

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 OXY USA, INC. FOR CASE NO. 15955
APPROVAL OF A 720-ACRE NONSTANDARD
PROJECT AREA AND NONSTANDARD SPACING
UNIT COMPRISED OF ACREAGE SUBJECT TO
A PROPOSED COMMUNITIZATION AGREEMENT,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 25, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, January 25, 2018, 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

APPEARANCES

FOR APPLICANT OXY USA, INC.:

JORDAN L. KESSLER, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
jlkessler@hollandhart.com

1	INDEX	
2		PAGE
3	Case Number 15955 Called	4
4	OXY USA, Inc.'s Case-in-Chief:	
5	Witnesses:	
6	Jeremy Murphrey:	
7	Direct Examination by Ms. Kessler	4
8	Cross-Examination by Examiner Jones	11, 12
9	Cross-Examination by Examiner Brooks	11
10	Tony Troutman:	
11	Direct Examination by Ms. Kessler	19
12	Cross-Examination by Examiner Jones	22
13	Trey Fournier:	
14	Direct Examination by Ms. Kessler	23
15	Cross-Examination by Examiner Jones	27
16	Proceedings Conclude	28
17	Certificate of Court Reporter	29
18		
19	EXHIBITS OFFERED AND ADMITTED	
20	OXY USA, Inc. Exhibit Numbers 1 through 6	10
21	OXY USA, Inc. Exhibit Numbers 7 through 9	22
22	OXY USA, Inc. Exhibit Numbers 10 and 11	27
23		
24		
25		

1 (3:28 p.m.)

2 EXAMINER JONES: Case Number 15955,
3 application of OXY USA, Inc. for approval of a 720-acre
4 nonstandard project area and nonstandard spacing unit
5 comprised of acreage subject to a proposed com
6 agreement, Eddy County, New Mexico.

7 Call for appearances.

8 MS. KESSLER: Jordan Kessler, with the
9 Santa Fe office of Holland & Hart, on behalf of the
10 Applicant.

11 EXAMINER JONES: Any other appearances?

12 MS. KESSLER: We have three witnesses
13 today.

14 EXAMINER JONES: Will the witnesses please
15 stand?

16 (Mr. Murphrey, Mr. Troutman, and Mr.
17 Fournier sworn.)

18 MS. KESSLER: I'll call my first witness.

19 JEREMY MURPHREY,
20 after having been first duly sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MS. KESSLER:

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

1 **capacity.**

2 A. Jeremy Murphrey. I'm employed by OXY USA, Inc.
3 as a landman.

4 **Q. Have you previously testified before the**
5 **Division?**

6 A. I have.

7 **Q. Were your credentials as an expert in petroleum**
8 **land matters accepted and made a matter of record?**

9 A. They were.

10 **Q. Are you familiar with the application filed in**
11 **this case?**

12 A. I am.

13 **Q. Are you familiar with the status of the lands**
14 **in the subject area?**

15 A. I am.

16 MS. BRADFUTE: Mr. Examiner, I tender
17 Mr. Murphrey as an expert petroleum landman.

18 EXAMINER JONES: He is so qualified.

19 **Q. (BY MS. KESSLER) Mr. Murphrey, please turn to**
20 **Exhibit 1. Identify this exhibit and explain what OXY**
21 **seeks under this application.**

22 A. We're seeking approval of a 720-acre
23 nonstandard spacing unit and nonstandard project area.
24 This area is comprised of the west half of Section 36,
25 west half of Section 35 and the south half of the

1 southwest quarter of Section 24, all being in Section --
2 sorry -- Township 24 South, Range 29 East.

3 Exhibit 1 is a plat that we've prepared.
4 This denotes the communitized area, which will be 720
5 acres. Also, we've noted the serial numbers for the BLM
6 leases, as well as state leases.

7 Q. Okay. And this proposed com agreement, the 720
8 acres, you said, is limited to the Bone Spring
9 Formation; is that correct?

10 A. That's correct.

11 Q. Is OXY the only working interest owner in the
12 federal and state leases depicted on Exhibit 1?

13 A. We are.

14 Q. Are there any overriding royalty interest
15 owners?

16 A. Yes, ma'am, there are.

17 Q. This plat also shows that you intend to use
18 three horizontal wells to develop three
19 two-and-a-quarter-mile horizontal wells to develop this
20 acreage; is that correct?

21 A. That is correct.

22 Q. Okay. And you've noted the outline of all of
23 the federal and state leases?

24 A. Yes, ma'am.

25 Q. And are you asking for a nonstandard spacing

1 unit or nonstandard project area in order to most
2 efficiently develop this acreage?

3 A. Yes, ma'am, we are.

4 MS. KESSLER: Pursuant to prior discussions
5 with the Division, we understand this will be approved
6 as a nonstandard spacing unit, but it's a nonstandard
7 project area, that that's okay, too.

8 Q. (BY MS. KESSLER) Let's look at Exhibit 2,
9 Mr. Murphrey. Does this show the APDs for three Bone
10 Spring wells -- I'm sorry -- the C-102s for the three
11 Bone Spring wells?

12 A. That's correct. These are the C-102s for the
13 wells.

14 Q. I understand that recently you received API
15 numbers for each of the wells, correct?

16 A. I believe so. I haven't received them.

17 Q. If I provide you those numbers, do you think
18 you could agree to what they are?

19 A. Yes, I could.

20 Q. Okay. So the 21H well, the API number is
21 30-015-44631?

22 A. Yes, ma'am.

23 Q. Okay. For the 22H well, 30-015-44632?

24 A. Yes, ma'am.

25 Q. And finally for the 23H well, 30-015-44633?

1 A. Yes, ma'am.

2 **Q. Do each of these C-102s identify the pool and**
3 **pool code for the subject area?**

4 A. Yes, ma'am, they do. The pool name will be the
5 Pierce Crossing; Bone Spring, East. The pool code will
6 be 96473.

7 **Q. Is the pool subject to 40-acre spacing?**

8 A. Yes, ma'am, it is.

9 **Q. Why is OXY requesting permission for a**
10 **nonstandard spacing area and a project area for this**
11 **acreage?**

12 A. I would have to defer to our engineer for a
13 more detailed explanation. However, we do have two
14 objectives. One objective is to optimize well spacing.
15 Our second objective would be to consolidate surface
16 facilities.

17 **Q. Okay. And you say well spacing. Do you**
18 **understand that the 22H well will go down the middle of**
19 **the west half of each of these sections?**

20 A. Yes, ma'am.

21 **Q. Was your communitization agreement put together**
22 **in consultation with the New Mexico State Land Office**
23 **and the BLM?**

24 A. Yes, ma'am.

25 **Q. Is Exhibit 3 a draft of the com agreement?**

1 A. Yes, it is.

2 Q. And this was discussed with representatives of
3 the State Land Office and the BLM? You discussed the
4 creation of a single com agreement for all of this
5 acreage, correct?

6 A. That's correct.

7 Q. Does Exhibit 4 include communications from the
8 State Land Office and from the BLM?

9 A. Yes, ma'am, it does, as to reference to the com
10 agreement.

11 Q. Okay. And, basically, your understanding is
12 that they don't foresee any issues with what OXY is
13 proposing, correct?

14 A. That's correct.

15 Q. Now, if we go back to the -- if we go back to
16 Exhibit 1, I notice that the south half of the southwest
17 quarter is included in this nonstandard spacing unit or
18 nonstandard project area; is that correct?

19 A. That is correct.

20 Q. And a separate witness will identify the
21 reasons for that. But did you provide notice to the
22 north half of the southwest quarter?

23 A. Yes, we did.

24 Q. Did you also provide notice to the 40-acre
25 tracts surrounding the proposed nonstandard spacing unit

1 or project area?

2 A. Yes, we did.

3 Q. And did you provide notice to the overriding
4 royalty interest owners within the proposed nonstandard
5 spacing units?

6 A. Yes, ma'am, we did.

7 Q. Is Exhibit 5 an affidavit prepared by my office
8 with attached letters and lists and green cards sending
9 said notice?

10 A. Yes, ma'am, it is.

11 Q. And is Exhibit 6 an Affidavit of Publication
12 also providing notice to all of those parties?

13 A. Yes, ma'am, it is.

14 MS. KESSLER: Mr. Examiners, I'd move
15 admission of Exhibits 1 -- well, let me step back.

16 Q. (BY MS. KESSLER) Mr. Murphrey, did you prepare
17 Exhibits 1 through 4?

18 A. They were either prepared by me or under my
19 direction.

20 MS. KESSLER: Mr. Examiners, I would move
21 admission of Exhibits 1 through 6, which include our two
22 affidavits.

23 EXAMINER JONES: Exhibits 1 through 6 are
24 admitted.

25 (OXY USA, Inc. Exhibit Numbers 1 through 6

1 are offered and admitted into evidence.)

2 MS. BRADFUTE: Thank you.

3 CROSS-EXAMINATION

4 BY EXAMINER JONES:

5 Q. So the wells are going to be drilled from the
6 south to the north; is that correct?

7 A. That's correct.

8 Q. And they're Bone Spring wells to the south to
9 the north.

10 And I probably should let Mr. Brooks ask
11 questions while I study this thing?

12 EXAMINER BROOKS: Well, I'm not sure there
13 are any questions I need to ask.

14 CROSS-EXAMINATION

15 BY EXAMINER BROOKS:

16 Q. Did you -- what about -- tell us about the
17 notice -- you know all my notice preferences. So did
18 you give notice to everybody in the unit?

19 A. Yes. Yes, sir.

20 Q. Did you have any you couldn't find?

21 A. No, sir.

22 Q. So you got notices from -- you got return
23 receipts for everyone?

24 A. Yes, sir.

25 Q. Okay. Did that include overriding royalty

1 **owners?**

2 A. Yes, sir.

3 MS. KESSLER: Mr. Brooks, 100 percent of
4 the ownership in the working interest is OXY.

5 EXAMINER BROOKS: Yeah. That's what you
6 told us. It was 100 percent of the working interest.

7 MS. KESSLER: So the overrides -- the
8 remaining mineral estate, the overrides, were provided
9 in this.

10 EXAMINER BROOKS: For the royalty interest
11 estate of New Mexico and the United States.

12 MS. KESSLER: Correct.

13 EXAMINER BROOKS: I don't have anything
14 else.

15 CONTINUED CROSS-EXAMINATION

16 BY EXAMINER JONES:

17 **Q. So, basically, you're getting a federal and**
18 **state com agreement. Were they on the same form?**

19 A. Yes, sir. What we did is, we went to the
20 New Mexico State Land Office Web site, and they have the
21 state and federal communitization form, which it
22 appeared to be just like the BLM's communitization form.
23 So we completed our -- I'd have to look up the exhibit
24 number, but we completed that and presented it to both
25 the BLM and the State and kind of explained our plans

1 and told them, you know, where did we get our form from.

2 Q. Okay. They told me that they colluded years
3 ago on the state and federal form, and they're supposed
4 to be using the same, exact form. But I'm glad you said
5 that's what you did.

6 And OXY is 100 percent working interest.
7 So, basically, the tracts that you've got identified
8 just on page 8 of the -- which is Exhibit A of the com
9 agreement, those are just different federal leases; is
10 that correct?

11 A. Yes, sir.

12 Q. And one state lease in Section --

13 A. 36, in the west half, yes, sir. You'll have
14 two federal leases in 25 and then the one federal lease
15 in the south half -- southwest quarter of Section 24.

16 Q. Okay. And all those federal leases are the
17 same royalty rate?

18 A. The federal lease in the south half of the
19 southwest quarter of 24 will be a 12-and-a-half percent
20 lease. The Section 25 leases, both of those, are
21 Schedule Bs. And I believe the state lease down in 36,
22 I believe it was a 12-and-a-half percent lease as well.

23 Q. So what did you mean Schedule B?

24 A. A Schedule B lease has what they call a sliding
25 scale royalty, and dependent upon production, the

1 royalty rate would be 12-and-a-half to 25 percent.

2 Q. Okay.

3 A. I believe maybe our engineer could probably
4 discuss more about production, but we're foreseeing the
5 well's production at the level -- these leases will
6 probably be at 25 percent royalty.

7 Q. Starting out at least?

8 A. Yes, sir.

9 Q. So there are two -- within Section 25,
10 there's -- and in this proposed unit, there are two
11 federal leases?

12 A. Yes, sir.

13 Q. And they're both -- they're both on the sliding
14 scale royalty?

15 A. Yes, sir, Schedule B.

16 Q. So they would assume all three wells added
17 together for that calculation royalty?

18 A. Yes, sir.

19 Q. Okay. So it makes it -- that alone makes it
20 into the --

21 And OXY -- did OXY pick up these leases
22 from someone else? How did you obtain an interest in
23 this area?

24 A. Let's see. In Section 36, we picked up our
25 interest from Mewbourne. In Section 25, we picked up a

1 portion of our interest from Devon, and an additional
2 portion of the interest was picked up from Tap Rock,
3 which originally came from Linn Energy.

4 **Q. Okay.**

5 A. And the south half of the southwest quarter of
6 Section 24, I believe, that was acquired possibly
7 through Pogo or maybe a successor, prior owner to Pogo.

8 **Q. You have a good memory.**

9 **Did you actually receive assignments or**
10 **just pick up -- did you just do it outside of the --**
11 **does the BLM require you to do assignments if you pick**
12 **up the lease?**

13 A. Assignments of interest? We did pick up the
14 record title and operating rights in Section -- let's
15 see. Actually, I take that back. In every one of them,
16 we did.

17 **Q. Okay. The actual application said Section 24**
18 **was irregular, but it's really not, is it? It's just --**
19 **our records for federal lands are not always quite**
20 **accurate, but --**

21 MS. KESSLER: No. I believe it's a regular
22 section. I'm not sure why irregular was in there. Only
23 the south half of the southwest quarter of Section 25 is
24 going to be included, but a future witness will be
25 talking about why.

1 EXAMINER JONES: Okay.

2 Q. (BY EXAMINER JONES) Because when you drilled
3 into Section 24 or you plan on drilling into it, keeping
4 your wells going that far -- that's two miles and a
5 quarter. So you wanted to pick up that lease?

6 A. Well, our engineer can speak more to it as far
7 as the development, but to my knowledge, as the previous
8 development had occurred in 2000- -- maybe 2014, and it
9 was being developed under a one-mile pattern in Section
10 23 on a lay-down status.

11 Q. Okay.

12 A. And that south half of the southwest quarter of
13 Section 24 wasn't developed for the Bone Spring.

14 Q. Okay.

15 A. So in other words, to adequately capture that
16 80 acres, we did need to drill it from a
17 two-and-a-quarter mile.

18 Q. Okay. So the north half of the southwest
19 quarter is already developed?

20 A. Yes, sir.

21 Q. Okay.

22 MS. KESSLER: It's shown in Exhibit 10,
23 Mr. Examiner, but our subsequent witness will discuss
24 that.

25 EXAMINER JONES: Okay. Okay. I guess -- I

1 always forget something when I try to write these
2 things. I'm always scratching my head.

3 So no record title owners, no unmarketable
4 title, no pooling clause issues, no unleased mineral, no
5 working interest owners. So you're not pooling anybody
6 here?

7 MS. KESSLER: No.

8 EXAMINER JONES: You're forming a
9 nonstandard unit.

10 Okay. Okay. I don't have any more
11 questions. Thank you very much.

12 THE WITNESS: Okay.

13 EXAMINER JONES: Sorry about that.

14 THE WITNESS: No worries.

15 MS. KESSLER: We'll call our next witness.

16 EXAMINER BROOKS: You have to form a
17 nonstandard unit even if you're not -- even if you're
18 not pooling because it would not be a standard project
19 area because you're splitting it up.

20 MS. KESSLER: That's correct.

21 EXAMINER BROOKS: Is this on 160 spacing?

22 MS. KESSLER: This is 40-acre spacing.

23 EXAMINER BROOKS: Well, why would it be a
24 nonstandard project area on --

25 MS. KESSLER: Based on the conversation

1 that you and I had, it is a nonstandard spacing unit.

2 It is not a nonstandard project area because it's

3 neither -- because it's not a project area.

4 EXAMINER BROOKS: Well, if it's a spacing

5 unit, that's a nonstandard spacing unit, but what's a

6 standard -- oh, I see. I know. It's because you

7 have -- because you don't have one well that --

8 MS. KESSLER: Develops the --

9 EXAMINER BROOKS: -- develops all of the

10 acreage. That's what makes it not a standard project

11 area.

12 MS. KESSLER: That's what I think makes it

13 not a project area.

14 EXAMINER BROOKS: Yeah, that's right. It's

15 not a project area. That's a -- because a nonstandard

16 project area is a project area that is not a standard

17 project area, so if it's not a project area, it can't be

18 a -- it can't be a nonstandard project area.

19 MS. KESSLER: It is a nonstandard spacing

20 unit.

21 EXAMINER BROOKS: Yeah. It's not a

22 nonstandard project area, but it's also not a standard

23 project area. Okay.

24 TONY TROUTMAN,

25 after having been previously sworn under oath, was

1 questioned and testified as follows:

2 DIRECT EXAMINATION

3 BY MS. KESSLER:

4 Q. Will you please state your name for the record
5 and tell the Examiners by whom you're employed and in
6 what capacity?

7 A. My name is Tony Troutman. I'm employed by
8 Occidental Petroleum, and I am a senior geologist.

9 Q. Have you previously testified before the
10 Division?

11 A. Yes.

12 Q. Were your credentials as an expert in petroleum
13 geology accepted and made a matter of record?

14 A. Yes.

15 Q. Are you familiar with the application filed in
16 this case?

17 A. Yes.

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

20 A. Yes, I have.

21 MS. KESSLER: Mr. Examiner, I tender
22 Mr. Troutman as an expert in petroleum geology.

23 EXAMINER JONES: He is so qualified.

24 THE WITNESS: Thank you.

25 Q. (BY MS. KESSLER) Mr. Troutman, the target of

1 the wells is the Bone Spring; is that correct?

2 A. That's correct.

3 Q. Have you prepared a cross section of that
4 interval?

5 A. Yes, I have.

6 Q. Could you please turn to Exhibit 7? Is this a
7 structure map of the 2nd Bone Spring in the subject
8 area?

9 A. This structure map shows the top of the Bone
10 Spring dipping gently to the east. It also shows the
11 location of the three wells and the locations of the two
12 cross sections in my next two exhibits.

13 Q. What do you see with respect to the structure
14 and the proposed nonstandard spacing units? Do you see
15 any impediments or --

16 A. I see no impediments.

17 Q. And you mentioned that you have a north-south
18 and a west-east cross section. Is Exhibit 8 the
19 north-south cross section?

20 A. Yes, it is.

21 Q. Can you please walk us through this?

22 A. The two blue lines here connecting between the
23 wells connect the top and the bottom of the 2nd Bone
24 Spring Sand. Our drilling target will be close to the
25 bottom of the 2nd Bone Spring Sand. These well logs

1 are -- the first track is gamma ray. The middle track
2 is resistivity, and the right-hand track is our porosity
3 curves. And I see consistent geology across the
4 section. It's a little bit thicker to the north, but
5 over most of the area, it's very consistent thickness.

6 Q. Is Exhibit 9 a west-to-east cross section?

7 A. Yes.

8 Q. Please walk us through this exhibit.

9 A. The same thing. The two blue lines represent
10 the top and the bottom of the 2nd Bone Spring Sand. The
11 formation is dipping to the east and is fairly
12 consistent in thickness with no impediments to
13 production.

14 Q. So you have not discovered through your study
15 of this area any geologic impediments in developing the
16 acreage -- that would prevent the acreage from
17 contributing to overall production in the wells?

18 A. I have not.

19 Q. In your opinion, will each of the tracts in the
20 proposed nonstandard spacing unit or nonstandard project
21 area contribute production to the wellbores
22 proportionately?

23 A. Yes.

24 Q. And in your opinion, will acreage from each of
25 the leases contribute production to the wellbore

1 appropriately?

2 A. Yes.

3 Q. Finally, in your opinion, is granting this
4 application in the best interest of conservation, for
5 the prevention of waste and the protection of
6 correlative rights?

7 A. Yes.

8 Q. Were Exhibits 7 through 9 prepared by you or
9 compiled under your direction and supervision?

10 A. Yes, they were.

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

13 EXAMINER JONES: Exhibits 7 through 9 are
14 admitted.

15 (OXY USA, Inc. Exhibit Numbers 7 through 9
16 are offered and admitted into evidence.)

17 EXAMINER BROOKS: No questions.

18 CROSS-EXAMINATION

19 BY EXAMINER JONES:

20 Q. The white spot in all of these logs, what is
21 that? Is that the target interval?

22 A. It's --

23 Q. That's not on the tract of interest anywhere?

24 A. It's just a gap in the depth log.

25 Q. Oh, okay. That's interesting. Your other logs

1 register continued -- you know, are logs right through
2 that.

3 Is there anything else you would want to
4 say geologically about this area, or do you like the
5 prospects here, or --

6 A. I do like the prospects here. We've had very
7 good production results recently in this area, and they
8 seem to be improving.

9 Q. Okay. Is that true because of new and better
10 geologic picks, or is because the engineers are doing a
11 better job?

12 A. Both of those.

13 Q. Okay. Thanks very much.

14 MS. KESSLER: We'll call our last witness.

15 TREY FOURNIER,

16 after having been previously sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MS. KESSLER:

20 Q. State your name for the record and tell the
21 Examiners by whom you're employed and in what capacity.

22 A. My name is Trey Fournier. I'm employed by
23 Occidental Petroleum, and I'm a senior reservoir
24 engineer.

25 Q. Have you previously testified before the

1 **Division?**

2 A. Yes, I have.

3 **Q. Were your credentials as a petroleum engineer**
4 **accepted and made a matter of record?**

5 A. Yes, they were.

6 **Q. And are you familiar with the application filed**
7 **in this case?**

8 A. Yes, I am.

9 **Q. Are you familiar with the drilling plans for**
10 **the proposed area?**

11 A. Yes, I am.

12 **Q. And are you familiar with the reservoir**
13 **underlying the proposed area?**

14 A. Yes, I am.

15 MS. BRADFUTE: Mr. Examiners, I'd tender
16 Mr. Fournier as an expert in petroleum engineering.

17 EXAMINER JONES: He is so qualified.

18 **Q. (BY MS. KESSLER) Can you please turn to Exhibit**
19 **10 and explain generally what OXY's drilling plans are**
20 **for this area?**

21 A. So the plan for the west half of Section 36-25
22 in the bottom portion of Section 24 is to drill three
23 2nd Bone Spring wells on one pad, so it's one three-well
24 pad. They will all be drilled at the same time as a
25 batch. The intended spud date is March 3rd of this

1 year. So they'll be drilled in the March time frame,
2 and drilling will commence in March and end in the early
3 portion of May. After that, they will be zipper-fracked
4 all at the same time, and then brought online sometime
5 in the early portion of June.

6 Q. Are you intending to begin building facilities
7 in February?

8 A. That is the plan. Yes.

9 Q. For that reason, are you requesting an
10 expedited order?

11 A. Yes, please.

12 Q. Is OXY's development plan to include six wells
13 per spacing unit -- I'm sorry -- per section?

14 A. Yes. The intended well spacing for this
15 portion of what we call the Cedar Canyon and Corral
16 development is six wells per section in the 2nd Bone
17 Spring.

18 Q. Within the Bone Spring, will each of the
19 40-acre tracts be developed by virtue of your three-well
20 spacing unit?

21 A. Yes.

22 Q. If I look at the plat on Exhibit 10, can you
23 please explain why the south half of the southwest
24 quarter has been included?

25 A. So that portion has been included as a result

1 to not strand the southwest -- the south -- south
2 portion of the southwest quarter -- southeast quarter --
3 southwest quarter of 24. That's the result of
4 historical development. The Cedar Canyon 23 2H, which
5 is -- you can kind of see it. It's kind of small on
6 that map -- was developed in August of 2014. At that
7 time OXY was not drilling extended laterals. So in
8 the -- in order to be able to not strand that 80 acres,
9 we joined these three wells on the 12,000-foot length.

10 Q. In your opinion, is six wells per section the
11 optimal approach to developing the Bone Spring in this
12 area?

13 A. In this portion of Cedar Canyon and Corral,
14 yes, six wells per section.

15 Q. Let me take a step back. Do the wells in
16 Section 23 develop the 2nd Bone Spring?

17 A. Yes, they do.

18 Q. In your opinion, will OXY's development plan
19 result in each of the 40-acre tracts being developed
20 within the Bone Spring?

21 A. Yes.

22 Q. Let's turn to Exhibit 11. Can you please
23 explain this to the Examiners?

24 A. So Exhibit 11 is just showing a cum curve on a
25 full section recovery showing the difference between

1 what four wells per section and six wells per section
2 for NBOE looks like, just showing, essentially, that by
3 going -- with six wells per section in this portion of
4 the field, we do see an increase in sectional EUR for
5 the development. Essentially, an increase in recovery
6 factor for the section.

7 **Q. In your opinion, will granting OXY's**
8 **application avoid the drilling of unnecessary wells,**
9 **protect correlative rights and serve the interest of**
10 **conservation and the prevention of waste?**

11 A. Yes.

12 **Q. Were Exhibits 10 and 11 prepared by you or**
13 **compiled under your direction and supervision?**

14 A. Yes, they were.

15 MS. KESSLER: Mr. Examiner, I'd move
16 admission of Exhibits 10 and 11.

17 EXAMINER JONES: Exhibits 10 and 11 are
18 admitted.

19 (OXY USA, Inc. Exhibit Numbers 10 and 11
20 are offered and admitted into evidence.)

21 EXAMINER JONES: Mr. Brooks?

22 EXAMINER BROOKS: No questions.

23 CROSS-EXAMINATION

24 BY EXAMINER JONES:

25 **Q. Well, I don't think I have any questions**

1 either. I appreciate you coming, and I apologize for
2 the lack of questions. But I think (laughter) -- I'm
3 not accusing you of doing a compulsory pooling here at
4 least (laughter).

5 A. Well, I appreciate that. Thank you. Thank
6 you-all.

7 EXAMINER JONES: Good luck with your wells.
8 So we'll take -- that is all in this case?

9 MS. KESSLER: (Indicating.)

10 EXAMINER JONES: We'll take Case Number
11 15955 under advisement.

12 (Case Number 15955 concludes, 3:56 p.m.)

13

14

15

16

17

18

19

20

21

22

23

24

25

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 DATED THIS 13th day of February 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

25