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APPEARANCES

FOR APPLICANT CHEVRON U.S.A., INC.:

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1 (11:37 a.m.)

2 EXAMINER JONES: And let's call Case 15895,
3 application of Chevron U.S.A., Incorporated for a
4 nonstandard spacing and proration unit and compulsory
5 pooling in Eddy County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Mr. Examiners, Jordan
8 Kessler, from the Santa Fe office of Holland & Hart, on
9 behalf of the Applicant. I have two witnesses.

10 EXAMINER JONES: Any other appearances?

11 MS. KESSLER: Two witnesses.

12 EXAMINER JONES: Two witnesses?

13 Okay. Will the court reporter please swear
14 the witnesses?

15 (Mr. Cooper and Ms. Singer sworn.)

16 CHRISTOPHER COOPER,
17 after having been first duly sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MS. KESSLER:

21 **Q. Can you please state your name for the record**
22 **and tell the Examiners by whom you're employed and in**
23 **what capacity?**

24 A. Christopher Cooper, and I'm employed by Chevron
25 U.S.A., Inc. as a petroleum landman.

1 **Q. Have you previously testified before the**
2 **Division?**

3 A. I have not.

4 **Q. Can you please outline your educational**
5 **background?**

6 A. I graduated with a Bachelor of Arts degree from
7 Texas A&M and a law degree from Oklahoma City School of
8 Law.

9 **Q. What has your work history been?**

10 A. I've worked for Chevron since 2013 in the
11 Permian Basin.

12 **Q. And are you a member of any professional**
13 **associations?**

14 A. Yes. I'm a member of the AAPL and the PBLA.

15 **Q. Do you have any professional certifications?**

16 A. I do not.

17 **Q. Are you familiar with the application that's**
18 **been filed in this case?**

19 A. I am.

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

22 A. I am.

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

25 EXAMINER JONES: He is so qualified.

1 Q. (BY MS. KESSLER) What do you -- what does
2 Chevron seek under this application?

3 A. We're seeking an approved nonstandard 640
4 proration unit and --

5 Q. Do you also seek to compulsory pool the
6 Wolfcamp Formation?

7 A. Yes.

8 Q. And are you requesting approval of three
9 initial wells?

10 A. Yes.

11 Q. Okay. Let's look at Exhibit 1. Is this a
12 C-102 for the 11H well?

13 A. Yes.

14 Q. Can you please explain why the well name does
15 not match what we've asked in our application?

16 A. This initial C-102 that was sent in had a
17 different name -- naming convention from Chevron and
18 since then has changed. So the new well name will be
19 the CB SE 532 Fed Com 11H.

20 Q. And Chevron has submitted a new C-102, but it
21 has not been approved, correct?

22 A. Correct.

23 Q. Okay. What is the spacing unit for the 11H
24 well?

25 A. It'll be 640 acres as to the eastern half of

1 Section 32, Township 23 South, Range 29 East and the
2 eastern half of Section 5 of Township 24 South, Range 29
3 East.

4 Q. Has the Division designated a pool for this
5 area?

6 A. It has not, only as to the eastern half of the
7 eastern half of Section 32.

8 Q. Okay. Do you understand that this is within
9 the boundaries of the Purple Sage; Wolfcamp Pool?

10 A. Yes.

11 Q. And that pool and pool code is reflected on the
12 C-102, correct?

13 A. Yes.

14 Q. Are there any depth severances in this pool?

15 A. No.

16 Q. What is the character of the lands?

17 A. These are federal, fee and state lands.

18 Q. Will the 11H well comply with the Division
19 setbacks for the Purple Sage pool?

20 A. Yes.

21 Q. So 330-foot setbacks?

22 A. Correct. Yes.

23 Q. Turning to Exhibit 2, is this the C-102 for the
24 12H well?

25 A. Yes.

1 Q. And, once again, the final well name is not
2 included in the C-102, correct? That will change?

3 A. Yes. It will change to the CB SE 5 32 Fed Com
4 12H.

5 Q. All of those correct names are included in the
6 Division advertisement application, correct?

7 A. Yes.

8 Q. Again, this is in the Purple Sage; Wolfcamp
9 Pool, correct?

10 A. Correct.

11 Q. Also comprised of federal, fee and state
12 acreage?

13 A. Yes.

14 Q. No depth severances?

15 A. Correct.

16 Q. Will the 12H comply with the 330-foot setbacks?

17 A. Yes.

18 Q. Is Exhibit 3 the C-102 -- draft C-102 for the
19 13H well?

20 A. Yes.

21 Q. Again, the final well name will change,
22 correct?

23 A. Yes. It will be the CB SE 5 32 Fed Com #13H.

24 Q. And then for the same spacing unit as the 11H
25 and 12H wells?

1 A. It is the same.

2 Q. And same pool, correct?

3 A. Correct.

4 Q. Also federal, fee and state acreage?

5 A. Correct.

6 Q. Any depth severances?

7 A. No.

8 Q. Is there an existing well within the spacing
9 unit?

10 A. There is.

11 Q. Where is that located?

12 A. That well is located in the eastern
13 half-eastern half of Section 32.

14 Q. And that's a 160-acre unit, correct?

15 A. Yes.

16 Q. In the Wolfcamp Formation?

17 A. In the Wolfcamp D Formation and is operated by
18 Marathon Oil Permian, LLC.

19 Q. And you understand it's an oil pool, correct?

20 A. Correct.

21 Q. Are you aware that the Division authorizes
22 overlapping project areas?

23 A. Yes.

24 Q. And has Marathon been provided notice of your
25 development plans and of this overlapping project area?

1 A. Yes.

2 Q. Have they filed any type of objection?

3 A. No.

4 Q. I do not think I covered this. The 13H well is
5 also going to comply with the 330-foot setbacks?

6 A. Yes.

7 Q. Why does Chevron seek to dedicate the spacing
8 unit to three initial wells?

9 A. For economic efficiencies. We believe we can
10 get better production and better overall costs with pad
11 drills.

12 Q. With the wells be drilled and completed
13 back-to-back?

14 A. Yes.

15 Q. And all of the interest owners were provided
16 notice of Chevron's plans to drill and complete three
17 initial wells; is that correct?

18 A. Yes.

19 Q. And separate elections on each of the wells?

20 A. Yes.

21 Q. And none of the interest owners objected,
22 correct?

23 A. Correct.

24 Q. Is Exhibit 4 an outline showing ownership by
25 tract in the proposed spacing unit?

1 A. Yes.

2 Q. Looking at the second page of this exhibit, who
3 are you seeking to pool?

4 A. We're seeking to pool three parties: Marathon
5 Oil Permian, LLC, Yosemite Creek Oil & Gas, LLC and
6 Mizel Resources, a Trust.

7 Q. And it looks like 27 -- approximately 27
8 percent --

9 A. Approximately 27 percent.

10 Q. -- that you seek to pool?

11 A. Yes.

12 Q. Are these working interest owners?

13 A. They are.

14 Q. Is Exhibit 5 a copy of the well-proposal letter
15 for the 11H, 12H and 13H wells that you sent to
16 uncommitted interest owners?

17 A. Yes.

18 Q. When did you send this letter?

19 A. September 11th, 2017.

20 Q. And did it include AFEs for each of the three
21 wells?

22 A. It did.

23 Q. Now, those three AFEs are included as Exhibit
24 6; is that correct?

25 A. Yes.

1 **Q. Are the costs on each of these AFEs consistent**
2 **with what Chevron has incurred in drilling similar**
3 **horizontal wells in the area?**

4 A. Yes.

5 **Q. Can you please outline the efforts you've**
6 **undertaken to reach agreement with the parties you seek**
7 **to pool?**

8 A. Yes. We've received agreement from all parties
9 that we are not seeking to pool. And those that we are
10 seeking to pool, we have had communications by phone,
11 email and, in the case of Marathon, face to face to try
12 to come to an agreement. And with Yosemite and Mizel,
13 they have actually signed AFEs for the wells and are
14 awaiting the order and this hearing before we go to
15 negotiate the JOA. They have a couple of terms they
16 want to talk about.

17 **Q. Okay. But you'll continue to work with those**
18 **two entities?**

19 A. Yes.

20 **Q. And if you reach an agreement with them, will**
21 **you notify the Division?**

22 A. Yes.

23 **Q. And with Marathon, you've also continued to**
24 **negotiate, correct?**

25 A. Yes.

1 Q. And you had extensive communications?

2 A. Yes.

3 Q. And you'll continue to work with them?

4 A. Yes.

5 Q. In your opinion, have you made a good-faith
6 effort to reach agreement with each of the parties you
7 seek to pool?

8 A. Yes.

9 Q. Are any of the parties unlocatable?

10 A. No.

11 Q. And have you estimated overhead and
12 administrative costs for drilling and completing the --

13 A. Yes.

14 Q. -- drilling and producing the wells? I'm
15 sorry.

16 A. Yes. We estimate 7,000 during drilling and 700
17 during producing.

18 Q. Are those costs in line with what Chevron and
19 other operators in the area charge for similar wells?

20 A. Yes.

21 Q. Do you ask that those costs be incorporated
22 into any order resulting from this hearing?

23 A. Yes.

24 Q. And do you ask that the costs be adjusted in
25 accordance with the COPAS accounting procedures?

1 A. Yes.

2 Q. For uncommitted interest owners, do you request
3 the Division impose a 200 percent risk penalty?

4 A. Yes.

5 Q. And did Chevron provide notice of this hearing
6 to the offset or lessees of record?

7 A. Yes, we did.

8 Q. Is Exhibit 7 an affidavit with -- prepared by
9 my office with attached letters providing notice of the
10 hearing to the parties that you seek to pool, as well as
11 offsets?

12 A. Yes.

13 Q. And Exhibit 8 is a copy of an Affidavit of
14 Publication also providing notice, correct?

15 A. Yes.

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

18 A. Yes.

19 MS. KESSLER: Mr. Examiner, I move
20 admission of Exhibits 1 through 8.

21 EXAMINER JONES: Exhibits 1 through 8 are
22 admitted.

23 (Chevron U.S.A., Inc. Exhibit Numbers 1
24 through 8 are offered and admitted into
25 evidence.)

1 EXAMINER JONES: Mr. Brooks?

2 EXAMINER BROOKS: No questions. I'm going
3 to leave it with you from here.

4 EXAMINER JONES: Okay.

5 (Examiner Brooks exits the room.)

6 CROSS-EXAMINATION

7 BY EXAMINER JONES:

8 Q. You noticed Featherstone Development Corp.?
9 They're signed up now, though; is that correct? It says
10 "Pooled Parties" on Exhibit 7.

11 A. On Exhibit 7?

12 Q. Yeah.

13 A. Yeah. They -- subsequent to the application,
14 they have signed on.

15 MS. KESSLER: So they're not listed as a
16 pooled party, Mr. Examiner.

17 THE WITNESS: Exhibit 4 is how it stands
18 right now.

19 Q. (BY EXAMINER JONES) Okay. And these people
20 that -- they're aware that the well name is going to
21 change -- or the well location or not?

22 A. The locations will not change. It's just the
23 well name at this time, and the AFEs that we sent to
24 them had the corrected well name.

25 Q. Okay. Cool.

1 That well that's wholly contained within
2 this, what will be a spacing unit after this, it's over
3 on the east half-east half of Section 32?

4 A. Yes, sir.

5 Q. So can you state more about it? Where's it at?

6 A. It's wholly contained within their state lease,
7 east half-east half, and it currently produces from the
8 Wolfcamp D Formation.

9 Q. Is it a horizontal well?

10 A. It is a horizontal, and it was prior to the
11 Purple Sage. So it was drilled under a 160-acre
12 proration unit and, therefore, didn't require pooling or
13 anything like that.

14 Q. Okay. And Marathon is being pooled here,
15 though, correct?

16 A. Yes.

17 Q. But they didn't show up today as opposing this?

18 A. Correct. And that's -- that's part of our
19 ongoing negotiations with them in regards to this
20 acreage. So those conversations have been had and will
21 continue to move on, but they are aware of today's
22 hearing.

23 Q. Okay. They were here a few minutes ago. Oh,
24 well.

25 So three tracts, and they're all -- let's

1 see here. Subsurface -- surfaces fee and federal and
2 subsurfaces state, fee and federal; is that correct?

3 A. The surface will be federal, and the subsurface
4 are state, fee and federal.

5 Q. State, fee and federal.

6 And you're going to put the wells up in
7 the -- I don't think I paid attention to where the
8 surface locations are going to be.

9 A. It'll be in the -- excuse me -- the southwest
10 of the southeast of Section 5.

11 Q. Okay. Okay. Pretty much all three wells will
12 be put right there?

13 A. Yes.

14 Q. So you're going to drill north?

15 A. Yes, sir.

16 Q. Okay. So three tracts, and they're state,
17 federal and fee. And you've got them listed. And the
18 reason for drilling the proposed three wells at once, I
19 guess we'll talk about that later, I guess. I think you
20 covered it pretty well.

21 You didn't have to send a newspaper notice
22 at all here because everybody was located and --

23 MS. KESSLER: We did. You never know,
24 though.

25 EXAMINER JONES: You never know, so you

1 normally do, seems like.

2 Q. (BY EXAMINER JONES) But everything is standard
3 locations. And 7,000, 700, and it's Purple Sage. So I
4 guess that's -- that's it. Thanks very much.

5 A. Thank you.

6 JANA E A. SINGER,
7 after having been previously sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MS. KESSLER:

11 Q. Can you please state your name for the record
12 and tell the Examiner by whom you're employed and in
13 what capacity?

14 A. My name is Janae A. Singer, and I'm employed by
15 Chevron as a petroleum geologist.

16 Q. Have you previously testified before the
17 Division?

18 A. No.

19 Q. Can you please outline your educational
20 background?

21 A. Yes. I received a Bachelor of Science in 2007
22 in geophysical engineering from Montana Tech of the
23 University of Montana. I received a Master's of Science
24 in geoscience in 2008 also from Montana Tech of the
25 University of Montana.

1 **Q. What has your work experience been?**

2 A. I've worked for Chevron since 2008. I've
3 worked the California Basin for several years, and then
4 I've been working the Delaware Basin since 2014.

5 **Q. Are you familiar with the application that's**
6 **been filed in this case?**

7 A. I am.

8 **Q. And are you a member of any professional**
9 **associations?**

10 A. No.

11 **Q. Have you conducted a study of the lands that**
12 **are the subject of this application?**

13 A. I have.

14 MS. KESSLER: Mr. Examiner, I'd tender
15 Ms. Singer as an expert --

16 EXAMINER JONES: You were stationed in
17 California?

18 THE WITNESS: Yes.

19 EXAMINER JONES: And you had to move to
20 Midland?

21 THE WITNESS: Houston.

22 EXAMINER JONES: Houston?

23 THE WITNESS: Yes.

24 EXAMINER JONES: Okay. Well, the Delaware
25 Basin is the place to be.

1 THE WITNESS: It's fun.

2 EXAMINER JONES: She's so qualified.

3 Q. (BY MS. KESSLER) Ms. Singer, could you please
4 turn to Exhibit 9 and identify this exhibit for the
5 Examiners?

6 A. Yes. So on the right-hand side of Exhibit 9 --
7 make sure I have the right one -- Exhibit 9, I've shown
8 a cartoon of the pooling unit and then a very simplified
9 example of how those wells will be located within the
10 unit.

11 And then on the left-hand side, in the
12 light blue box, I've tried to outline the equivalent
13 acreage that will be pooled. I'm also showing
14 structural contours of the top of the Wolfcamp Formation
15 in subsurface depth. And then I also have some dark
16 blue circles, and those indicate control points that
17 were used in creating that structural cross section.

18 And then in summary, the strike is
19 north-south, and the formation is dipping to the east.

20 Q. Do you see relative continuity of the structure
21 or anything that would pose a hazard to drilling
22 horizontal wells?

23 A. The structure is very uniform, as well as the
24 formation. There are no hazards or faults identified in
25 the area.

1 **Q. Thank you.**

2 **Is Exhibit 10 a map that you've put**
3 **together showing the line of section used for your**
4 **cross-section exhibit?**

5 A. Yes. This exhibit shows the cross section.
6 I've labeled the wells, as well as -- they're labeled A
7 to A prime. And, again, I've highlighted the pooling
8 acreage in question.

9 **Q. And these logs all cover the Wolfcamp in the**
10 **area?**

11 A. They do.

12 **Q. Do you consider these wells to be**
13 **representative of wells in the Wolfcamp?**

14 A. Yes.

15 **Q. Please turn to Exhibit 11 and identify this**
16 **exhibit for the Examiner?**

17 A. Yes. These are the same wells that I showed in
18 the previous base map labeled A to A prime. The wells
19 have been hung on the top of the Wolfcamp Formation.
20 The tracks from left to right in each of the wells show
21 the gamma ray and caliper in the leftmost track and
22 depth, then the resistivity in the next one, and the far
23 right track is the neutron and density porosity.

24 **Q. And I don't see that you have called out your**
25 **proposed landing zone. Can you please identify that?**

1 A. Yes. So I've also labeled the top of the Y
2 sand. The landing zone will be the Y sand, and the
3 extension of that is approximately 35 feet below that
4 top that I have labeled.

5 **Q. Okay. What do you see with respect to the**
6 **continuity of the formation of these logs?**

7 A. Very continuous. The X and the Y sands are
8 very continuous sheet sands within all of New Mexico, so
9 I do not see variation within the pooling unit.

10 **Q. Okay. Based on your study of this area, have**
11 **you identified any geologic impediments or hazards to**
12 **using two-mile wells to develop the area?**

13 A. I have not identified any impediments or
14 hazards.

15 **Q. In your opinion, can the area be efficiently**
16 **and economically developed by two-mile wells?**

17 A. Yes.

18 **Q. Do you believe that each of the tracts in the**
19 **proposed nonstandard unit will contribute on average,**
20 **more or less, equally to the production of each of the**
21 **wells?**

22 A. Yes, I do.

23 **Q. In your opinion, will granting Chevron's**
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. And were Exhibits 9 through 11 prepared by you**
4 **or compiled under your direction and supervision?**

5 A. Yes, they were.

6 MS. KESSLER: Mr. Examiner, I move
7 admission of Exhibits 9 through 11.

8 EXAMINER JONES: Exhibits 9 through 11 are
9 admitted.

10 (Chevron U.S.A., Inc. Exhibit Numbers 9
11 through 11 are offered and admitted into
12 evidence.)

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 **Q. This Y sand, is it -- it's bounded on the top**
16 **and the bottom by high resistivity. Is that -- it looks**
17 **like that higher gamma -- maybe not. It's kind of hard**
18 **to tell.**

19 A. Yeah. It's difficult to differentiate
20 everything in the logs because they're from different
21 vintages of time. Therefore, the tools change. We do
22 our best to normalize those logs so that they're kind of
23 calibrated to each other.

24 **Q. Okay.**

25 A. Yeah.

1 Q. Do you do your own petrophysical --

2 A. We do our own petrophysics in-house, but I
3 don't do the work.

4 Q. Okay. But you work with the person that does
5 it?

6 A. Yes. And these logs have been looked at for
7 that.

8 Q. They -- so -- so the rock on the top and the
9 rock on the bottom, is that -- is that -- do you
10 envision that as higher-stress rock that would kind of
11 contain your frac jobs?

12 A. So when I look at the Harroun Trust and the
13 Cochita Federal, I do see low-porosity signature and
14 then a low-gamma ray signature.

15 Q. Okay.

16 A. It's likely a thin sort of carbonate-rich
17 interval. However, it's not a thickness that worries me
18 about it containing, you know, the fracture volume that
19 I'm looking for.

20 Q. Okay. Do you see fractures in these -- are you
21 going to watch these wells drilled as far as the mud log
22 as it's going --

23 A. Yes. I do have a geologist dedicated to that,
24 and then I just check in. They do a one -- once-per-day
25 summary, which I follow.

1 Q. Oh, okay.

2 And do they send in the real time -- drill
3 times and the --

4 A. Yes. Yes. That geologist would be observing
5 every piece of data that comes in.

6 Q. So you pretty much -- you don't have anything
7 on your -- on your bottom-hole assembly like a gamma ray
8 or log or anything, do you?

9 A. Typically, we run a gamma ray.

10 Q. A gamma ray?

11 A. Uh-huh.

12 Q. So you run the gamma ray while drilling then?

13 A. Yes.

14 Q. Okay. Are you going to target the X sand? I
15 guess that's the one above it.

16 A. Not in this area. The operators have all been
17 targeting the Y sand, and so, you know, that's our best
18 guess of performance, is to just to follow suit.

19 Q. Is it higher pressure than the zones above it?
20 In other words, you drill from the Bone Spring into the
21 Wolfcamp. Are you getting high pressure here in this
22 area?

23 A. We don't see significantly higher pressure in
24 the Upper Wolfcamp, but they do increase in the Lower
25 Wolfcamp. Yes.

1 Q. Okay. Do you deal with the Texas -- this is
2 close to Texas. So do you deal with -- wait a minute.
3 No. It's way -- this is Eddy County. I take that back.

4 Anyway, thanks very much.

5 A. I have worked in Texas.

6 Q. You do?

7 A. I have in the past. Uh-huh.

8 Q. Are you pretty active down there?

9 A. Yes. We have a few rigs.

10 Q. What about the gas that comes off this well?
11 Is it going to be gathered right away or --

12 A. Oh --

13 Q. -- hooked up?

14 A. -- once it's on production, not drilling. Do
15 you mean on production?

16 Q. Yeah.

17 A. We do have a plan for that, but the facilities
18 engineers would be more familiar with that plan.

19 Q. Okay. Thank you very much.

20 A. Uh-huh.

21 EXAMINER JONES: That's all for this case?

22 MS. KESSLER: Yes. Ask that it be taken
23 under advisement.

24 EXAMINER JONES: Okay. Case Number 15895
25 is taken under advisement.

1 And we'll break until 1:30. And at that
2 time, we'll start with the next case down, 15896.

3 (Case Number 15895 concludes, 12:00 p.m.)

4 (Recess, 12:00 p.m. to 1:34 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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.

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MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters