

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

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

APPLICATION OF BACK NINE PROPERTIES, CASE NO. 15715
LLC FOR A NONSTANDARD OIL SPACING
AND PRORATION UNIT AND COMPULSORY
POOLING, CHAVES COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 8, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 WILLIAM V. JONES, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, William V. Jones, Technical Examiner,
and David K. Brooks, Legal Examiner, on Thursday,
June 8, 2017, at the New Mexico Energy, Minerals and
Natural Resources Department, Wendell Chino Building,
1220 South St. Francis Drive, Porter Hall, Room 102,
Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

1 APPEARANCES
 2 FOR APPLICANT BACK NINE PROPERTIES, LLC:
 3 GARY W. LARSON, ESQ.
 4 HINKLE SHANOR, LLP
 5 218 Montezuma Avenue
 6 Santa Fe, New Mexico 87501
 7 (505) 982-4554
 8 glarson@hinklelawfirm.com

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11 Back Nine Properties, LLC's Case-in-Chief:	
12 Witnesses:	
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1 (11:08 a.m.)

2 EXAMINER McMILLAN: I'll call this hearing
3 back to order.

4 Call Case 15715, application of Back Nine
5 Properties, LLC for a nonstandard oil spacing and
6 proration unit and compulsory pooling, Chaves County,
7 New Mexico.

8 Call for appearances.

9 MR. LARSON: Good morning, Mr. Examiner.
10 Gary Larson, with the Santa Fe office of Hinkle Shanor,
11 on behalf of the Applicant, Back Nine Properties. I
12 have three witnesses.

13 EXAMINER McMILLAN: Any other appearances?

14 Please proceed.

15 Will the witnesses stand up and be sworn?

16 (Mr. Cherry, Mr. Bahlburg and Mr. Maxey
17 previously sworn on this day.)

18 DAVID L. CHERRY, JR.,

19 after having been previously sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. LARSON:

23 **Q. Mr. Cherry, state your full name for the**
24 **record.**

25 A. David Louis Cherry, Jr.

1 Q. Where do you reside?

2 A. Dallas, Texas.

3 Q. And what is your position with Back Nine
4 Properties?

5 A. I'm a land manager and specifically focus on
6 the land activities.

7 Q. And more specifically, do they include land
8 matters pertaining to Back Nine's acreage in southeast
9 New Mexico?

10 A. Yes.

11 Q. And are you familiar with the land matters that
12 pertain to Back Nine's application in this case?

13 A. Yes.

14 Q. Have you previously testified at a Division
15 hearing?

16 A. Yes.

17 Q. And were you qualified as an expert in
18 petroleum land matters?

19 A. Yes.

20 MR. LARSON: Mr. Examiner, I tender
21 Mr. Cherry --

22 EXAMINER McMILLAN: So qualified.

23 Q. (BY MR. LARSON) I'd ask you to identify the
24 document marked as Exhibit 2.

25 A. This is our location map of our project area.

1 MR. LARSON: And, Mr. Examiner, just so the
2 record's clear, we originally had a document marked as
3 Exhibit 1. We're no longer going to introduce that. So
4 our first exhibit will Exhibit 2.

5 EXAMINER McMILLAN: Okay.

6 Q. (BY MR. LARSON) Go ahead and identify it.

7 A. It's the Muirfield 2H well location.

8 Q. And did you prepare this exhibit?

9 A. Yes.

10 Q. And what formation is Back Nine seeking to
11 pool?

12 A. The San Andres.

13 Q. And is the pool name the Racetrack; San Andres,
14 East?

15 A. Yes.

16 Q. And the pool code is 97273?

17 A. Yes.

18 Q. Are there any depth exceptions in the proposed
19 project area?

20 A. No.

21 Q. And the project area is to be dedicated to the
22 Muirfield 2H?

23 A. Correct.

24 Q. And will Back Nine be drilling and operating
25 the Muirfield 2H?

1 A. No. We have retained Hadaway Consulting &
2 Engineering to be the project operator.

3 **Q. Is Hadaway a Division-approved operator?**

4 A. Yes.

5 **Q. And looking at Exhibit 2, does it depict the**
6 **entire 320 project area?**

7 A. It does.

8 **Q. And is the acreage in the project area all fee?**

9 A. It is.

10 **Q. And are the leasehold interests uniform**
11 **throughout the project area?**

12 A. They are.

13 **Q. And does Exhibit 2 include a breakdown of the**
14 **interest in the project area?**

15 A. It does. Back Nine Properties currently has
16 81-and-a-quarter leased. We have 12-and-a-half percent
17 unleased and 6-and-a-quarter that will be participating
18 in this project with us.

19 **Q. And does Back Nine hold an interest in each**
20 **40-acre unit within the project area?**

21 A. Yes. Our leasehold is undivided.

22 **Q. Would you identify the document marked as**
23 **Exhibit 3?**

24 A. It's our well-proposal letter and the green
25 cards.

1 Q. And is Exhibit 3 a true and correct copy of the
2 well-proposal letters that were sent?

3 A. Yes.

4 Q. And did all of the uncommitted interest owners
5 receive this letter?

6 A. Yes.

7 Q. And subsequent to sending the letter, did you
8 communicate with the interest owners?

9 A. I did.

10 Q. And what has been the result of those
11 communications?

12 A. Chisos and Black Shale Minerals elected to
13 participate, and Selma Andrews Trust leased to us, and
14 we are currently working out a lease with Samedan.

15 Q. And has one of the interest owners,
16 affirmatively, gone nonconsent?

17 A. Yes. That would be Black Shale Minerals.

18 Q. So as you sit here today, how many uncommitted
19 interests are there in the project area?

20 A. Currently, it's 12-and-a-half percent, but
21 we're hoping to get 6-and-a-quarter of that lease.

22 Q. And that's two entities that remain unleased?

23 A. Yes, both with a 6-and-a-quarter each.

24 Q. Would you next identify Exhibit Number 4?

25 A. Exhibit 4 is the hearing notice letter to the

1 uncommitted interest owners.

2 Q. And were these letters sent under your
3 direction and supervision?

4 A. Yes.

5 Q. And is Exhibit 4 a true and correct copy of one
6 of those letters?

7 A. Yes.

8 Q. And did all of the notified parties receive the
9 letter?

10 A. Yes.

11 Q. Would you identify the document marked as
12 Exhibit 5?

13 A. It's our notice letter to the offset interests
14 and the green cards.

15 Q. Is that also a true and correct copy of the one
16 of those letters?

17 A. It is.

18 Q. And did all of the offset interest owners
19 receive the letter?

20 A. They did.

21 Q. Were those letters prepared and sent at your
22 direction?

23 A. They were.

24 Q. And even though you got returned green cards on
25 all the notice letters, did Back Nine go ahead and

1 **publish notice as well?**

2 A. We did. We just wanted to be conservative. We
3 weren't sure if we were going to get all the green cards
4 back, so we went ahead and published in the "Roswell
5 Daily." And as you can see, that's the Affidavit of
6 Publication.

7 **Q. And that would be Exhibit 6?**

8 A. Correct.

9 **Q. And that's a true and correct copy of the**
10 **affidavit?**

11 A. Yes.

12 **Q. And what was the date of the publication?**

13 A. May 17th, 2017.

14 **Q. Would you next identify the document marked as**
15 **Back Nine Exhibit 7?**

16 A. Yes. This is our AFE for the Muirfield 2H
17 well.

18 **Q. And did Hadaway prepare this AFE?**

19 A. They did.

20 **Q. And is Exhibit 7 a true and correct copy of**
21 **Hadaway's AFE?**

22 A. Yes.

23 **Q. And what is the total of the estimated well**
24 **costs on the AFE?**

25 A. \$1,663,956.

1 Q. And are those costs similar to costs incurred
2 by Hadaway for other San Andres wells?

3 A. Yes.

4 Q. Do you have a recommendation for the amounts
5 Back Nine should be paid for supervision and
6 administrative expenses?

7 A. Yes, \$8,000 per month for drilling and 800 for
8 producing.

9 Q. And those were numbers given to you by Hadaway?

10 A. Yes.

11 Q. And that was based on Hadaway's experience
12 drilling similar San Andres wells?

13 A. Correct.

14 Q. And do you also recommend that the rates for
15 supervision and administrative expenses be adjusted
16 periodically pursuant to the COPAS accounting
17 procedures?

18 A. Yes.

19 Q. And is Back Nine requesting a 200 percent
20 charge for the risk of drilling and completing the
21 Muirfield 2H well?

22 A. We are.

23 Q. And is Back Nine further requesting that
24 Hadaway Consulting & Engineering be designated as the
25 operator of the well?

1 A. Yes.

2 Q. And in your opinion, will the granting of Back
3 Nine's application avoid the drilling of unnecessary
4 wells --

5 A. Yes.

6 Q. -- protect correlative rights and serve the
7 interest of conservation and the prevention of waste?

8 A. Yes.

9 MR. LARSON: Mr. Examiner, I move the
10 admission of Exhibits 1 through 7.

11 EXAMINER McMILLAN: Okay. Exhibits 2
12 through 7 may now be accepted as part of the record.

13 MR. LARSON: Thank you for that
14 clarification, Exhibits 2 through 7.

15 (Back Nine Properties, LLC Exhibit Numbers
16 2 through 7 are offered and admitted into
17 evidence.)

18 EXAMINER McMILLAN: By the way, is Exhibit
19 1 the C-102?

20 MR. LARSON: Yes. I had the wrong C-102.
21 I can email you the correct one.

22 EXAMINER McMILLAN: Yeah.

23 CROSS-EXAMINATION

24 BY EXAMINER McMILLAN:

25 Q. Okay. The first question I've got is going to

1 **Exhibit Number 3.**

2 EXAMINER McMILLAN: Do you want to ask it?
3 Actually, he's (indicating) going to ask
4 it.

5 CROSS-EXAMINATION

6 BY EXAMINER BROOKS:

7 Q. Okay. It says, "RE: Well Proposal, Muirfield
8 2H, west half of the east half of Section 18, Township
9 10 South, Range 29 East, Chaves County." Now, I believe
10 you're requesting to dedicate the east half, not merely
11 the west half of the east half, correct?

12 A. That is correct. So instead of putting
13 "center" -- or what I meant to put was west half of the
14 east half.

15 Q. Okay. Is there any division -- are there any
16 different interests in the west half and -- west
17 half-west half of the west half-east half?

18 A. No, sir. It's all exactly the same.

19 Q. Okay. Well, I think this is harmless, then. I
20 was a little concerned about it because if you sent a
21 letter to somebody saying the west half-east half and
22 they didn't own anything in the west half-east half,
23 then they would ignore it, and they wouldn't have proper
24 notice. But I believe if you -- based on your
25 representation that they're no different -- that it's

1 **identical ownership --**

2 A. It is.

3 **Q. It is identical ownership as to all relevant**
4 **interests?**

5 A. That is correct. As you stated, you know, the
6 footage is located within the proposal letter, but the
7 mineral owners own an undivided interest in the east
8 half of the section. It's all the same ownership across
9 the east half-east half and west half.

10 **Q. I think it's probably harmless with that**
11 **qualification.**

12 **CONTINUED CROSS-EXAMINATION**

13 BY EXAMINER McMILLAN:

14 **Q. Are there any depth severances?**

15 A. No.

16 **Q. Okay. I wasn't clear. Are there unlocatable**
17 **interests or not?**

18 A. No. Everybody was locatable and received a
19 card, so the letters.

20 EXAMINER BROOKS: And who are you pooling?

21 THE WITNESS: We are pooling Black Shale
22 Minerals. And hopefully that's the only party that
23 we're pooling. We're trying to work out a lease with
24 Samedan.

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CROSS-EXAMINATION

BY EXAMINER JONES:

Q. But you published in the newspaper also for -- just to be safe; is that right?

A. Yeah. We were being conservative. We weren't sure -- you know, we were hoping that our addresses were all correct. We just didn't know, you know, at the time. So we'd rather be safe than sorry.

Q. Yeah.

The Chisos are located in Deming now? I saw something about Deming, New Mexico, looks like.

A. Yeah, Deming, New Mexico. Where is that? I don't even know where that is.

Q. It's southwest New Mexico.

A. Okay.

Q. I don't know where they used to be, maybe Roswell.

A. Yeah. They're going to participate, so we're kind of excited about that.

Q. We used to hear that name a lot up here, Chisos.

I don't have any more questions.

EXAMINER McMILLAN: Thank you.

Do you have anything?

EXAMINER BROOKS: No.

1 MR. LARSON: I just had a follow-up to
2 Mr. Brooks' question.

3 REDIRECT EXAMINATION

4 BY MR. LARSON:

5 Q. All the parties that received the well-proposal
6 letter also received the hearing notice letter and
7 communicated with you about the well?

8 A. Correct.

9 Anything else?

10 WILLIAM C. BAHLBURG,
11 after having been previously sworn under oath, was
12 questioned and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. LARSON:

15 Q. Mr. Bahlburg, would you please state your full
16 name for the record?

17 A. William C. Bahlburg.

18 Q. Where do you reside?

19 A. Frisco, Texas.

20 Q. And what is your position with Back Nine
21 Properties?

22 A. I'm a company manager and exploration
23 geologist.

24 Q. And are you familiar with the geologic aspects
25 of the proposed Muirfield well and the matters addressed

1 in Back Nine's application?

2 A. Yes.

3 Q. And you previously testified at Division
4 hearings; is that correct?

5 A. Yes.

6 Q. Were you qualified as an expert in petroleum
7 geology?

8 A. Yes.

9 MR. LARSON: Mr. Examiner, I tender
10 Mr. Bahlburg as an expert in petroleum engineering.

11 EXAMINER McMILLAN: So qualified.

12 Q. (BY MR. LARSON) I'll refer you to the document
13 marked as Exhibit 2. Will the completed interval of the
14 Muirfield 2H well be orthodox?

15 A. Yes.

16 Q. And have you had experience with drilling San
17 Andres horizontal wells?

18 A. Yes.

19 Q. In what areas have those wells been drilled?

20 A. I've drilled wells in Texas and New Mexico and
21 had direct involvement and indirect involvement with
22 over 50 horizontal San Andres wells.

23 Q. And have those San Andres horizontals been
24 productive?

25 A. So far so good, yes. Not all great, but --

1 **Q. Were you involved in Back Nine's evaluation of**
2 **the prospects for the Muirfield 2H?**

3 A. Yes.

4 **Q. Would you identify the document marked as**
5 **Exhibit 8?**

6 A. Okay. Exhibit 8 is a map showing the 320-acre
7 project area and the Muirfield horizontal well location,
8 and it also shows a gentle eastward dip in the San
9 Andres structure, as well as two wells that have
10 produced hydrocarbons in the San Andres interval. One
11 is very close to the starting point for the Muirfield
12 well.

13 **Q. And was this document prepared under your**
14 **direction and supervision?**

15 A. Yes.

16 **Q. And what other wells in the area did you look**
17 **at for purposes of your analysis of the Muirfield 2H?**

18 A. Well, we looked at all the wells in the
19 vicinity, all the vertical wells, that had datum logs.

20 **Q. I next ask you to identify the document marked**
21 **as Exhibit 9.**

22 A. Exhibit 9 is a two-well cross section that ties
23 a well very close to the surface location of the
24 Muirfield. It identifies the stratigraphic zonation
25 within the San Andres, as well as the target zone, which

1 is about 120-foot-thick section of dolomite.

2 Q. Was this document prepared under your direction
3 and supervision?

4 A. Yes.

5 Q. And is the cross section representative of the
6 geology in the proposed project area?

7 A. Yes, it is.

8 Q. Are there any geological impediments in the
9 target interval?

10 A. No.

11 Q. And in your opinion, will the proposed
12 Muirfield 2H be completed along the entire length of the
13 completed lateral?

14 A. Yes.

15 Q. Would you identify the document marked as
16 Exhibit 10?

17 A. Exhibit 10 is a well plat showing the initial
18 proposed location and two additional horizontal
19 locations within the 320-acre project area.

20 Q. And would it be correct to say this map
21 illustrates Back Nine's long-term drilling plan --

22 A. Yes.

23 Q. -- in the east half of Section 18?

24 A. Yes, it does.

25 Q. Why is Back Nine adopting this drilling plan?

1 A. To effectively drain the reservoir and produce
2 the reservoir.

3 Q. In your opinion, is this the optimal drilling
4 program for horizontally developing the San Andres in
5 this area?

6 A. Yes, it is.

7 Q. And there's been similar development to the
8 east of here, both in New Mexico and Texas; is that
9 correct?

10 A. Correct.

11 Q. In your opinion, is the three-well drilling
12 pattern in the project area the most efficient and
13 economical way to develop the San Andres on this
14 acreage?

15 A. Yes.

16 Q. And do you anticipate that the other two San
17 Andres horizontal wells, identified on Exhibit 10, also
18 would be productive along the entire length of the
19 lateral?

20 A. Yes.

21 Q. And in your opinion, will the Muirfield 2H
22 effect, develop and drain each of the 40-acre spacing
23 units in the proposed project area?

24 A. Yes.

25 Q. And what's the basis for that opinion?

1 A. That opinion?

2 Q. Yes, that it will develop, effect and drain
3 each of the 40 acres.

4 A. Experience.

5 Isn't that his (indicating) question or --

6 Q. I'm expediting things a little bit.

7 A. Oh. Yeah. No. It's been our experiences that
8 you've got to drill more than one well per 40-acre or
9 160-acre tract to effectively drain that. What that
10 number is, like I said earlier, it could be seven, it
11 could be five over the section, or, in this case, we
12 think six.

13 Q. And in your opinion, will the granting of Back
14 Nine's application avoid the drilling of unnecessary
15 wells --

16 A. Yes.

17 Q. -- protect correlative rights and serve the
18 interest of conservation and the prevention of waste?

19 A. Yes.

20 MR. LARSON: Mr. Examiner, I move the
21 admission of Exhibits 8, 9 and 10.

22 EXAMINER McMILLAN: Exhibits 8 through 10
23 may now be accepted as part of the record.

24 (Back Nine Properties, LLC Exhibit Numbers
25 8 through 10 are offered and admitted into

1 evidence.)

2 MR. LARSON: And I will pass the witness.

3 CROSS-EXAMINATION

4 BY EXAMINER McMILLAN:

5 Q. Okay. For clarity purposes --

6 A. Yeah.

7 Q. -- you believe that the drilling of this well
8 will drain portions of all the units?

9 A. Absolutely.

10 CROSS-EXAMINATION

11 BY EXAMINER JONES:

12 Q. There is a compulsory pooling situation in
13 addition to a nonstandard proration unit. The
14 subsequent wells that are drilled after the initial
15 well, just to be clear, those wells would not stand on
16 their own. They would be considered as dedicated to the
17 whole half -- east half of this section; is that
18 correct?

19 A. Absolutely.

20 Q. Okay. Just wanted to make sure we had that on
21 the record.

22 A. Yeah. I mean, clearly, we're not going to
23 drain the entire 320 acres of one well, we don't
24 believe. And we have to drill the other two wells to
25 effectively drain it all.

1 Q. Yeah. But one option would have been they
2 stand on their own, have their own 160, in that case,
3 project areas. But you want them to be dedicated --
4 let's say you drill this well and then you drill only
5 one more well, and you drill it over on the east. You
6 want that well to be dedicated to the whole east half?
7 All wells drilled you want to be dedicated to the east
8 half?

9 A. Correct.

10 Q. And I think legally we have to do that anyway.

11 EXAMINER BROOKS: Yeah. It would be an
12 infill well under the terms of the compulsory pooling
13 order -- under the terms of the compulsory pooling rule.

14 EXAMINER JONES: Yeah.

15 EXAMINER BROOKS: And then we would make an
16 exception to the rule and order to do it the other way.
17 I don't know. But under the compulsory pooling rule, if
18 the -- anything they drill within that 320 is an infill
19 well.

20 EXAMINER JONES: So we just stay silent on
21 it?

22 EXAMINER BROOKS: Yeah.

23 RE CROSS EXAMINATION

24 BY EXAMINER McMILLAN:

25 Q. Actually, I need to ask you one more question.

1 In the drilling of this well, do you expect the first
2 perforation and the last perforation to be within 330
3 feet of the south boundary and the north boundary of the
4 project area?

5 A. We will ensure that it is.

6 Q. Okay. I'm satisfied. Thank you.

7 JOHN C. MAXEY,

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

10 DIRECT EXAMINATION

11 BY MR. LARSON:

12 Q. Good morning, Mr. Maxey.

13 A. Good morning.

14 Q. State your full name for the record.

15 A. John C. Maxey.

16 Q. And where do you reside?

17 A. Roswell, New Mexico.

18 Q. And what is the nature of your business?

19 A. I'm a consulting petroleum engineer.

20 Q. And what is your relationship with Back Nine
21 Properties?

22 A. Back Nine retained me to look at their acreage
23 in southeast New Mexico for horizontal San Andres
24 development.

25 Q. And are you, personally, familiar with

1 horizontal well development of the San Andres in
2 southeast New Mexico?

3 A. Yes.

4 Q. And are you also familiar with the matters
5 addressed in Back Nine's application?

6 A. Yes.

7 Q. And you've previously testified at both
8 Division and Commission hearings; is that correct?

9 A. Yes.

10 Q. And in each of those, were you qualified as an
11 expert in petroleum engineering?

12 A. Yes.

13 MR. LARSON: Mr. Examiner, I tender
14 Mr. Maxey as an expert in petroleum engineering.

15 EXAMINER McMILLAN: So qualified.

16 For the record, I don't believe 8 through
17 10 were accepted as part of the record.

18 MR. LARSON: I think you're correct.

19 EXAMINER McMILLAN: Okay.

20 MR. LARSON: I would move the admission of
21 Exhibits 8 through 10.

22 EXAMINER McMILLAN: Exhibits 8 through 10
23 may now be accepted as part of the record.

24 (Back Nine Properties, LLC Exhibit Numbers
25 8 through 10 are offered and admitted into

1 evidence.)

2 MR. LARSON: Thank you, Mr. Examiner.

3 Q. (BY MR. LARSON) Would you identify the document
4 marked as Exhibit 11?

5 A. It's a map of San Andres fields in southeastern
6 New Mexico.

7 Q. Did you prepare this exhibit?

8 A. Yes. It's a base map, came from -- it's been
9 published in multiple articles, and the documentation I
10 put on it, I'm the one that placed that on there.

11 Q. And this is intended to provide a history of
12 San Andres development in this area of New Mexico?

13 A. Yes.

14 Q. What is this exhibit intended to depict?

15 A. Okay. This exhibit is southeast New Mexico,
16 San Andres production. There are two benches of
17 exploitation in the San Andres. On the map, they're
18 labeled the Artesia Fairway in the southern part of the
19 map, and the Roswell Fairway and Slaughter Fairway in
20 the northern part of the map.

21 MR. LARSON: Excuse me, Mr. Maxey.

22 At this point, Mr. Examiner, may we adopt
23 by reference the transcript of the --

24 EXAMINER McMILLAN: Yeah, let's do that.

25 Let's move on. Thank you.

1 MR. LARSON: So we can adopt his
2 testimony --

3 EXAMINER McMILLAN: Yes.

4 MR. LARSON: -- in the other case?

5 EXAMINER McMILLAN: Yes. The testimony in
6 Case Number 15714 by Mr. Maxey shall be accepted as part
7 of the record in Case Number 15715.

8 Did I say that correctly?

9 EXAMINER BROOKS: Sounds good enough to me
10 (laughter).

11 Q. (BY MR. LARSON) Would you identify the document
12 marked as Exhibit 12?

13 A. That is a map of the Milnesand Unit with --
14 that's depicting some infill development.

15 Q. And did you prepare this exhibit?

16 A. Yes, I did.

17 MR. LARSON: And, Mr. Examiner, I'd ask the
18 Division to take administrative notice of Mr. Maxey's
19 testimony regarding this exhibit in Case Number 15715.

20 EXAMINER BROOKS: I don't think we've
21 gotten there yet.

22 MR. LARSON: 15714.

23 EXAMINER BROOKS: Yeah. That's what I was
24 thinking.

25 MR. LARSON: My blood sugar is tanking.

1 EXAMINER BROOKS: If I stay here long
2 enough, we'll get that.

3 Q. (BY MR. LARSON) And would you identify the last
4 exhibit, which is Number 13?

5 A. Yes. That's a map that's been presented
6 previously with some information concerning the
7 Muirfield well.

8 MR. LARSON: Again, Mr. Examiner, may we
9 adopt for reference Mr. Maxey's testimony in Case 15714?

10 EXAMINER McMILLAN: Yes. The testimony
11 from 15714 will now be accepted as part of the record in
12 15715.

13 MR. LARSON: Thank you.

14 Q. (BY MR. LARSON) Mr. Maxey, do you agree with
15 Mr. Bahlburg's view that drilling three horizontal wells
16 across the half section is the optimal approach to
17 producing from the San Andres in this area?

18 A. Yes.

19 Q. And once the three wells identified on Exhibit
20 7 are completed, will there be any possibility of
21 stranded acreage in the proposed project area?

22 A. No.

23 Q. In your opinion, is drilling three wells in the
24 proposed project area the most efficient and economical
25 way to develop the San Andres on this acreage?

1 A. Yes.

2 Q. And in order to proceed with the drilling
3 pattern, is it necessary for Back Nine to drill the
4 Muirfield well very near to the centerline of the
5 proposed project area?

6 A. Yes.

7 Q. In your opinion, will the Muirfield 2H well
8 effect, develop and drain portions of the lands in each
9 and every quarter-quarter section included in the
10 proposed project area?

11 A. Yes.

12 Q. And in your opinion, will the production from
13 Muirfield 2H well be reasonably uniform across the
14 entire length of the lateral?

15 A. Yes.

16 Q. And will that also hold true for the 1H and 3H
17 wells indicated on Exhibit 10?

18 A. Yes.

19 Q. And in your opinion, will the granting of Back
20 Nine's application avoid the drilling of unnecessary
21 wells, protect correlative rights and serve the
22 interests of conservation and the prevention of waste?

23 A. Yes.

24 MR. LARSON: Mr. Examiner, I move the
25 admission of Exhibits 11, 12 and 13.

1 EXAMINER McMILLAN: Exhibits 11, 12 and 13
2 may now be accepted as part of the record.

3 (Back Nine Properties, LLC Exhibit Numbers
4 11 through 13 are offered and admitted into
5 evidence.)

6 CROSS-EXAMINATION

7 BY EXAMINER McMILLAN:

8 **Q. The question I have is: If you have to move**
9 **the well, since you've agreed to move the well 10 feet,**
10 **will that change any of the AFE costs?**

11 A. No.

12 **Q. Would you say this is true in Case 15714, if we**
13 **have to move? Do you believe the same thing will hold**
14 **true?**

15 A. Let me -- we did have to move the locations a
16 little bit for surface impediments. So I'll qualify my
17 answer by saying it's not an issue with regard to the
18 AFE. I just don't know which way we would move.

19 **Q. Okay. But I'm asking you will it change the**
20 **costs?**

21 A. No.

22 **Q. Okay.**

23 A. If we move to a similar --

24 **Q. Yeah. 10 feet doesn't -- 10 feet will not**
25 **change the cost?**

1 A. Yeah. 10 feet will not change the cost as long
2 as the location is the same, surfacewise, as what we've
3 staked.

4 EXAMINER JONES: The proposed costs?

5 THE WITNESS: Yeah, the proposed costs. 10
6 feet should not change --

7 **Q. (BY EXAMINER McMILLAN) 10 feet will not change**
8 **the cost?**

9 A. It won't.

10 **Q. Because if we have to move it, that's always**
11 **the real question, given the location, that we're**
12 **changing the cost. You have an engineer --**

13 A. Yeah. I'm up against power lines and roads on
14 some of them. That's all I'm saying.

15 EXAMINER McMILLAN: Do you understand where
16 I'm coming from?

17 MR. BAHLBURG: Yes.

18 MR. CHERRY: Yes.

19 EXAMINER JONES: I don't have any
20 questions.

21 EXAMINER BROOKS: No questions.

22 EXAMINER McMILLAN: Okay. 15715 shall be
23 taken under advisement.

24 Thanks.

25 (Case Number 15715 concludes, 11:42 a.m.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

20

21

22

MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
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