 THE WITNESS: No. It's three miles away.  
 23 EXAMINER DAWSON: Okay. I believe that's  
 24 all the questions I have. Thank you.  
 25 EXAMINER JONES: I guess you said dune

1 deposits, submarine dune deposits; is that correct?  
 2 THE WITNESS: Yes.  
 3 EXAMINER JONES: These would be on a shelf  
 4 before the dropoff into the deep part of the ocean?  
 5 THE WITNESS: This is actually right next  
 6 to the lift going onto the Midland shelf, yes. We are  
 7 on within a mile of shelf material versus basal  
 8 material.  
 9 EXAMINER JONES: Okay. So if you move  
 10 further out, you get the deep, calm waters that would be  
 11 low-energy environments. So this is kind of a gradation  
 12 also, so you end up with some porosity --  
 13 THE WITNESS: Yes.  
 14 EXAMINER JONES: -- in the sands?  
 15 Okay. It looks like you want to drill all  
 16 these wells just like that Coachman fee.  
 17 THE WITNESS: Yes, sir.  
 18 EXAMINER JONES: Drill the good ones. Can  
 19 you see that on seismic or something?  
 20 THE WITNESS: We don't have seismic across  
 21 the area. I think you should be able to because it is a  
 22 clean sand, and it is separated by some high-organic  
 23 shales above it and below it, so it's possible to be  
 24 able to map the sand seismically.  
 25 EXAMINER JONES: Okay. Was it sourced by

1 less crossover. And it's been tried, and your water  
 2 saturations are down about 15 percent, 18 percent, while  
 3 as you get more and more of the crossover, your water  
 4 cut drops and your oil test goes up. However, your gas  
 5 volume, your gas/oil ratio, stays about the same. It  
 6 doesn't change much.  
 7 EXAMINER JONES: Okay. I don't have any  
 8 more questions.  
 9 EXAMINER BROOKS: Do you have a plane to  
 10 catch?  
 11 THE WITNESS: No. I'm here all week.  
 12 EXAMINER BROOKS: Are these wells producing  
 13 in excess of their allowables now?  
 14 THE WITNESS: No. We were curtailed to the  
 15 allowables.  
 16 EXAMINER BROOKS: I'm still concerned about  
 17 memorializing all this in a proper manner, and I'm  
 18 wondering how seriously you would be discommoded by an  
 19 additional four weeks' delay.  
 20 MS. KESSLER: My understanding is quite  
 21 seriously, because they have cut back significantly on  
 22 their allowable in order to comply with what we were  
 23 initially requested by the Division to do, which was to  
 24 create -- to seek an exception to the allowable.  
 25 When we briefly discussed nomenclature

1 the shales above and below, do you think?  
 2 THE WITNESS: Yes. Those are pretty highly  
 3 organic shales. We've taken cores in several places.  
 4 There's a 50-foot shale above it. And as you can see,  
 5 there's anywhere from 30 to 90 feet of shale below it.  
 6 And then you go right into the Avalon of the Bone  
 7 Springs, so that's a good source bed. So all the  
 8 sourcing is probably with 100, 200 feet of the sand  
 9 placement.  
 10 EXAMINER JONES: Okay. So the gas  
 11 production, did you -- I know we'll talk to the  
 12 geologist about that.  
 13 Did you look at it, and do you see gas on  
 14 the logs here?  
 15 THE WITNESS: Yes. In fact, when mapping  
 16 the sand, I only used crossover neutron density for  
 17 determining if it is a productive part of the sand or  
 18 not.  
 19 EXAMINER JONES: Oh, wow. So you run it on  
 20 lime matrix?  
 21 THE WITNESS: I run on lime matrix, yes,  
 22 sir.  
 23 EXAMINER JONES: And there's a big reason.  
 24 Because as soon as you get out, you still remain -- have  
 25 some of the same porosity, but you're running less and

1 issues, we were basically just told to seek a higher  
 2 allowable.  
 3 EXAMINER BROOKS: Yeah. And like I say,  
 4 I'm concerned about how we're going to handle this. But  
 5 go ahead and do your last witness, and then we'll talk  
 6 about it.  
 7 MS. KESSLER: Okay.  
 8 MANNY SIRGO  
 9 having been previously sworn under oath,  
 10 was questioned and testified as follows:  
 11 DIRECT EXAMINATION  
 12 BY MS. KESSLER:  
 13 **Q. Please state your name for the record and --**  
 14 A. My name is Manny Sirgo. I'm Vice President of  
 15 Operations for Endurance.  
 16 **Q. And have you previously testified before the**  
 17 **Division?**  
 18 A. Yes, I have.  
 19 **Q. Were your credentials as a petroleum engineer**  
 20 **accepted and made as matter of record?**  
 21 A. Yes.  
 22 **Q. Are you familiar with the application filed on**  
 23 **behalf of Endurance?**  
 24 A. I am.  
 25 **Q. And are you familiar with the reservoir and the**

1 **subject portion of the Wildcat Delaware Pool?**  
 2 A. Yes, I am.  
 3 MS. KESSLER: I would tender Mr. Sirgo as  
 4 an expert in petroleum engineering.  
 5 EXAMINER JONES: He is so qualified.  
 6 **Q. (By Ms. Kessler) Could you please identify**  
 7 **and review Exhibit 7?**  
 8 A. Exhibit 7 is a daily plot of the Endurance  
 9 White Falcon Well. The well basically came on  
 10 production January 2nd of this year, first oil  
 11 production.  
 12 Paul granted us a test allowable for the  
 13 first 60 days, which we basically determined that was a  
 14 period we could recover all of our load and able to  
 15 watch the well's oil cut during that period.  
 16 So during that period, if you'll look on  
 17 the graph from basically January 1st to March 1st, the  
 18 top green line is the actual daily production. No, I'm  
 19 sorry. It's the second green line. As you'll see, it  
 20 leveled off at about 1,500 barrels a day.  
 21 The top green line I want to point to is  
 22 the oil cut. You'll see right there at the end, before  
 23 we cut the well back for the allowable, the well had  
 24 actually -- was still increasing. We had gotten as high  
 25 as a 52 percent oil cut. And then you'll see right at

1 productivity. I think that, as Randall pointed out,  
 2 it's principally due to -- we just have a mass of sand  
 3 in this location.  
 4 We saw no evidence that we were pulling the  
 5 well hard. The well has maintained the same GOR since  
 6 we cut it back. And as far as the four weeks, you know,  
 7 it's 500 barrels a day is what we're basically asking  
 8 for, over and above what we're producing today. So it's  
 9 not insignificant.  
 10 EXAMINER BROOKS: I'm sorry?  
 11 THE WITNESS: You know, the current  
 12 allowable is 230, whereas it's going to go to -- I think  
 13 it's 340, which amounts to about 500 more barrels a day  
 14 than we're getting to produce right now.  
 15 EXAMINER BROOKS: Yeah, that is a  
 16 significant amount of money. But the real concern, I  
 17 think, is will it harm the wells? And I don't know if  
 18 you're qualified to speak to that. I know choking back  
 19 wells sometimes does, but that's about the extent of my  
 20 technical knowledge on this subject.  
 21 THE WITNESS: The only thing I've seen is  
 22 that we see a slightly lower oil cut as we continue to  
 23 slow the well down. So I wouldn't want to stay in that  
 24 mode, you know, forever, obviously.  
 25 EXAMINER BROOKS: Any longer than

1 March 1st where this well is on ESP.  
 2 So the black line at the top, that's your  
 3 hertz, 65 hertz, 60 hertz. And then you'll see where we  
 4 dropped the hertz to 43 on the well to dial it back.  
 5 The big solid black line you see running  
 6 across the graph, that's the current allowable, 920  
 7 barrels a day. So you can see our production has  
 8 come -- from the month of March, I think we averaged 913  
 9 barrels for the month of March.  
 10 The other thing I think that's  
 11 significant -- and we talked with Paul about this, and  
 12 Anchor as well at the State Office -- is the GOR curve,  
 13 which actually kind of overlays that black allowable  
 14 line. Even at the higher rates of production, the GOR  
 15 never changed. It stayed about 900. You know, we never  
 16 saw any kind of increase in gas, like we were pooling  
 17 the well too hard.  
 18 EXAMINER BROOKS: Which exhibit are you  
 19 looking at?  
 20 EXAMINER DAWSON: Exhibit 7.  
 21 EXAMINER BROOKS: Seven? Okay, thank you.  
 22 I'm sorry. Go ahead.  
 23 THE WITNESS: So anyway, I think the big  
 24 takeaways for the White Falcon, you know, the level of  
 25 productivity, for one, is substantial, sustained

1 necessary, right?  
 2 THE WITNESS: Right.  
 3 **Q. (By Ms. Kessler) And currently you mentioned**  
 4 **you're choking back from approximately 1,500 barrels a**  
 5 **day to approximately 920?**  
 6 A. 920 is the allowable, so we averaged 913 in  
 7 March.  
 8 **Q. What is Exhibit 8?**  
 9 A. So with regard to the Dinwiddie, this exhibit  
 10 has the Dinwiddie production on it versus the White  
 11 Falcon. It's the daily oil rate scale on the left. The  
 12 Dinwiddie well is noted in blue.  
 13 You'll see the daily rate for the Dinwiddie  
 14 really never got above 10 barrels a day during the first  
 15 200 days of production. The EUR for the well is only  
 16 projected to be about 11,000 barrels.  
 17 Do you remember Randall's description about  
 18 when it was originally sourced? Things were actually  
 19 downdipped from where our sand pile is, so the water  
 20 cuts higher. It's only about a 16 percent oil cut over  
 21 here on the flank.  
 22 **Q. And you're approximately 50 percent oil cut; is**  
 23 **that right --**  
 24 A. We were at 52 percent before we cut it back.  
 25 So that's just to give you -- you know, we've got two

1 wells here in the same pool that have the same  
 2 allowable. But it's major leagues and minor leagues.  
 3 **Q. What is Exhibit 9?**  
 4 A. So Exhibit 9 is really just to give you a point  
 5 of reference? The Madera wells and the Rattlesnake  
 6 wells that you were talking about earlier that are  
 7 southwest of us, these are wells that are basically in  
 8 the same depth bracket as has been assigned to the White  
 9 Falcon.  
 10 And this is a table of the production and  
 11 all the EUR projections for those wells. And if you'll  
 12 just go to the very bottom of the table, it says,  
 13 "Brushy Basal Average." So the average EUR for all  
 14 those wells was about 270,000 barrels.  
 15 Our internal reserve estimate for the White  
 16 Falcon is a million two barrels. Their average oil cut  
 17 is 22 percent. We're at 50 percent plus.  
 18 So my point is that it's a different  
 19 animal, you know, even though we're all on the kind of  
 20 same depth allowable and the same field rules, and  
 21 they're all Brushy Canyon. You know, we're just in a  
 22 unique situation.  
 23 **Q. And turning to Exhibit 10, what is this**  
 24 **exhibit?**  
 25 A. This exhibit -- you know, we have third-party

1 engineers, just like everybody else. Nettle and Zulu  
 2 are our third-party engineers. Our internal reserve  
 3 assignment is a million two. Our third-party engineer's  
 4 assignment is this projection, and it's still over a  
 5 million barrels.  
 6 So when you talk about allowable relative  
 7 to reserves, you know, 920 is not a lot. 1,400 is what  
 8 we're asking for. For a million barrel well, you know,  
 9 it's kind of a modest withdrawal rate.  
 10 **Q. What type of reservoir is this?**  
 11 A. It's a solution gas drive, about 42 gravity  
 12 crude, 1,400 BTU gas; water is 100,000 plus fluorides,  
 13 like you'd expect. You know, it's just a good  
 14 old-fashioned oil field.  
 15 **Q. In your opinion, would increasing the depth**  
 16 **bracket allowable from 230 to 350 barrels have a**  
 17 **negative impact on this reservoir?**  
 18 A. No.  
 19 **Q. Do you see any potential for damage?**  
 20 A. No.  
 21 **Q. Why is that?**  
 22 A. At that higher rate? Because we haven't seen  
 23 any drawdown in the wellbore as it relates to GOR. We  
 24 haven't been able to change it.  
 25 **Q. In your opinion, will approval of this**

1 **application be in the best interest of conservation for**  
 2 **the prevention of waste and the protection of**  
 3 **correlative rights?**  
 4 A. Yes.  
 5 **Q. And were Exhibits 7 through 10 prepared by you**  
 6 **or at your direction?**  
 7 A. At my direction.  
 8 MS. KESSLER: I would move admission of  
 9 Exhibits 7 through 10.  
 10 EXAMINER JONES: Exhibits -- actually, I  
 11 don't know if we've done 3 through 6.  
 12 MS. KESSLER: Then I would also move --  
 13 EXAMINER JONES: Three through 10 are  
 14 admitted.  
 15 [Exhibits 3 through 10 admitted.]  
 16 MS. KESSLER: Thank you.  
 17 EXAMINER DAWSON: Mr. Sirgo, on your  
 18 request for 350 barrels of oil per day, that's like  
 19 10,500 barrels per month?  
 20 THE WITNESS: As per 40 acres.  
 21 EXAMINER DAWSON: Okay. That's going to be  
 22 sufficient, though, is what my question was.  
 23 THE WITNESS: Right. It's a 1,400  
 24 barrel-a-day rate. We saw a sustained 1,500  
 25 barrel-a-day rate. It keeps us below where we were

1 pulling the well out before and where the GOR was  
 2 state-wide.  
 3 EXAMINER DAWSON: So were there any wells,  
 4 horizontal wells, south of you down there, in section --  
 5 let's see, it's kind of hard to read these maps --  
 6 section south?  
 7 THE WITNESS: So the section due south of  
 8 us is the Third Bone Spring Well. If you'll look on the  
 9 nomenclature, the green wells are brushies and the red  
 10 wells are Third Bone Springs.  
 11 EXAMINER DAWSON: Okay.  
 12 THE WITNESS: So that's actually a Third  
 13 Bone Spring Well directly south of the White Falcon.  
 14 EXAMINER DAWSON: Okay. That's quite a  
 15 sand body there, huh?  
 16 THE WITNESS: Yep.  
 17 EXAMINER DAWSON: And you do on acres over  
 18 to the southeast, too, right?  
 19 THE WITNESS: Everything in hash areas  
 20 belong to Endurance.  
 21 EXAMINER DAWSON: Do you have any wells to  
 22 the southeast, in that patched area down there?  
 23 THE WITNESS: We have a Third Bone Spring  
 24 Well. It's labeled Jazzbass. We have a Third Bone  
 25 Spring named the Coronado. We have a new Brushy labeled

1 Moonlight Buttruss. We have a Third Bone Spring labeled  
 2 Tele Delux, and multiple permits in process.  
 3 EXAMINER DAWSON: That's all the questions  
 4 I have. Thank you.  
 5 EXAMINER JONES: You must have went to  
 6 school at Texas A&M.  
 7 THE WITNESS: No. I went to Tech, Texas  
 8 Tech.  
 9 EXAMINER JONES: Texas Tech?  
 10 THE WITNESS: Yeah.  
 11 EXAMINER JONES: Doug Cotner went to Texas  
 12 A&M?  
 13 THE WITNESS: Cotner went to A&M, yeah.  
 14 EXAMINER JONES: All right. It looks like  
 15 this business of having a 60-day-test allowable, Paul  
 16 Koutz did a good thing here.  
 17 THE WITNESS: Yeah, because it lets you  
 18 identify the things you would be most concerned about if  
 19 you're pulling a well at that kind of rate, which is --  
 20 you know, we don't see a lot of the wells that can  
 21 sustain that kind of rate without either going high  
 22 ratio on your -- so it, you know, kind of ferreted out.  
 23 And then, you know, we got past our load recovery, and  
 24 we've still had an increase in oil cuts. And there's  
 25 not a lot of times you get a third-party engineer to

1 THE WITNESS: And it's still sitting there.  
 2 EXAMINER JONES: I noticed the decline on  
 3 some of those other Brushies. I was at the Land Office  
 4 with Anchor, and I did a bunch of declines on Brushies  
 5 versus Bone Spring. And some of the Brushies looked  
 6 like they had -- their behavior on the decline curve  
 7 showed, to me, that they had actual porosity, instead of  
 8 just fracture --  
 9 THE WITNESS: Right. Their B factors  
 10 were -- you know, your curves were abated.  
 11 Yeah. Good Brushy wells are -- typically,  
 12 you have to deal with a lot of water. But this high in  
 13 oil cut, though, it's not much different than the Bone  
 14 Spring Wells.  
 15 EXAMINER JONES: And Anchor was probably  
 16 salivating over these wells?  
 17 THE WITNESS: Yeah, he likes this well.  
 18 EXAMINER JONES: The limiting GOR of 2000,  
 19 you didn't ask for a change in that?  
 20 THE WITNESS: Well, we've never seen above  
 21 900, so...  
 22 EXAMINER JONES: Okay. You actually would  
 23 have had a little bit more than from your depth bracket  
 24 allowable. From the discovery well, you would have gone  
 25 from 230 to 275; is that right?

1 assign a million barrels to a 1-mile lateral, but it's a  
 2 significant pile.  
 3 EXAMINER JONES: Yeah. That well is right  
 4 on the edge of the pool you're asking to change the  
 5 depth allowable, and it's a good well. So that pool  
 6 will be expanded probably to the west; is that correct?  
 7 THE WITNESS: South and east and...  
 8 EXAMINER JONES: All around?  
 9 THE WITNESS: Yeah. It's going to get  
 10 larger for sure.  
 11 EXAMINER JONES: And what difference was  
 12 this one? Except for the reservoir, was it the frac job  
 13 or --  
 14 THE WITNESS: No. Actually, this frac was,  
 15 you know, a fairly small frac by horizontal well  
 16 standards. I don't even think we got the 2 million  
 17 pounds of sand. In fact, way didn't want it to grow  
 18 very much, worrying about water and Brushy and those  
 19 kind of items.  
 20 EXAMINER JONES: Okay.  
 21 THE WITNESS: I think it's just because at  
 22 the time of deposition, at the time of sourcing, you  
 23 know, you had a trap that created a really big oil  
 24 column.  
 25 EXAMINER JONES: That's a good trap.

1 THE WITNESS: Yeah. It would have been the  
 2 first well, yeah.  
 3 MS. KESSLER: So you're just asking for a  
 4 little more? I think you got the engineering covered,  
 5 and the geology. It looks good to me.  
 6 EXAMINER BROOKS: Where is the Brushy  
 7 Canyon production to this?  
 8 THE WITNESS: Well, we have a new well --  
 9 well, the Dinwiddie is almost three miles due  
 10 east/southeast of it. That's the closest well. It's in  
 11 the pool.  
 12 EXAMINER BROOKS: Yeah, that's in the pool.  
 13 THE WITNESS: That's in the pool. And --  
 14 EXAMINER BROOKS: Where is the closest  
 15 unrelated Brushy production?  
 16 THE WITNESS: Well, we have what we call  
 17 our Moonlight Buttruss Well that we just recently  
 18 completed. That's south of Dinwiddie about two miles  
 19 and west. That well is already up to about a 20 percent  
 20 oil cut. It's already up to about a half a million  
 21 barrels EUR, which is why --  
 22 EXAMINER BROOKS: Is that well going to be  
 23 within a mile of this pool?  
 24 THE WITNESS: It's not today. Well, I  
 25 guess the toe of it is, yeah.

1 EXAMINER BROOKS: I was going to say Paul  
 2 probably put it in this pool if it's within a mile.  
 3 THE WITNESS: Right. And you can pretty  
 4 much figure there will be a string of wells across that  
 5 policy.  
 6 EXAMINER BROOKS: No previously established  
 7 Brushy Canyon production really close to this?  
 8 THE WITNESS: That Dinwiddie was the only  
 9 one, and that Rattlesnake/Madera area to the southwest  
 10 about three miles.  
 11 EXAMINER BROOKS: Okay, thank you.  
 12 EXAMINER JONES: I think we need to discuss  
 13 the rest of this one, too.  
 14 MS. KESSLER: Oh, for the order?  
 15 EXAMINER JONES: For the order.  
 16 EXAMINER BROOKS: Well, I think we need to  
 17 discuss this a little bit. First we can decide what we  
 18 want to do, but there's a danger of us getting lost here  
 19 somewhere is what I'm concerned about.  
 20 So one option would be to put a provision  
 21 that this special provision will continue only until  
 22 such time a pool is created, including this area. That  
 23 would put the monkey on Endurance, which is the only  
 24 producer in this pillow right now, right?  
 25 THE WITNESS: Chevron, the Dinwiddie Well.

1 EXAMINER BROOKS: Okay. I was thinking  
 2 that was yours, but I didn't look at the exhibit.  
 3 MS. KESSLER: So Mr. Examiner, something  
 4 that we could consider doing would be to ask for an  
 5 order today for the allowable -- for the expansion of  
 6 the allowable, and then Endurance could reopen this case  
 7 for a nomenclature hearing, and that burden would be on  
 8 Endurance if that's something --  
 9 EXAMINER BROOKS: Yeah, I was thinking  
 10 that's what I'd really like to do. Because I'm afraid  
 11 if we just do this, like I was saying, and we don't put  
 12 some expiration on this order, that it's going to get  
 13 lost somewhere. And when an order of this type gets  
 14 lost, it's liable to pop up at a time and in a place  
 15 when it creates headaches for people.  
 16 THE WITNESS: So in the nomenclature  
 17 approach, would you actually expand the boundaries at  
 18 that time as well?  
 19 EXAMINER BROOKS: We would create this  
 20 pool --  
 21 EXAMINER JONES: You could.  
 22 EXAMINER BROOKS: -- whatever boundaries  
 23 Paul had designated --  
 24 THE WITNESS: You could.  
 25 EXAMINER BROOKS: -- probably, not any

1 more.  
 2 We have a lot of confidence in Paul. I'm  
 3 hoping somebody shows he's wrong for some reasons. And  
 4 that hasn't happened, to my knowledge.  
 5 THE WITNESS: No.  
 6 EXAMINER BROOKS: We would create a pool  
 7 and give it a regular pool name, instead of a wildcat  
 8 name. And that would be -- that's why I said  
 9 practically. I don't want to make it harder to do that  
 10 because it's just a matter of recordkeeping. But  
 11 recordkeeping does have some significance when you're  
 12 the State and you're regulating things. I mean you want  
 13 people to know what the regulations are.  
 14 I don't even know how Barrons operates,  
 15 where they get their information from. We've had  
 16 trouble internally finding out where pools are.  
 17 Apparently that is in the process of getting solved.  
 18 But I was fairly relieved at some of the things I heard  
 19 in that meeting yesterday, and I hope they're right.  
 20 But I do think that -- I think the  
 21 suggestion you made is a good one, that we could just  
 22 put an order -- a temporary order for some period of  
 23 time, and then give you a chance to reopen and  
 24 re-notice.  
 25 I was thinking there's really no rule that

1 says you have to give notice to everybody of an amended  
 2 application. But if you extend that to a situation  
 3 where the amended application, to use the words familiar  
 4 to lawyers, brings in a new cause of action, so to  
 5 speak, you're going to have a problematic practice.  
 6 So I think your suggestion is a pretty good  
 7 one, that we do this as temporary order, then allow you  
 8 to reopen to do a nomenclature order, unless Paul gets  
 9 around to doing it first. And I wouldn't count on the  
 10 that.  
 11 MS. KESSLER: Mr. Sirgo, would Endurance be  
 12 amenable to that suggestion?  
 13 THE WITNESS: Sure.  
 14 MS. KESSLER: The notice for this  
 15 particular case was not particularly substantial, so I  
 16 don't think that should be a barrier to --  
 17 EXAMINER BROOKS: It doesn't look like it  
 18 was, that 15 cards, it looks like. No publications.  
 19 EXAMINER JONES: Practically speaking, the  
 20 pool code should stay the same. So all it would be is  
 21 changing the name from the long name that Paul -- Paul's  
 22 code to the --  
 23 EXAMINER BROOKS: Yeah. Actually --  
 24 THE WITNESS: To a word.  
 25 EXAMINER BROOKS: -- if I were certain that

1 Barrons would pick it up, I wouldn't be too concerned  
2 about it, but I don't know how Barrons operates.

3 And Barrons, I gather from some things I've  
4 heard, that Barrons is kind of a mom-and-pop-type  
5 outfit. It's not a big institutional publisher. Not  
6 that that necessarily guarantees -- not that the latter  
7 necessarily guarantees accuracy.

8 EXAMINER JONES: We have a computer table  
9 that has special rules in it, you know, for any pool.  
10 And the code is keyed in there, so everything should be  
11 okay. But that's a good point about Barrons.

12 EXAMINER BROOKS: If you get an error in  
13 Barrons -- a lot of people rely on Barrons, including  
14 me.

15 EXAMINER JONES: Okay. So we can take this  
16 one under advisement and then --

17 EXAMINER BROOKS: Yes, let's take it under  
18 advisement. And Ms. Kessler can reopen it -- if we  
19 enter an order that establishes these pools only for a  
20 temporary purpose, then Ms. Kessler can reopen it to  
21 extend and designate a specific pool.

22 EXAMINER JONES: Okay. With that, we'll  
23 take Case Number 15465 under advisement and an expedited  
24 order in that case.

25 [The proceedings concluded at 2:07 p.m.]

1 STATE OF NEW MEXICO.  
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

9

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

16

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

21

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