

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 CHEVRON U.S.A. INC. CASE NO. 16113  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT, COMPULSORY POOLING,  
AND APPROVAL OF AN UNORTHODOX WELL  
LOCATION, LEA COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF CHEVRON U.S.A. INC. CASE NO. 16114  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT, AND COMPULSORY POOLING,  
LEA COUNTY NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 17, 2018

Santa Fe, New Mexico

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

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

1 APPEARANCES

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

3 JULIA BROGGI, ESQ.  
 4 HOLLAND & HART, LLP  
 5 110 North Guadalupe, Suite 1  
 Santa Fe, New Mexico 87501  
 (505) 988-4421

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(2:01 p.m.)

EXAMINER DAWSON: Case number 44 on the list, which is Case Number 16113, which is application of Chevron U.S.A. Inc. for a nonstandard spacing and proration unit, compulsory pooling, and approval of an unorthodox well location, Lea County, New Mexico.

And I'm assuming this is going to be consolidated with number 45 on the list, which is Case Number 16114 --

MS. BROGGI: Yes, please.

EXAMINER DAWSON: -- which is application of Chevron U.S.A. Incorporated for a nonstandard spacing and proration unit and compulsory pooling, Lea County, New Mexico.

Call for appearances.

MS. BROGGI: Julia Broggi, from Holland & Hart, on behalf of Chevron U.S.A. Inc.

EXAMINER DAWSON: You have witnesses?

MS. BROGGI: Two of them.

EXAMINER DAWSON: Are the witnesses new witnesses?

MS. BROGGI: They're new ones.

EXAMINER DAWSON: If your witnesses would please stand up and be sworn by the court reporter.

(Ms. Holmes and Mr. O'Toole sworn.)

1 EXAMINER DAWSON: Any other appearances?

2 When you're ready, Ms. Broggi.

3 SHALYCE HOLMES,

4 after having been first duly sworn under oath, was

5 questioned and testified as follows:

6 DIRECT EXAMINATION

7 BY MS. BROGGI:

8 Q. Please state your name, by whom you're employed  
9 and in what capacity.

10 A. Shalyce Holmes, Chevron U.S.A. Inc., land  
11 representative.

12 Q. And have you previously testified before the  
13 Division as an expert witness in petroleum land matters?

14 A. Yes.

15 Q. And have your credentials as a petroleum  
16 landman been accepted by the Division and made a matter  
17 of record?

18 A. Yes.

19 Q. Are you familiar with the two applications that  
20 were filed by Chevron in these consolidated cases?

21 A. Yes.

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

24 A. Yes.

25 MS. BROGGI: At this time I would like to

1 tender Ms. Holmes as an expert witness in petroleum land  
2 matters.

3 EXAMINER DAWSON: At this time Ms. Holmes  
4 will be accepted in the record as an expert in petroleum  
5 land matters.

6 Q. (BY MS. BROGGI) With respect to Case Number  
7 16113, will you explain what Chevron is seeking with  
8 this application?

9 A. Chevron is seeking a 320-acre nonstandard  
10 proration unit -- spacing unit and proration unit  
11 covering the Wolfcamp Formation in the east half of the  
12 east half of Sections 18 and 19 of Township 26 South,  
13 Range 33 East, Lea County, New Mexico.

14 Q. And are you seeking to dedicate the spacing  
15 unit to three wells?

16 A. Yes.

17 Q. Will you identify the three proposed wells?

18 A. The three proposed wells are the SD EA 18 19  
19 Fed Com P15 17H, 18H and 19H.

20 Q. And are you seeking approval for an unorthodox  
21 location for the proposed SD EA 18 19 Fed Com P15 #17H  
22 well?

23 A. Yes.

24 Q. And are you seeking to designate Chevron  
25 operator of the well in the spacing unit?

1           A.     Yes.

2           Q.     And turning to Case Number 16114, what is  
3     Chevron seeking with that application?

4           A.     Chevron is seeking to create a 160-acre  
5     nonstandard proration unit covering the east half of the  
6     east half of Section 18, Township 26 South, Range 33  
7     East, Lea County, New Mexico covering the Bone Spring  
8     Formation.

9           Q.     And are you seeking to dedicate the spacing  
10    unit to a single well?

11          A.     Yes.

12          Q.     Will you identify that well as well?

13          A.     That would be SD EA 18 19 Fed Com P15 20H.

14          Q.     And are you seeking to pool all uncommitted  
15    interest owners in the underlying Bone Spring Formation?

16          A.     Yes.

17          Q.     And to designate Chevron as the operator in the  
18    spacing unit?

19          A.     Yes.

20          Q.     Has Chevron filed C-102 well plats for each of  
21    the four proposed wells in these cases?

22          A.     Yes.

23          Q.     And are those what are marked as Chevron  
24    Exhibits 1, 2, 3 and 4?

25          A.     Yes.

1           Q.    Do these C-102s show that the proposed wells  
2   have been assigned an API pool code?

3           A.    Yes.

4           Q.    What is the nature of the land?

5           A.    The nature of the land -- actually, if you go  
6   to Exhibit 5 for Case Number 16113, the Wolfcamp wells,  
7   Tract 1 is private. The remaining tracts, Tracts 2 and  
8   3, are federal.

9           Q.    And then since we're at Chevron Exhibit Number  
10   5, does this exhibit identify the tracts involved in  
11   Case Number 16113?

12          A.    Yes.

13          Q.    And does it also show the drilling plans for  
14   the wells?

15          A.    Yes.

16          Q.    And if you turn to the next exhibit, Chevron  
17   Exhibit Number 6, does this exhibit identify the tracts  
18   involved in Case Number 16114?

19          A.    Yes.

20          Q.    And does it also show the drilling plan for  
21   this well?

22          A.    Yes.

23          Q.    Regarding standard setbacks, for the proposed  
24   SD EA 18 19 Fed Com P15 Numbers 18H, 19H and 20H, will  
25   the completed intervals comply with the 330-foot setback

1 requirement by the Division regulations?

2 A. Yes.

3 Q. And as to the remaining well, the SD EA 18 19  
4 Fed Com P15 #17H well, are you seeking an exception to  
5 the standard setbacks?

6 A. Yes.

7 Q. And did you provide notice to the operators of  
8 the adjoining unit?

9 A. Yes.

10 Q. And were those BTA Oil and OXY USA?

11 A. Should have been --

12 Q. I'm sorry. That's not right.

13 A. BTA Oil Producers and MRC Permian.

14 Q. Thank you.

15 Will Chevron be able to drill and complete  
16 a well in each spacing unit within the 120-day period  
17 normally provided in the standard pooling order?

18 A. It will not.

19 Q. And what period of time does the company  
20 request to drill and complete in each case?

21 A. Similar to the last case, 200 additional days.

22 MS. BROGGI: And we're open to discussion  
23 per our conversation in the last case.

24 EXAMINER McMILLAN: Yeah.

25 Q. (BY MS. BROGGI) Okay. With respect to Case

1     **Number 16113, will you turn to Chevron Exhibit Number 7?**

2     **And does this identify the parties that Chevron is**  
3     **seeking to pool?**

4           A.     Yes.

5           Q.     **As well as the offset operator?**

6           A.     Yes.

7           Q.     **And who are the working interest owners here?**

8           A.     The working interest owners here will be  
9     Chevron U.S.A. Inc. and COG Operating LLC. Since the  
10    proposal has been sent out, AE&J Royalties is no longer  
11    a party to this compulsory pooling.

12          Q.     **And how about any overriding royalty interest**  
13    **owners?**

14          A.     There are overriding royalty interest owners in  
15    the 17, 18 and 19H.

16          Q.     **And does Chevron have the contractual authority**  
17    **to pool these overrides?**

18          A.     Yes.

19          Q.     **How about any unleased mineral interests?**

20          A.     There are no unleased mineral interests.

21          Q.     **And with respect to Case Number 16114, let's**  
22    **turn to Chevron Exhibit 8. Does Chevron -- does this**  
23    **identify the parties that Chevron is seeking to pool in**  
24    **this case?**

25          A.     Yes.

1 Q. And they're the same parties?

2 A. Yes.

3 Q. Any overriding royalty interests here?

4 A. There are no overrides in this case, in the  
5 16114.

6 Q. And any unleased mineral interests?

7 A. No. There are none.

8 Q. Please turn to Chevron Exhibits 9 and 10. Are  
9 these copies of the well-proposal letters that were sent  
10 to the working interest owners which at the time were  
11 both COG and AE&J?

12 A. Yes.

13 Q. And do these well-proposal letters include an  
14 AFE?

15 A. Yes.

16 Q. Are the costs reflected consistent with what  
17 operators have incurred for drilling similar horizontal  
18 wells in this area?

19 A. Yes, they are.

20 Q. And turn to the next exhibits, Chevron Exhibit  
21 Numbers 11 and 12. Are these copies of the  
22 well-proposal letters sent to the same working interest  
23 owners that pertain to Case Number 16114?

24 A. Yes.

25 Q. And do these well-proposal letters include an

1     **AFE?**

2           A.     Yes.

3           **Q.     Are the costs reflected consistent with what**  
4     **other operators have incurred in drilling similar**  
5     **horizontal wells in the area?**

6           A.     Yes.

7           **Q.     Does Chevron request that administrative and**  
8     **overhead costs be incorporated into any order resulting**  
9     **from this hearing?**

10          A.     Yes.

11          **Q.     And what are those administrative and overhead**  
12     **costs?**

13          A.     7,000 for drilling and 700 for producing.

14          **Q.     Are these costs consistent with what other**  
15     **operators are charging in this area for these types of**  
16     **wells?**

17          A.     Yes.

18          **Q.     What efforts did you undertake to reach**  
19     **agreement with the parties that you are seeking to pool?**

20          A.     We are currently still negotiating a JOA form  
21     with COG Operating LLC.

22          **Q.     And, if after this hearing, you're able to**  
23     **reach an agreement with COG, will you notify the**  
24     **Division that you are no longer seeking to pool?**

25          A.     Yes.

1           Q.    And in your opinion, did you make a good-faith  
2   effort to reach an agreement?

3           A.    Yes.

4           Q.    Did Chevron identify the offset operators or  
5   lessees of record in the 40-acre tracts surrounding the  
6   proposed nonstandard spacing unit?

7           A.    Yes, we did.

8           Q.    And did Chevron include these offset owners in  
9   the notice of this hearing?

10          A.    Yes.

11          Q.    If you'll turn to Exhibit 13, is this an  
12   affidavit from my office with attached letters providing  
13   notice of this hearing to both the parties to be pooled  
14   and the offsets?

15          A.    Yes.

16          Q.    And if you'll turn to Chevron Exhibit Number  
17   14, is this a copy of the notice published regarding  
18   this hearing identifying all parties by name?

19          A.    Yes.

20          Q.    Were Exhibits -- Chevron Exhibit Numbers 1  
21   through 14 either prepared by you or compiled under your  
22   direction and supervision?

23          A.    Yes.

24                   MS. BROGGI:  Mr. Examiner, at this time we  
25   would move admission into evidence of Chevron Exhibit

1 Numbers 1 through 14.

2 EXAMINER DAWSON: Chevron Exhibit Numbers 1  
3 through 14 will be admitted to the record at this time.

4 (Chevron U.S.A. Inc. Exhibit Numbers 1  
5 through 14 are offered and admitted into  
6 evidence.)

7 MS. BROGGI: I have no more questions for  
8 the witness.

9 EXAMINER McMILLAN: Go ahead.

10 CROSS-EXAMINATION

11 BY EXAMINER DAWSON:

12 Q. Ms. Holmes, looking at your Exhibit Number 11,  
13 on the participation proposal letters that you sent to  
14 interest owners --

15 A. Yes.

16 Q. -- and looking down here on the proposal of the  
17 well in terms of Form 610-1989, Model Form Operating  
18 Agreement --

19 A. Yes.

20 Q. -- down there, it says \$10,000 drilling and  
21 1,000 producing rates.

22 A. Yes.

23 Q. And you just told us you were going to -- you  
24 were asking for 7,000 and 700?

25 A. Yes. We are revising that now.

1           Q.    So when you sent these letters out, you were  
2 asking for a higher rate, correct?

3           A.    Yes.  Uh-huh.

4           Q.    Did you clean that up when you sent --

5           A.    Yes.  Uh-huh.  We did.  That has currently been  
6 the discussion with COG Operating on the operating  
7 agreement.

8           Q.    Okay.  So did you send a revised letter out  
9 after the fact?

10          A.    We have not sent a revised letter.  We are just  
11 working on the JOA form so the COPAS itself and the JOA  
12 will have 7,000 and 700.

13          Q.    Okay.

14          A.    Uh-huh.

15          Q.    All right.  And then it's a 100 percent and 200  
16 percent risk penalty; is that correct?

17          A.    Yes.  Uh-huh.

18          Q.    Okay.  And that's going to be reflected in the  
19 JOA also?

20          A.    Yes.

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

22   CROSS-EXAMINATION

23 BY EXAMINER McMILLAN:

24          Q.    I have a question about notice with NSL for the  
25 17H.  Did you notify the parties in the west half of the

1     **east half of those two sections?**

2           A.     We are the party of record in the west half of  
3     the east half of those two sections.

4           **Q.     What about in terms of working interests in the**  
5     **west half versus -- the west half-east half of the east**  
6     **half of the east half?  Are they identical?**

7           A.     Chevron is the only working interest owner in  
8     the west half of the east half of this section, and  
9     Chevron and Concho are the only working interest owners  
10    in the east half of the east half.

11          **Q.     Okay.  So, essentially, there are no affected**  
12    **parties?**

13          A.     Correct.

14                         EXAMINER McMILLAN:  Go ahead, David.

15                                 CROSS-EXAMINATION

16    BY EXAMINER BROOKS:

17          **Q.     Okay.  You're proposing three Wolfcamp wells**  
18    **and one Bone Spring well; is that correct?**

19          A.     Yes.

20          **Q.     And the one Bone Spring well is going to be a**  
21    **one-mile horizontal?**

22          A.     It is.

23          **Q.     What about the Wolfcamp wells?**

24          A.     They will be two-mile wells.

25          **Q.     That's what I thought.**

1           A.    Uh-huh.

2           Q.    Okay.  The Wolfcamp wells will be located in  
3   what project area?

4           A.    The east half of the east half of Sections 18  
5   and 19.

6           Q.    The east half of the east half of 18 and 19.

7           A.    (Indicating.)

8           Q.    And it looks like the first one here is going  
9   to be -- oh, the first one I'm looking at -- no.  I'm  
10   looking at Exhibit 1.  It's going to be running down the  
11   middle?

12          A.    Of the proration unit itself, correct.

13          Q.    Yeah.

14          A.    Uh-huh.

15          Q.    And it's going to be very close to -- we don't  
16   have -- 1,150 from the east line.  So it's going to be  
17   170 from the -- from the middle line, if that's  
18   accurate.

19                   And the second -- the second one here is  
20   going to be in the east half-east half.  It's going to  
21   be 740 from the east line.

22          A.    Yes.

23          Q.    And the third one also in the east half of the  
24   east half, and it's going to be how far?  Is that 330  
25   from the east line?

1           A.    It is.

2           Q.    Is that what it's intended to say?

3           A.    Yes.

4           Q.    Okay.  So they're all going to be in the east  
5 half-east half --

6           A.    They are.

7           Q.    -- all the Wolfcamp wells?

8                         Now, the Bone Spring well is going to be  
9 also in the east half-east half?

10          A.    Yes.

11          Q.    And it's going to be close to the east-west  
12 center?

13          A.    Uh-huh.

14          Q.    Okay.  And you said Chevron and its affiliates  
15 are the only working interest owners in these wells?

16          A.    Chevron and Concho -- or COG Operating.

17          Q.    Okay.  Now -- so you're going to be pooling  
18 COG?

19          A.    Yes.

20          Q.    That's not the side they're usually on but --

21          A.    (Laughter.)

22          Q.    I guess they have to get some new experience  
23 (laughter).

24                         I believe you said that -- what did you say  
25 about overrides?

1           A.    There are no overrides in the one-mile Bone  
2   Spring well.

3           **Q.    Okay.**

4           A.    And there are overrides specifically in the  
5   east half-east half of Section 19 for the two-mile  
6   Wolfcamp wells.

7           **Q.    Okay.  And you're satisfied that you have**  
8   **contractual authority to pool those overrides?**

9           A.    Yes.

10          **Q.    Thank you.  I think that's all I have.**

11                   EXAMINER DAWSON:  All right.  Thank you,  
12   Ms. Holmes.

13                   THE WITNESS:  Thank you.

14                   EXAMINER DAWSON:  You can call your next  
15   witness now, Ms. Broggi.

16                               TIM O'TOOLE,  
17           after having been previously sworn under oath, was  
18           questioned and testified as follows:

19                               DIRECT EXAMINATION

20   BY MS. BROGGI:

21          **Q.    When you're ready, state your name, by whom**  
22   **you're employed and in what capacity.**

23          A.    My name is Tim O'Toole.  I'm employed by  
24   Chevron, and I'm a geologist.

25          **Q.    And have you previously testified before the**

1     **Division as an expert witness in petroleum geology?**

2           A.     I have not.

3           **Q.     Will you provide the Division your educational**  
4     **background?**

5           A.     Sure.  I got a Bachelor's in Geology from the  
6     University of Colorado at Boulder, and then I got  
7     Master's in Petroleum Reservoir Systems from the  
8     Colorado School of Mines.

9           **Q.     And will you describe your work history?**

10          A.     And I've worked for Chevron for about four  
11     years, and then I've been working in the Permian for  
12     just slightly over a year.

13          **Q.     And are you familiar with the applications**  
14     **filed by Chevron in these two cases?**

15          A.     Yes, I am.

16          **Q.     Have you conducted a geological study of the**  
17     **lands in the subject area?**

18          A.     Yes, I have.

19                   MS. BROGGI:  Mr. Examiner, at this time we  
20     would like to tender Mr. O'Toole as an expert witness in  
21     petroleum geology.

22                   EXAMINER DAWSON:  Mr. O'Toole will be  
23     accepted on the record as an expert petroleum geologist  
24     at this time.

25          **Q.     (BY MS. BROGGI) Beginning with Case Number**

1     16113, what is the target formation for the three  
2     proposed wells in this case?

3             A.     Those are Wolfcamp.

4             Q.     And if you'll please turn to Chevron Exhibit  
5     Number 15, will you identify that for the Examiners?

6             A.     Yes.   What you're looking at here is a  
7     structure map of the top of the Wolfcamp on the left,  
8     and then on the right side, you're seeing a land plat  
9     that shows our surface- and bottom-hole locations for  
10    the three wells.

11            Q.     And what do you observe with respect to the  
12    structure in this area?

13            A.     So when you look at the structure in this area  
14    in the Wolfcamp, there is just a slight dip from west to  
15    east and no major structure in the area in terms of  
16    faulting.

17            Q.     Any pinch-outs or other geologic impediments  
18    that would prevent developing this formation?

19            A.     No, there is not.

20            Q.     Will you please turn to Chevron Exhibit Number  
21    16 and identify this for the Examiners?

22            A.     This is just a location map of the cross  
23    section that you will see in the next exhibit, and the A  
24    to A prime is showing the four wells which were used.

25            Q.     And are those four wells representative of the

1     **Wolfcamp Formation in the area?**

2           A.     Yes, they are.

3           **Q.     Will you please turn to Chevron Exhibit Number**  
4     **17 and identify this?**

5           A.     This is a cross section showing the entire  
6     stratigraphic interval of the Wolfcamp.

7           **Q.     And is the landing interval for each well on**  
8     **this exhibit?**

9           A.     Yes.   You will see the two blue arrows in the  
10    center there, which is Chevron's targets within the  
11    uppermost part of the Wolfcamp.

12          **Q.     Turning to the next case, Case Number 16114,**  
13    **will you identify the target formation for the well in**  
14    **that case?**

15          A.     Yes.   It's a Bone Spring well.

16          **Q.     And you've already gone through this, but**  
17    **please turn to Chevron Exhibit Number 18 and identify**  
18    **that for the Examiners.**

19          A.     Yes.   You're seeing a structure map on the left  
20    of the top of the Bone Spring, what Chevron calls the  
21    Avalon here.   And then on the right, you're seeing a  
22    land plat map with our surface- and bottom-hole location  
23    as well.

24          **Q.     And what do you observe with respect to the**  
25    **structure in this area?**

1           A.     The structure in this area is the New Mexico  
2     Wolfcamp, and that is a very gentle dip from west to  
3     east, and there are no major faults in the area.

4           **Q.     Are there any pinch-out or other geologic**  
5     **impediments that would prevent developing this**  
6     **formation?**

7           A.     No, there is not.

8           **Q.     And will you please turn to Chevron Exhibit**  
9     **Number 19 and identify that for the Examiners?**

10          A.     This is a cross-section location map to show  
11     where the cross section in the next exhibit was taken  
12     from. It uses the same four wells that were used for  
13     the Wolfcamp cross section.

14          **Q.     And is this representative of the Wolfcamp**  
15     **Formation area?**

16          A.     Yes, it is.

17          **Q.     And then finally will you turn to the last**  
18     **exhibit, Chevron Exhibit Number 20, and identify this**  
19     **for the Examiners?**

20          A.     This is a cross section of the uppermost  
21     portion of the Bone Spring interval, which Chevron  
22     uses -- terms as the Avalon. And you will see in the  
23     center there, with the red arrow, that marks our target  
24     for this well.

25          **Q.     Have you reached conclusions from your geologic**

1 study of the lands in these two cases?

2 A. Yes.

3 Q. Have you concluded that there are no geologic  
4 hazards to drilling a horizontal well in both of these  
5 formations in these two cases?

6 A. No. Within these formations, there are no  
7 hazards.

8 Q. And have you concluded that each  
9 quarter-quarter section will be productive and  
10 contribute more or less equally with each 40-acre unit  
11 comprising this nonstandard spacing unit and spacing  
12 unit?

13 A. Yes.

14 Q. And have you concluded that horizontal drilling  
15 will be the most efficient method for developing this  
16 acreage to prevent the drilling of unnecessary wells and  
17 result in the greatest amount of recovery?

18 A. Yes, it will be.

19 Q. And in your opinion, will the granting of  
20 Chevron's applications be in the best interest of  
21 conservation, the prevention of waste and the protection  
22 of correlative rights?

23 A. Yes.

24 Q. And have Exhibits -- Chevron Exhibit Numbers 14  
25 through 20, were they either prepared by you or compiled

1     **under your direction and supervision?**

2             A.     Yes.

3                     MS. BROGGI:   At this time we would like to  
4     move the admission of Chevron Exhibit Numbers 14 through  
5     20.

6                     EXAMINER DAWSON:   Okay.   Exhibit Numbers 14  
7     through 20 will be admitted to the record at this time.

8                     (Chevron U.S.A. Inc. Exhibit Numbers 14  
9                     through 20 are offered and admitted into  
10                    evidence.)

11                    MS. BROGGI:   And I have no further  
12     questions for the witness.

13                    EXAMINER DAWSON:   Okay.  
14                    Michael?

15                    EXAMINER McMILLAN:   Go ahead.

16                                   CROSS-EXAMINATION

17     BY EXAMINER DAWSON:

18             **Q.     Mr. O'Toole, looking at your Exhibit Number**  
19     **19 --**

20             A.     Yes.

21             **Q.     -- the contours on the Avalon structure, looks**  
22     **like there's like a little nose or a small anticline.**

23             A.     Yeah.   I see what you're talking about.   Go  
24     ahead.

25             **Q.     Tell me if that's kind of what you see there.**

1           A.    Yeah.  So I'll just note that the contour  
2   interval on this is only 20 feet, and that little nose  
3   actually just represents an area where the dip is even  
4   less.  So it's actually even more uniform over Sections  
5   18 and 19 where that little nose is.

6           Q.    And in looking at your Exhibit Number 20,  
7   looking at your cross section --

8           A.    Yes.

9           Q.    -- I'm looking at the second well, the Mesa B  
10   8105 JV-P.  Are you targeting that -- it looks like a  
11   little sand body maybe there about 5,900.  Is that  
12   where -- you're targeting that?

13          A.    Yes.  That's our primary target, in the  
14   lowermost part there.  Yeah.  It's kind of a mixed  
15   lithology.

16          Q.    Kind of shaley sands in there?

17          A.    Yeah.

18          Q.    Okay.  That's all the questions I have.  Thank  
19   you very much.

20                   EXAMINER DAWSON:  Michael?

21                   EXAMINER McMILLAN:  I'm fine.

22                   EXAMINER DAWSON:  David?

23                   EXAMINER BROOKS:  Well, I don't remember if  
24   you asked these questions.  I haven't been paying enough  
25   attention.  You probably did.

1 CROSS-EXAMINATION

2 BY EXAMINER BROOKS:

3 Q. In both the Bone Spring and the Wolfcamp  
4 Formations, would it be your opinion that the various  
5 parts of this proposed unit will contribute more or less  
6 equally to the production of the wells?

7 A. Yes, it should.

8 Q. Okay. No further questions.

9 MS. BROGGI: If there are no further  
10 questions, we would ask Case Numbers 16113 and 16114 be  
11 taken under advisement.

12 EXAMINER DAWSON: Okay.

13 Any more questions?

14 EXAMINER McMILLAN: No.

15 EXAMINER DAWSON: At this time Case Numbers  
16 16113 and 16114 will be taken under advisement, and that  
17 concludes 16113 and 16114. Thank you.

18 We're going to take a ten-minute break at  
19 this time and come back at 2:35.

20 (Case Numbers 16113 and 16114 conclude,  
21 2:26 p.m.)

22 (Recess, 2:26 p.m. to 2:39 p.m.)

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 19th day of June 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