

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 WPX ENERGY PRODUCTION, CASE NO. 15348
LLC TO AMEND ORDER R-14100 TO EXPAND (Re-opened)
THE WEST ESCAVADA UNIT AND THE
CORRESPONDING WEST ESCAVADA UNIT; MANCOS
POOL, SANDOVAL AND SAN JUAN COUNTIES,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 17, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 SCOTT DAWSON, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, Scott Dawson, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, August 17, 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.

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APPEARANCES

FOR APPLICANT WPX ENERGY PRODUCTION, LLC:

JORDAN L. KESSLER, ESQ.
MICHAEL FELDEWERT, ESQ.
HOLLAND & HART, LLP
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ALSO PRESENT: Mr. Davis Ignacio, Allottee

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1 (11:06 a.m.)

2 EXAMINER McMILLAN: Call the hearing back
3 to order.

4 Call Case Number 15348, re-opened,
5 application of WPX Energy Production, LLC to amend Order
6 R-14100 to expand the West Escavada Unit and the
7 corresponding West Escavada Unit; Mancos Pool, Sandoval
8 Counties [sic] and San Juan, New Mexico.

9 Call for appearances.

10 MS. KESSLER: Mr. Examiner, Jordan Kessler,
11 from the Santa Fe office of Holland & Hart, on behalf of
12 the Applicant.

13 EXAMINER McMILLAN: Any other appearances?

14 MR. IGNACIO: I'm here for Davis Ignacio.
15 I'm an allottee.

16 MS. KESSLER: Mr. Examiner, two witnesses
17 today.

18 EXAMINER McMILLAN: Would the witnesses
19 stand up and be sworn in at this time?

20 (Mr. Silvestri and Mr. Gates sworn.)

21 MS. KESSLER: May I proceed?

22 EXAMINER McMILLAN: Yes. Please proceed.

23 DELIO A. "TONY" SILVESTRI,
24 after having been first duly sworn under oath, was
25 questioned and testified as follows:

DIRECT EXAMINATION

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BY MS. KESSLER:

Q. Please state your name for the record and tell the Examiners by whom you're employed and in what capacity.

A. Tony Silvestri, employed by WPX as a landman.

Q. Have you previously testified before the Oil Conservation Division?

A. Yes.

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

A. Yes.

Q. Are you familiar with the application filed in this re-opened case?

A. Yes.

Q. And are you familiar with the status of the lands in the subject area?

A. Yes.

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

EXAMINER McMILLAN: So qualified.

Q. (BY MS. KESSLER) Mr. Silvestri, turning to Exhibit 1, is this Order R-14100?

A. Yes.

Q. And this is the order that is the subject of

1 the hearing today; is that correct?

2 A. Yes.

3 Q. And was this the issue back in December of
4 2015?

5 A. Yes.

6 Q. I just wanted to confirm that, December of
7 2015.

8 And this approved the West Escavada Unit,
9 correct?

10 A. Yes.

11 Q. And it contains federal and Indian-allotted
12 acreage?

13 A. Yes.

14 Q. Does this order identify the unitized interval?

15 A. Yes.

16 Q. And this order also created a horizontal oil
17 pool in the unit area, correct?

18 A. Yes.

19 Q. And that horizontal oil pool allowed for
20 330-foot setbacks -- the unit boundary?

21 A. Yes.

22 Q. This order required final approval from the
23 federal agencies to become effective; is that correct?

24 A. Yes.

25 Q. Did the BLM, in fact, provide final approval?

1 A. No. We didn't seek final approval. There was
2 some acreage that came available to the west of this
3 existing unit that we wanted to openly expand the unit
4 to.

5 Q. And immediately upon receiving the order, you
6 identified this acreage and elected to expand the unit;
7 is that correct?

8 A. Yes.

9 Q. Is Exhibit 2 a map showing the unitized area
10 and the proposed expanded acreage?

11 A. Yes.

12 Q. Now, if I'm looking at this, all of Range 7
13 West was previously included in the unit, correct?

14 A. Yes.

15 Q. And it's the acreage in Range 8 West that you
16 seek to add, correct?

17 A. Yes.

18 Q. That would be the south half of Section 12 and
19 all of Section 13?

20 A. Yes.

21 Q. And do you seek to expand this unit from the
22 total of 1926.42 acres to 2886.42 acres?

23 A. Yes.

24 Q. And are the additional lands federal and
25 allotted leases?

1 A. Yes.

2 Q. Do you also seek to expand the West Escavada;
3 Mancos Oil Pool to include the additional acreage?

4 A. Yes.

5 Q. Is Exhibit 3 a copy of the unit agreement
6 governing the enlarged unit area?

7 A. Yes.

8 Q. Is this the same form as the original
9 agreement?

10 A. Yes.

11 Q. And if I flip all the way to the back of
12 Exhibit 3, does this contain a revised Exhibit A and B?

13 A. Yes.

14 MS. KESSLER: Sorry, Mr. Examiner. I
15 should have that for you.

16 Q. (BY MS. KESSLER) The revised Exhibit A shows
17 the additional leases, correct?

18 A. Yes.

19 Q. And it looks like you're including one more
20 federal lease and five more allotted leases?

21 A. Yes.

22 Q. And Exhibit B, this shows the revised ownership
23 in the unit area?

24 A. Yes.

25 Q. With respect to the unit agreement, does this

1 follow the federal form?

2 A. Yes.

3 Q. I understand there are two exceptions, though,
4 correct?

5 A. (No response.)

6 Q. That would be that the agreement only applies
7 to horizontal wells?

8 A. That's correct.

9 Q. And also that it's treated as a single
10 participating area?

11 A. Yes.

12 Q. So the existing unit is treated as one single
13 participating area, and the expanded unit will also be
14 treated as a single participating area?

15 A. Yes.

16 Q. Do all committed working interest owners share
17 in production on an acreage basis?

18 A. Yes.

19 Q. And is the unitized interval going to remain
20 the same?

21 A. Yes.

22 Q. Turn to Exhibit 4. Is this Exhibit C to the
23 unit agreement?

24 A. Yes.

25 Q. And this is the log showing the unit interval,

1 correct?

2 A. Yes.

3 Q. It's also identified on page 2, in paragraph
4 four of Order R-14100?

5 A. Yes.

6 Q. And the geologist will discuss the unitized
7 area, correct?

8 A. Yes.

9 Q. Are the working interest owners aware of the
10 expansion?

11 A. Yes.

12 Q. Has anyone objected?

13 A. No.

14 Q. Do you believe that you have sufficient
15 percentage control of this unit?

16 A. Yes.

17 Q. Have you visited with the BLM and FIMO about
18 the expansion?

19 A. Yes.

20 Q. And is Exhibit 5 a copy of a preliminary
21 approval letter from the BLM?

22 A. Yes.

23 Q. What about FIMO?

24 A. FIMO is aware of it, and they're cc'd on the
25 letter.

1 Q. And FIMO will also sign the unit agreement for
2 the expanded acreage, correct?

3 A. Yes.

4 Q. Has WPX drilled an initial development well
5 yet?

6 A. No.

7 Q. Now, I understand that the expanded acreage is
8 within wildcat oil pool; is that correct?

9 A. Yes.

10 Q. But it's also within the two-mile buffer of the
11 Basin-Mancos Gas Pool?

12 A. Yes.

13 Q. So have you included in the application a
14 request for 330-foot setbacks?

15 A. Yes.

16 Q. And you seek to expand the West Escavada Unit;
17 Mancos Pool to cover the additional acreage; is that
18 correct?

19 A. Yes.

20 Q. And are you seeking that in order to have
21 orderly developed -- 330-foot setbacks on the unit
22 boundary line?

23 A. Yes.

24 Q. Did you identify and provide notice to the
25 offset operators in the 330-foot -- who are affected by

1 the 330-foot setbacks?

2 A. Yes.

3 Q. Did you have a meeting with the Indian-allotted
4 folks in Farmington?

5 A. Yes, we did.

6 Q. When was that?

7 A. That was Tuesday, the 15th.

8 Q. And was that an informational meeting?

9 A. It was.

10 Q. Did many people attend?

11 A. About 60.

12 Q. Did WPX also identify and provide notice to
13 Indian allottees, working interest owners and overriding
14 royalty interest owners within the expanded area?

15 A. Yes.

16 MS. KESSLER: Mr. Examiners, Exhibit 6 is
17 an affidavit prepared by my office identifying all of
18 the interests -- all of the individuals that were
19 notified -- individuals or companies that were notified.
20 This includes offsets, working interest owners, Indian
21 allottees and overriding royalty interest owners, if you
22 would like a copy of the green cards, but I think there
23 are thousands in this case. So please let me know if
24 you would like them.

25 Q. (BY MS. KESSLER) Were all of the interest

1 owners shown on Exhibit 6 also provided a copy of the
2 unit agreement?

3 A. Yes.

4 Q. And did you publish notice of this application
5 and hearing in the newspaper?

6 A. Yes.

7 Q. Did you publish notice in both Sandoval and San
8 Juan Counties?

9 A. Yes.

10 Q. And the Sandoval County "Rio Rancho Observer,"
11 I understand, only publishes once a week; is that
12 correct?

13 A. Yes.

14 Q. So are you requesting a two-week continuance in
15 order for this newspaper publication to appear in the
16 Sandoval County "Rio Rancho Observer"?

17 A. Yes.

18 Q. Were Exhibits 1 through 5 prepared by you or
19 compiled under your direction and supervision?

20 A. Yes.

21 MS. KESSLER: Mr. Examiners, I'd move
22 admission of Exhibits 1 through 8, which include three
23 Affidavits of Notice.

24 EXAMINER McMILLAN: Okay. Exhibits 1
25 through 8 may now be accepted as part of the record.

1 (WPX Energy Production, Inc. Exhibit
2 Numbers 1 through 8 are offered and
3 admitted into evidence.)

4 MS. KESSLER: Thank you.

5 CROSS-EXAMINATION

6 BY EXAMINER McMILLAN:

7 Q. I wasn't clear on the notice. If you --
8 because this was actually part of the -- isn't part of
9 the expanded area actually part of the existing Alamito;
10 Mancos Unit?

11 A. No, it's not. There was -- part of what
12 happened is there was an acreage trade, where we traded
13 that acreage in that unit to Encana, and Encana traded
14 the acreage south, being the section and a half -- parts
15 of the section and a half that we're wanting to include.

16 Q. But wasn't a pool created there?

17 MS. KESSLER: Mr. Examiners, the way that
18 the orders are drafted is when the unit contracts, the
19 pool automatically contracts.

20 EXAMINER McMILLAN: I'm not sure that was
21 clear. I wasn't real clear on that. To me it wasn't
22 very clear on that order.

23 MS. KESSLER: In the Alamito order?

24 EXAMINER McMILLAN: Yeah, in the Alamito;
25 Mancos. It wasn't very clear on that point, because it

1 was -- it must have been an earlier draft. So I was
2 just curious about notification in there.

3 MS. KESSLER: So when the unit contracted
4 and the pool also contracted, my understanding is that
5 it became wildcat acreage, but this is all still within
6 the two-mile buffer of the Basin-Mancos Gas Pool. So
7 out of an abundance of caution, we notified the -- the
8 offsets of the 330-foot setbacks in the event that we're
9 in the Basin-Mancos, which requires 660-foot setbacks.

10 EXAMINER McMILLAN: So in that -- okay. So
11 what you're saying is you notified -- you basically --
12 you noticed all the offsetting tracts --

13 MS. KESSLER: Correct.

14 THE WITNESS: Yes.

15 EXAMINER McMILLAN: -- within the expansion
16 and essentially -- a better word -- a buffer zone?

17 MS. KESSLER: Correct.

18 **Q. (BY EXAMINER McMILLAN) Okay. And since this is**
19 **an older agreement, there is no contraction clause,**
20 **right?**

21 A. There is no contraction language.

22 **Q. Okay. So one well will hold the whole thing?**

23 A. Yes, if it is a commercial well.

24 **Q. Yeah, if it's a commercial well.**

25 MS. KESSLER: And the geologist will

1 discuss development, Mr. Examiner.

2 Q. (BY EXAMINER McMILLAN) So it's only BLM and
3 allotted lands?

4 A. Yes.

5 Q. Was everyone with an interest in both units
6 notified, because their interest would change?

7 A. Yes. Everyone -- everyone was notified.

8 MS. KESSLER: Within the expanded unit
9 area?

10 THE WITNESS: Yes. And we also notified, I
11 think, everybody in the existing North Escavada --
12 excuse me -- not North Escavada -- West Escavada. That
13 was a list I provided, was everyone.

14 CROSS-EXAMINATION

15 BY EXAMINER BROOKS:

16 Q. Yeah. I need to understand this notice issue
17 somewhat better now. The West Escavada Unit, the
18 entire -- is the entire unit that is mapped on Exhibit A
19 to the -- to Exhibit 3, which I believe is identical to
20 Exhibit 2, is that entire area of the West Escavada
21 Unit?

22 A. When you're talking about the --

23 Q. The proposed West Escavada Unit.

24 A. There was an initial West Escavada Unit, and
25 now we are wanting to expand it by a section and a half.

1 Q. Yeah. But both Exhibit A to Exhibit 2 and
2 Exhibit -- both Exhibit A to Exhibit 3 and Exhibit 2 are
3 a map of the expanded unit?

4 A. Yes.

5 Q. And the original unit did not include the
6 two -- the six sections in San Juan County, right?

7 A. Well, the -- that's correct. The initial West
8 Escavada Unit did not include those. It's actually six
9 160s in San Juan County. It's the south half of 12 and
10 all of 13.

11 Q. Oh. So each of these is a quarter -- in a
12 quarter section -- each of the squares on Exhibit 2 is a
13 quarter section --

14 A. Yes, sir.

15 Q. -- not a section?

16 Okay. Now, a part of the area is presently
17 included in another pool, did you say, or another unit,
18 which is also a separate pool; is that correct?

19 A. Well, the original -- the NMOCD-approved West
20 Escavada Unit, yes, that does have it, its pool. That
21 was applicable to that order that came out.

22 REDIRECT EXAMINATION

23 BY MS. KESSLER:

24 Q. I believe the Examiner is referring to the
25 Encana unit.

1 A. Oh, the North Alamito Unit?

2 CONTINUED CROSS-EXAMINATION

3 BY EXAMINER BROOKS:

4 Q. Well, that's what I'm trying to figure out,
5 what -- there is an existing West Escavada Pool, which
6 includes the portion of the West Escavada Unit area
7 shown on Exhibit 2 that is in Sandoval County, right?

8 A. Yes.

9 Q. And there is an existing Alamito -- how is that
10 spelled? I get Alamito and Ala- --

11 A. A-L-A-M-I-T-O.

12 Q. So that's Alamito. That's a little cottonwood,
13 not just a cottonwood.

14 (Laughter.)

15 A. If it will help, I have a map outlining these
16 units, the one you're speaking of, and our West Escavada
17 Unit, if you'd like to look at it.

18 Q. Well, what I want to know, does the Encana
19 unit -- the Alamito Unit --

20 A. Yes, sir.

21 Q. -- that has a pool associated with it; is that
22 correct?

23 A. I am not familiar with the order on that unit,
24 but I would assume so.

25 Q. Well, I don't want you to assume. I want to

1 **find out.**

2 MS. KESSLER: It does, Mr. Examiner. And
3 there was an acreage trade so that unit contracted.

4 EXAMINER BROOKS: Yeah. And you said that
5 the order for the West Alamito Unit provided for
6 automatic contraction of the pool if it was
7 contracted -- the order creating the pool for that unit
8 provided for automatic contraction of the pool if the
9 line was contracted out of the unit?

10 MS. KESSLER: They typically do. I will
11 verify in the order. I believe it's the North Alamito
12 Unit --

13 THE WITNESS: Yes.

14 MS. KESSLER: -- that it did contract. But
15 the recent orders absolutely do have that contraction
16 language.

17 **Q. (BY EXAMINER BROOKS) Now, was the contraction**
18 **of the North Alamito Unit accomplished by an amendment**
19 **to the unit agreement?**

20 A. Again, that's Encana's unit, and I'm not
21 familiar exactly with what they have in there.

22 **Q. Okay. Now, there was a great deal of talk**
23 **about -- well, not a great deal of talk, but there were**
24 **several questions and answers about who was given**
25 **notice, and they weren't entirely intelligible to me --**

1 the answers were not entirely intelligible to me, and
2 some of that came from the witness and some from
3 counsel. But would you describe who was given notice
4 for this proceeding?

5 A. All the allottees within the existing West
6 Escavada Unit and the expanded West Escavada Unit, all
7 the working interest owners within the existing West
8 Escavada Unit and the proposed expansion, and then
9 all -- and all the overriding royalty owners inside the
10 existing West Escavada Unit and the expanded portion,
11 and all the working interest owners offsetting the
12 existing West Escavada Unit and the expanded request.

13 Q. Would that be out to the two-mile boundary?

14 A. I just looked for immediate offsets.

15 Q. Okay. Somebody said something about the
16 two-mile boundary. Was that you?

17 MS. KESSLER: That was the two-mile
18 boundary of the buffer zone in the Basin-Mancos Gas
19 Pool.

20 EXAMINER BROOKS: Oh, around the
21 Basin-Mancos Gas Pool.

22 MS. KESSLER: Yes. There was a discussion
23 whether or not the Basin-Mancos Gas Pool affected our
24 proposed unit.

25 EXAMINER BROOKS: Well, if you are changing

1 the pool boundary, as was discussed in the last case,
2 then notice would be required, I believe, to operators,
3 not all working interest owners, but to operators within
4 a two-mile area around the existing unit, which would be
5 the West Escavada Unit, I would think.

6 MS. KESSLER: No, Mr. Examiner. First of
7 all, I believe what Mr. Silvestri intended to say was
8 that we provided notice to the -- if there was an
9 operator in the existing spacing unit surrounding the
10 proposed unit expansion, it was provided to the operator
11 or working interest owners if there was --

12 EXAMINER BROOKS: Yeah. I assume that
13 would be a correct way to interpret that rule. I would
14 note that this rule -- the rule on pools -- on notifying
15 people within -- for pool orders is different from the
16 rules -- from many of the notice rules, which say
17 "Division-appointed operator," and there is not a
18 Division-appointed operator unless there is a well.

19 MS. KESSLER: Secondly, Mr. Examiner, we're
20 not changing the boundary of the Basin-Mancos Gas Pool.
21 We're simply --

22 EXAMINER BROOKS: No. You're changing the
23 boundary of the West Escavada Unit, which has a pool
24 associated with it, right?

25 MS. KESSLER: Correct.

1 EXAMINER BROOKS: And you have notified all
2 operators within two miles of the outer boundaries of
3 the West Escavada Unit?

4 MS. KESSLER: Not within two miles. To my
5 knowledge, there is no two-mile requirement. It was all
6 of the parties who are affected by the change in setback
7 requests. So --

8 EXAMINER BROOKS: Let me look at the rule.
9 I always bring my rule book, unless I forget it. And I
10 didn't forget it today, so this is an exceptional
11 situation.

12 MS. KESSLER: And, Mr. Examiner, just to
13 emphasize, there is no buffer or boundary for our unit
14 pool, nothing like that. The buffer I refer to is the
15 Basin-Mancos Gas Pool.

16 EXAMINER BROOKS: Okay. So you did not
17 notify operators outside the West Escavada Unit.
18 Somebody said something about offsetting, and I wasn't
19 sure.

20 MS. KESSLER: We did notify offset
21 operators or working interest owners who are affected by
22 the request for 330-foot setbacks. So we notified
23 offset operators in the 320-acre tract surrounding the
24 proposed expanded unit.

25 EXAMINER BROOKS: Okay. Yeah. And I see

1 that was correct, I believe, because in looking at Rule
2 4.12A(4)(b). And 4.12A(4) says that special -- 4.12 is
3 notice requirements for particular proceedings. 4.12(4)
4 deals with special pool orders. 4.12(4)(b) says: If
5 the application includes other matters, that is other
6 than changing the amount of acreage dedicated to a well,
7 the applicant shall notify Division-designated
8 operator...." It is Division-designated operator. So I
9 was incorrect in saying that. So my statement about
10 that was incorrect. "Division-designated operators in
11 the pool and Division-designated operators of wells
12 within the same formation as the pool and within one
13 mile of the pool's outer boundaries." So it says one
14 mile rather than being flexible for the one-mile rule in
15 the southeast and the two-mile rule in the northwest.
16 So it's one mile.

17 So my question then is --

18 MR. FELDEWERT: Well, hold on.

19 EXAMINER BROOKS: -- did you notify
20 operators of wells within the -- is this Mancos Unit?

21 MS. KESSLER: Yes.

22 EXAMINER BROOKS: Okay. So did you notify
23 any operators of wells within the Mancos Unit, located
24 within one mile of the outer boundary of the West
25 Escavada Unit?

1 MS. KESSLER: Who are not otherwise
2 assigned to the pool.

3 EXAMINER BROOKS: Who are otherwise not
4 assigned to that pool.

5 REDIRECT EXAMINATION

6 BY MS. KESSLER:

7 Q. That's correct, Mr. Silvestri, right?

8 A. We did notify operators outside of the West
9 Escavada Unit -- expanded West Escavada Unit.

10 EXAMINER BROOKS: All right. Thank you.
11 Sorry for taking so long.

12 Go ahead. I'm through.

13 CROSS-EXAMINATION

14 BY EXAMINER DAWSON:

15 Q. Mr. Silvestri, I was going to ask you about --
16 can you identify where the West Escavada Unit area --
17 the proposed West Escavada Unit area overlaps the North
18 Alamito Unit?

19 A. It does not overlap.

20 Q. They've done -- they've gone through the
21 contraction process? They've done the paperwork on
22 that, or do you know?

23 A. I know that the unit outlines I'm aware of do
24 not show an overlap.

25 Q. Okay.

1 EXAMINER BROOKS: Now, on that subject, the
2 statement that was made was that the unit order creating
3 the West Escavada -- the West Alamito --

4 MS. KESSLER: North Alamito?

5 EXAMINER BROOKS: Sorry. The two names
6 together -- the North Alamito Unit, that that unit order
7 provides that the unit automatically -- that the pool
8 automatically contracts -- I guess the order creating
9 the pool; wouldn't it be?

10 MS. KESSLER: Well, the order authorizing
11 the unit and creating the pool.

12 EXAMINER BROOKS: Same order?

13 MS. KESSLER: Same order.

14 EXAMINER BROOKS: And it provides that that
15 unit -- that pool will automatically contract if the
16 unit contracts?

17 MS. KESSLER: The orders that I'm aware of
18 do have that language.

19 EXAMINER BROOKS: Yeah. And the unit would
20 be contracted by the amendment to the unit order -- to
21 the unit agreement, right?

22 MS. KESSLER: Correct, not to the order.

23 EXAMINER BROOKS: Very good.

24 Now, you're going to provide us a copy of
25 that order so we can satisfy ourselves that that's the

1 case.

2 MS. KESSLER: Correct.

3 EXAMINER BROOKS: Okay. Thank you.

4 EXAMINER DAWSON: That's what I was going
5 ask.

6 CONTINUED CROSS-EXAMINATION

7 BY EXAMINER DAWSON:

8 Q. My question of you also is: On the contraction
9 language within the West -- the proposed West Escavada
10 Unit area, the allottees and the BLM were okay with the
11 no contraction language within that unit agreement?

12 A. That's correct.

13 Q. And in your meetings with the allottees, you
14 said that was on the 15th of this month?

15 A. Yes.

16 Q. Did they have any issues with the proposed
17 unit?

18 A. There is no objection to the expansion.

19 Q. That's all the questions I have. Thank you.

20 MS. KESSLER: Thank you.

21 I'll call my next witness.

22 EXAMINER BROOKS: You have about seven
23 minutes.

24 You're going to provide us a copy of the
25 order for the North Alamito Unit and Pool?

1 MS. KESSLER: Yes. Depending on timing, we
2 can review this during lunch.

3 EXAMINER BROOKS: Okay.

4 TREVOR GATES,
5 after having been previously sworn under oath, was
6 questioned and testified as follows:

7 DIRECT EXAMINATION

8 BY MS. KESSLER:

9 Q. Please state your name for the record and tell
10 the Examiners by whom you're employed and in what
11 capacity.

12 A. Trevor Gates. I'm a senior geologist at WPX
13 working the San Juan Basin.

14 Q. Have you previously testified before the
15 Division?

16 A. Yes.

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

19 A. Yes, they were.

20 Q. Are you familiar with the application filed for
21 the unit expansion in this case?

22 A. Yes.

23 Q. And have you conducted a geologic study of the
24 lands that are the subject of this application?

25 A. Yes, I have.

1 MS. KESSLER: Mr. Examiner, I'd tender
2 Mr. Gates as an expert in petroleum geology.

3 EXAMINER McMILLAN: So qualified.

4 Q. (BY MS. KESSLER) Mr. Gates, are you familiar
5 with the horizon for the proposed expanded unit?

6 A. Yes. It's the entire Mancos interval, which is
7 the back on Exhibit 4, I believe, shown on the Fulton
8 well. So the stratigraphic equivalent on that well of
9 3,858 measured depth and to 5,695, which is the base of
10 the Green Horn and top of the Graneros.

11 Q. And that's the same interval identified in the
12 original order, correct?

13 A. Correct.

14 Q. And I believe you've included as Exhibit 9 a
15 clearer log showing that same unitized interval?

16 A. Yes. As you can tell on the last one, it's
17 kind of hard to see what was going on, so I picked this
18 as a close offset as well. This is the type log, and
19 we've got an SP curve on the left and resistivity on the
20 right, a stratigraphic equivalent to the last well, but
21 you can see the top of the Mancos kind of where the SP
22 curve quiets down at Point Lookout. And then the top of
23 the Graneros, base of the Green Horn, it's easier to see
24 on the resistivity, the green on the right down at
25 5,384.

1 **Q. But nothing has changed with the unitized**
2 **interval, correct, as identified in the original --**

3 A. Correct. The interval is just a much easier
4 log to see.

5 **Q. In your opinion, does the proposed unitized**
6 **interval extend across the acreage that WPX seeks to add**
7 **to this unit?**

8 A. Yes, it does.

9 **Q. Would you please turn to Exhibit 10? Is this a**
10 **structure map of the proposed unit and expanded unit**
11 **area?**

12 A. Yes. So this is a structure map on the top of
13 the Mancos. It's in subsea depth. The contour interval
14 is at 25 feet. It shows just a general downdip to the
15 northeast. And we've got a unit -- the proposed unit
16 outline is in red. And as you can see, there are two
17 cross sections there, one labeled "A to A prime" on the
18 strike and downdip, B to B prime.

19 **Q. Is Exhibit 11 the A to A prime cross section**
20 **marked on your structure map?**

21 A. Yes, it is. And you can just see -- again, on
22 that SP correlating across the logs, you can see how you
23 correlate the top of the Mancos there. There is not a
24 whole lot of vertical penetrations in the area that go
25 deep enough to see the Green Horn through the Graneros,

1 so you can only see that on this National Fed Coop,
2 which I had just previously shown. But you can see the
3 little -- our primary target is kind of in the Gallup
4 Formation, which is where the SP curve starts kicking
5 out midway through the log, and you can correlate that
6 across and into the wells.

7 **Q. Is Exhibit 12 the corresponding cross section**
8 **for your B to B prime labeled on the structure --**

9 A. Yes. This one will be going downdip. Again,
10 the more clear -- type log I've just shown is on the
11 left. That Fulton, which was the original described
12 interval, is the second well, and you can just see a
13 gentle downdip going to the northeast. And, again, you
14 can correlate the Gallup kind of midway through in each
15 of those logs to see that the interval thickness kind of
16 remains pretty constant across the area.

17 **Q. Based on your analysis, have you discovered any**
18 **faults or pinch-outs or other geologic impediments that**
19 **would prevent the additional acreage from being**
20 **efficiently developed under the unit plan for horizontal**
21 **wells?**

22 A. No, I have not.

23 **Q. And in your opinion, will approval of this**
24 **application be in the best interest of conservation, for**
25 **the prevention of waste and the protection of**

1 **correlative rights?**

2 A. Yes.

3 **Q. Is Exhibit 13 the current development plan to**
4 **the unit?**

5 A. Yes. So this is, again, the outline of the
6 proposed units in red. You can see there is the initial
7 proposed unit holding well. The 301 is labeled. And
8 you'll notice, there are seven laterals kind of tied
9 back to a common point. Those seven laterals, we just
10 received APDs from the BLM on those, of course on the
11 one that's furthest to the left, just to extent of the
12 original boundary. So -- but yeah, in general, for the
13 additional laterals, we'd just be seeking pad locations
14 along the south side, keep the infrastructure consistent
15 across the bottom half there.

16 **Q. And this was the plan that was submitted to the**
17 **BLM, correct?**

18 A. Yes.

19 **Q. Is the company required to submit annual**
20 **development plans to the BLM's authorized officer?**

21 A. Yes.

22 **Q. And that's, in fact, included in paragraph ten**
23 **of the unit agreement, correct?**

24 A. Yeah.

25 **Q. Can you please identify the initial development**

1 **well?**

2 A. As I stated, that 301 is what was listed in the
3 initial application. Whether it's the 301 or whether we
4 drill one of the longer laterals first, we'd wait to
5 see, but it'll be one of those that we just got permits
6 on.

7 **Q. And you mentioned that WPX did just obtain --**
8 **did you say seven permits?**

9 A. Yeah. We got seven permits just within the
10 last couple of weeks.

11 **Q. Were Exhibits 9 through 13 prepared by you or**
12 **compiled under your direction and supervision?**

13 A. Yes, they were.

14 MS. KESSLER: Mr. Examiner, I'd move
15 admission of Exhibits 9 through 13.

16 EXAMINER McMILLAN: Exhibits 9 through 13
17 may now be accepted as part of the record.

18 (WPX Energy Production, Inc. Exhibit
19 Numbers 9 through 13 are offered and
20 admitted into evidence.)

21 CROSS-EXAMINATION

22 BY EXAMINER McMILLAN:

23 **Q. I'm essentially looking -- it looks like**
24 **Exhibit 9. So in this well, is the target interval**
25 **4,550 to 4,750?**

1 A. You're correct. Yeah. You can see in this
2 well, there is some kind of red little bars where those
3 wells -- their primary target would be the lower half of
4 the -- the cluster for lateral.

5 **Q. Would be 4,700?**

6 A. Yes. Exactly.

7 **Q. Are there any other prospective zones?**

8 A. You can see right above, they have completed in
9 I believe to be the El Vado -- you may have heard of --
10 in the area. In some areas, that's prospective, not
11 always. It's kind of an offshore sandbar, so it kind of
12 comes and goes. If it's prospective in the area, we
13 don't think we have communication between the two
14 horizons. You could potentially develop both, but, in
15 general, the main focus is just the Lower Gallup,
16 regressive section of the Gallup Formation.

17 **Q. That was real helpful. Actually, this is a**
18 **bigger scale. I can see this easier than the cross**
19 **section.**

20 A. Yeah.

21 EXAMINER BROOKS: I would like to take a
22 recess at this time until 1:30.

23 EXAMINER McMILLAN: Do you have any
24 questions?

25 EXAMINER DAWSON: I do have a couple of

1 questions.

2 CROSS-EXAMINATION

3 BY EXAMINER DAWSON:

4 Q. Looking at your Exhibit Number 9 --

5 A. Uh-huh.

6 Q. -- the top log --

7 A. Yes.

8 Q. -- this well's just south of the proposed unit,
9 correct?

10 A. Yeah. I think if you turn on the next page,
11 yeah, it's just directly south.

12 Q. Yeah, Section 19, 22 North, 7 West --

13 A. Exactly.

14 Q. -- north half?

15 A. Uh-huh.

16 Q. And that well, they dry-holed that well; is
17 that correct? It says "dry hole."

18 A. Yeah. Got a dry hole, so --

19 Q. Is there a unit to the south there?

20 A. Not that I'm aware of.

21 Q. Okay. Do you think that well would produce
22 or --

23 A. I'm sure it did produce just in a vertical
24 sense. You don't get a whole lot out of it, more of a
25 lateral development to make it economic. But I'm sure

1 it produced for an amount of time, and then for whatever
2 reason --

3 **Q. You feel like it was probably uneconomic? It's**
4 **a dry hole?**

5 A. I mean, like I said -- it's a dry hole. All I
6 can say is we have -- if you turn to the next page,
7 we've got the North Escavada Unit, and we're drilling
8 laterals in there in the same section, and we're
9 getting -- we're getting oil out. I mean, some of it
10 is -- it could be where they perfed in this interval
11 because of the regressive sequence coming out kind of on
12 the delta. So each little lobe that comes out kind of
13 moves -- the porosity moves around. So in this area,
14 you know, I target maybe a little bit higher up. If
15 they targeted too low, they might just be out of good
16 porosity. And I don't know what size of frac or
17 anything that they used. Maybe they didn't put a frac.
18 I'm not too sure.

19 **Q. So you're not sure when that well was drilled?**

20 A. I don't have the spud date listed on here.

21 **Q. Okay. One other question I have is -- if you**
22 **can flip to your Exhibit 13 -- your map on Exhibit 13**
23 **with the proposed diagonals.**

24 A. Yes.

25 **Q. On the northeast corner of the unit and the**

1 southwest corner of the unit, there is like some areas
2 that don't look like they're drilling any laterals
3 proposed within those corners of the unit. I just
4 wanted to ask what would you anticipate WPX's plans are
5 for those corners where there are no wells?

6 A. I mean, with the 40- -- the reason we're going
7 to 45, a lot of it is the present-day stress in the
8 area. So due to microseismic that we have and image
9 logs, the fracture is kind of broad in that 45-degree
10 orientation. So wells that are oriented like this
11 produce drastically better than north-south or east to
12 west. So -- but, I mean, that is the one issue with
13 going at the 45, is you get a little bit left in the
14 corners. But if you go north to south, you've got a lot
15 of wells that are not even economic.

16 So, I mean, all I can say to that, because
17 this is a pool only for horizontals, so you could
18 potentially do maybe a lease well to drill a vertical if
19 you not could get something out of that. Otherwise, our
20 drilling times get faster and faster. If you do it on a
21 pad, you gain some efficiency. You could get shorter
22 lateral in there and maybe, you know, still make it
23 work.

24 Q. But you feel WPX will eventually drill those
25 corners if needed?

1 A. If we need to and then we can do it, yeah, we
2 would.

3 **Q. Okay. That's all the questions I have. Thank**
4 **you.**

5 EXAMINER McMILLAN: Thank you.

6 Okay. I guess Case Number 15348 --
7 actually, you have to come back.

8 MS. KESSLER: No. We have to continue for
9 two weeks.

10 EXAMINER McMILLAN: Continue for two weeks.

11 MS. KESSLER: And I'll provide you a copy
12 of the order.

13 EXAMINER McMILLAN: Great. Thanks.

14 (Case Number 15348 concludes, 11:48 a.m.)

15 (Recess, 11:48 a.m. to 1:30 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
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