

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. 16152  
FOR A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
EDDY 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  
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|    |   |        |
|----|---|--------|
| 1  | FOR APPLICANT CHEVRON U.S.A. INC.:                |        |
| 2  |   |        |
| 3  | JULIA BROGGI, ESQ.                                |        |
| 4  | HOLLAND & HART, LLP                               |        |
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1 (1:30 p.m.)

2 EXAMINER DAWSON: Okay. Back on the  
3 record. It's 1:30.

4 And the next case we will hear is case  
5 number 25 on the list, which is Case Number 16152. It's  
6 an application of Chevron U.S.A. Incorporated for a  
7 nonstandard spacing and proration unit, Eddy County, New  
8 Mexico.

9 Call for appearances.

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

12 EXAMINER DAWSON: Any other appearances?  
13 Hearing none, continue when you're ready,  
14 Ms. Broggi.

15 MS. BROGGI: We have two witnesses.

16 EXAMINER DAWSON: Can your witnesses please  
17 stand and be sworn in?

18 (Mr. Gutierrez and Ms. Storniolo sworn.)

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

22 DIRECT EXAMINATION

23 BY MS. BROGGI:

24 Q. Will you provide your name, by whom you're  
25 employed and in what capacity?

1           A.    Irvin Gutierrez.  I'm employed by Chevron Inc.  
2   as a petroleum landman.

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

5           A.    I have.

6           Q.    And have your credentials as a petroleum  
7   landman been accepted by the Division and made a matter  
8   of record?

9           A.    They have.

10          Q.    And are you familiar with the application filed  
11   by Chevron in this case?

12          A.    I am.

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

15          A.    I am.

16                   MS. BROGGI:  At this time we would like to  
17   tender Mr. Gutierrez as an expert witness in petroleum  
18   land matters.

19                   EXAMINER DAWSON:  Mr. Gutierrez will be  
20   admitted as an expert in petroleum land matters at this  
21   time.

22          Q.    (BY MS. BROGGI) Mr. Gutierrez, can you explain  
23   what Chevron is seeking with this application?

24          A.    Sure.  We are looking to create a 640-acre  
25   spacing unit consisting of the west half of Section 15

1 and the west half of Section 22, Township 23 South,  
2 Range 28 East. We're looking to dedicate these three  
3 CB SO 15 22 004 1H, 2H and 3H wells to this spacing  
4 unit. We're looking to pool all uncommitted interests  
5 in the Wolfcamp Formation and designate Chevron as the  
6 operator.

7 Q. And has Chevron filed C-102 well plats for each  
8 of the proposed wells in this case?

9 A. We have.

10 Q. And are those what have been marked as Exhibits  
11 1, 2 and 3 in the notebook?

12 A. Yes.

13 Q. And do these C-102s show that a pool code has  
14 been assigned?

15 A. Yes.

16 Q. Is the pool subject to the Division statewide  
17 setbacks for oil pools?

18 A. That is correct.

19 Q. And will the completed intervals for these  
20 wells comply with the 330-foot setback required by the  
21 Division regulations?

22 A. They will.

23 Q. Will you please turn to Chevron Exhibit Number  
24 4 in the notebook? Does this exhibit identify the  
25 tracts of land comprising this proposed nonstandard

1     **spacing unit?**

2           A.     They do.

3           **Q.     And what is the nature of this land?**

4           A.     It's comprised of fee, private property.

5           **Q.     And if you'll turn to the next exhibit,**  
6 **Chevron's Exhibit Number 5, does this show the interest**  
7 **owners and the percentage of their interest in this**  
8 **nonstandard spacing unit?**

9           A.     It does.

10          **Q.     And does it show the parties that Chevron is**  
11 **seeking to pool?**

12          A.     It does.

13          **Q.     And those are the ones that are bolded with an**  
14 **asterisk?**

15          A.     That's correct.

16          **Q.     What types of interests are you seeking to pool**  
17 **in this case?**

18          A.     All working -- all working interests and  
19 overrides.

20          **Q.     And do you have contractual authority to pool**  
21 **the overrides?**

22          A.     We do.

23          **Q.     And how about unleased mineral interest owners?**

24          A.     We have one unleased mineral interest owner.

25          However, we were recently notified of a third party not

1 of record yet.

2 Q. Will you turn to Chevron's Exhibit Number 6?  
3 Is this a copy of the well-proposal letter sent to the  
4 working interest owners?

5 A. It is.

6 Q. And then if you'll turn to the next exhibit,  
7 Number 7, is this an AFE for the proposed wells?

8 A. It is, for both -- for all three, drilling,  
9 completions and facilities.

10 Q. And are the costs reflected consistent with  
11 what operators have incurred for drilling similar  
12 horizontal wells in this area?

13 A. They are.

14 Q. And has Chevron made an estimate of overhead  
15 and administrative costs while drilling and producing  
16 each well?

17 A. Currently, we're seeking 7,000 while drilling  
18 the well and 700 while producing the wells.

19 Q. And are those costs consistent with what other  
20 operators are charging in this area for these types of  
21 wells?

22 A. Yes. It's what we've seen in previous orders.

23 Q. And would you ask that these administrative and  
24 overhead costs be incorporated into the order resulting  
25 from this hearing?

1           A.     We do.

2           Q.     Will you explain to the Division what efforts  
3     you've undertaken to reach agreement with the parties  
4     you're seeking to pool?

5           A.     Sure.  So we sent out the well proposals  
6     initially, and we've established contact with most of  
7     the parties.  Currently, we're seeking trades, as you  
8     can see in the earlier exhibit, with most of those  
9     companies, and talks have been positive at this time.

10          Q.     I think you're referring to Chevron Exhibit 5?

11          A.     That's right.

12          Q.     Just in the comment section, it's sort of laid  
13     out, the status of communication?

14          A.     That's correct.

15          Q.     If after this hearing you are able to reach  
16     agreement with any of these parties, will you notify the  
17     Division that you are no longer seeking to pool these  
18     parties?

19          A.     We will.

20          Q.     In your opinion, did you make a good-faith  
21     effort to reach agreement with the uncommitted owners?

22          A.     Yes.

23          Q.     Has Chevron also identified the offset  
24     operators or lessees of record in the 40-acre tract  
25     surrounding the proposed nonstandard spacing unit?



1           A.     We have.

2           Q.     Did Chevron include these offset owners in the  
3 notice of this hearing?

4           A.     So that is where we have some --

5           Q.     Some issues?

6           A.     Yeah. That's where we've having an issue that  
7 we're seeking a continuance on.

8                   MS. BROGGI: I will address that at the  
9 end, but we need to tighten up some notice issues. And  
10 we are going to ask that this be continued to the May  
11 31st docket.

12                   EXAMINER DAWSON: Okay.

13           Q.     (BY MS. BROGGI) Will Chevron be able to drill  
14 and complete a well in each spacing unit within the  
15 120-day period normally provided in the standard pooling  
16 order?

17           A.     No, we won't.

18           Q.     What period of time does Chevron request --

19           A.     So we would ask for an additional 200 days to  
20 drill and complete all three wells.

21           Q.     If you will turn to Exhibit Number 8, is this  
22 an affidavit from my office with attached letters  
23 providing notice of the hearing to some but not all of  
24 the parties to be pooled and the offsets?

25           A.     It is.

1           Q.   And will you also turn to Chevron Exhibit  
2   Number 9?  Is this a copy of the notice published  
3   regarding this hearing identifying all parties by name?

4           A.   It is.

5           Q.   Were exhibits -- Chevron Exhibits Number 1  
6   through 9 either prepared by you or compiled under your  
7   direction and supervision?

8           A.   They were.

9                       MS. BROGGI:  At this time I would like to  
10   move admission into evidence Chevron Exhibits 1 through  
11   9.

12                    EXAMINER DAWSON:  At this time Exhibits --  
13   Chevron Exhibits 1 through 9 will be admitted to the  
14   record.

15                    (Chevron U.S.A. Inc. Exhibit Numbers 1  
16                    through 9 are offered and admitted into  
17                    evidence.)

18                    MS. BROGGI:  And I'd also just like to add  
19   that we would like to continue the case to May 31st to  
20   address some of these notice issues.

21                    EXAMINER DAWSON:  Okay.

22                    MS. BROGGI:  And we'll supplement.

23                    EXAMINER DAWSON:  So Case 16152 will be  
24   continued to May 31st -- the May 31st docket for notice  
25   purposes.

1 Any other questions?

2 MS. BROGGI: No questions from me.

3 EXAMINER DAWSON: Michael?

4 CROSS-EXAMINATION

5 BY EXAMINER McMILLAN:

6 Q. First off, any unlocatable interests?

7 A. No, sir.

8 Q. Okay. And the second thing I need clarified  
9 is, you said this is an oil pool. This is the Purple  
10 Sage; Wolfcamp Pool. This is special pool rules. It  
11 allows for 320-acre spacing units.

12 And the second [sic] thing is, you guys  
13 came to hearing for the 200 days, I think, last hearing?

14 A. Yes, sir.

15 Q. And the problem we have with that is that it's  
16 really difficult to determine exactly when that 320 days  
17 is. Would you be willing to make it 365 days, and then  
18 after -- after a well that has been drilled and  
19 completed all -- after a well that has been drilled  
20 through all the quarter sections and is capable of  
21 producing from those quarter sections, will you get a  
22 signed affidavit from an engineer stating that it's  
23 capable of producing from all the quarter sections?

24 A. Yes. I believe we got that order -- or we got  
25 that notice last time, and we are agreeable to that.

1           Q.    Yeah.  It's too hard to figure out when 320  
2   days is.

3           A.    Yes, sir.

4           Q.    This way we're ensuring correlative rights  
5   because all of the quarter sections will be developed.

6           A.    Right.

7                   EXAMINER McMILLAN:  Go ahead.

8                   EXAMINER DAWSON:  Do you have any  
9   questions, David?

10                  EXAMINER BROOKS:  I do.

11                               CROSS-EXAMINATION

12   BY EXAMINER BROOKS:

13           Q.    You said this was all fee land?

14           A.    Yes, sir.

15           Q.    And it is in the Purple Sage; Wolfcamp Pool?

16           A.    Yes, sir.

17           Q.    And you are going to be drilling three wells?

18           A.    Three initial wells, yes, sir.

19           Q.    Okay.  Where are the wells going to be located?

20           A.    Within the Wolfcamp Formation, or if you turn  
21   to Exhibits 1, 2 and 3, it will show you the C-102s and  
22   where those three wells exactly are located.

23           Q.    Okay.  So they're going to be stand-up wells?

24           A.    Yes, sir, two-mile laterals.

25           Q.    And one's going to be located approximately 330

1 feet from the west line, and the second one's going to  
2 be located approximately along the centerline of the  
3 west half of two sections. Well, it's going to be east  
4 of the centerline, correct?

5 A. Correct. According to the C-102, yes, sir.

6 Q. And then the third one is one going to be  
7 located 330 feet from the west line -- from the east  
8 line --

9 A. From the east line.

10 Q. -- of the west half?

11 A. Yes, sir.

12 Q. Okay. And your quarter sections will be the  
13 northwest and southwest of 15 and the northwest and  
14 southwest of 22?

15 A. 15 and 22, yes, sir.

16 Q. Yeah.

17 And going to your Exhibit 4, which shows  
18 the tracts -- let's see. Where did you show what  
19 interests you have -- are still uncommitted?

20 A. We don't show that. We felt like if I were to  
21 include all of the ownership per tract, it would have  
22 convoluted things, but we can provide that if you guys  
23 would like to see the individual ownership per tract.

24 Q. Okay. Do you have a compilation of the  
25 individual ownership anywhere?

1           A.    We do, yes.

2           Q.    Which exhibit?

3           A.    No.  I didn't provide it here.  We do have it,  
4  though, in-house.

5           Q.    Okay.  And we would like to see that.

6           A.    Okay.

7           Q.    That's not normally part of the compulsory  
8  pooling.

9           A.    Okay.

10          Q.    Now, this green tract that is -- cuts across  
11  Tract 2 that cuts across Tract 1 --

12          A.    Yes, sir.

13          Q.    -- that looks like that might be a road  
14  right-of-way?

15          A.    Yeah.  From my previous experience, it has to  
16  do with how it was conveyed and not properly reserving  
17  the minerals and so -- meaning it was probably meant to  
18  be a right-of-way at some point in time.

19          Q.    Has the DOT been served as a party?

20          A.    Well, I'm not sure if the DOT owns that road.

21          Q.    Okay.  If there is a possibility that some  
22  governmental entity does, then they should be joined as  
23  a party.  If you're convinced it's merely a private  
24  right-of-way, that would not be -- if you're convinced  
25  it's a private right-of-way, that would not be

1     necessary. But we always ask that question when we see  
2     right-of-way issues.

3                     Now, you have your unit -- your unit  
4     recapitulation on Exhibit 5.

5     A.    Yes, sir.

6     Q.    That's all the working interest owners?

7     A.    That's correct.

8     Q.    And the ones that are -- well, you capitalized  
9     and put an asterisk by the same one. They're the  
10    interests that are not yet committed, right?

11    A.    That is correct.

12    Q.    Now, do you have -- is there a pre-existing  
13    joint operating agreement that covers a part -- a part  
14    of this unit?

15    A.    There is. There is.

16    Q.    What part does it cover?

17    A.    It's in the west half of Section 15 for 320  
18    acres.

19    Q.    West half of 15. So it covers -- the  
20    pre-existing joint operating agreement covers the north  
21    half of this unit, of the west half --

22    A.    Correct.

23    Q.    -- of Section 15, which is the north half of  
24    this unit?

25    A.    Correct.

1           Q.    Okay.  And is Chevron the operator under that  
2  agreement?

3           A.    We are the operator under that agreement.

4           Q.    Okay.  Let's see.  I believe you were asked  
5  about the notice issues, and you said you wanted to  
6  continue to May 31st.  What are the notice issues for  
7  which you want to continue to May 31st?

8           A.    So I believe maybe Holland & Hart can speak to  
9  this a little bit better than I can.

10                   MS. BROGGI:  We had some problems providing  
11  notice of this hearing.  It looks like we provided to  
12  some but not all the parties that are entitled to it, so  
13  we are going to re-notice it.

14                   EXAMINER BROOKS:  Yeah.  Well, I'm thinking  
15  you probably need to continue it to June 14th -- or we  
16  probably need to continue it to June 14th --

17                   MS. BROGGI:  I think you're right.

18                   EXAMINER BROOKS:  -- because May 31st --  
19  the 20-day notice period would be -- would have been May  
20  the 11th, which --

21                   MS. BROGGI:  No, you're right.  And that  
22  may be what we end up having to do, but we're hopeful  
23  that we might be able to get waivers for the notice  
24  issue, in which case we'll be able to --

25                   EXAMINER BROOKS:  Okay.  If you can get



1     waivers, that may be -- so you want us to continue it to  
2     May 31st, recognizing that if you have to send any  
3     additional notices, it would be June 14th?

4                     MS. BROGGI:   Yes, please.

5                     EXAMINER BROOKS:   Okay.  I will leave that  
6     up to the Examiner.  But I want to point out that it's  
7     going to have to be June 14th if you have to send new  
8     notices.

9                     I think that's all I have.

10                    MS. BROGGI:   Just to address that, we plan  
11    on sending out the notices, but in the meantime also,  
12    we're trying to get the waivers.  So we would like to  
13    continue it to May 31st.

14                    EXAMINER BROOKS:   Okay.  Let me also ask  
15    you about this 200 days.

16                    MS. BROGGI:   That may be better --

17            **Q.    (BY EXAMINER BROOKS) You probably winded up**  
18    **getting only 100 days.  You're trying to double that.**  
19    **But 200 days from when?**

20            A.    So the order gives you 120 days, and we're  
21    asking for an additional 200 days on that.

22            **Q.    120 days to complete from the date you start**  
23    **the first well?**

24            A.    Correct.  And for pad drilling, while we're  
25    drilling three wells simultaneously --

1           Q.    Yeah.

2           A.    -- that tends to be on the, I would say, very  
3   difficult side of drilling and completing the wells.

4           Q.    Yes.

5           A.    So that's why we are asking for the additional  
6   time.

7           Q.    So you're asking for a total of 320 days from  
8   the date you start the first well?

9           A.    That is correct.

10          Q.    Okay.  Thank you.

11                           CROSS-EXAMINATION

12   BY EXAMINER DAWSON:

13          Q.    I'm looking at your unit recapitulation on  
14   Exhibit 5.

15          A.    Yes, sir.

16          Q.    And it has the interest seeking to be  
17   compulsory pooled.

18          A.    Yes, sir.

19          Q.    Have you -- the ones that don't have any  
20   comments next to them, have you talked to them?

21          A.    So -- yes.  For example, Andrea Busby, she has  
22   signed the JOA and the AFEs.  Chevron -- obviously,  
23   Chevron and Chevron Midcontinent are Chevron.  RKC,  
24   Inc., we have not had communication with them other than  
25   knowing that they received our proposals.

1           Q.    Okay.  Can you maybe provide us a newer copy of  
2   this with the comments updated on it?

3           A.    Yes, sir, I can.

4           Q.    One other question:  Whenever you propose wells  
5   to nonoperators, what is your procedure in doing that?  
6   Do you have to go by the operating agreement or --

7           A.    So we -- we -- when we propose new wells under  
8   new JOAs, we are not sending them under the old JOA.  
9   So, for example, in this situation, the west half of  
10   Section 15 -- the west half of Section 15 currently has  
11   a JOA.  We're not sending well proposals under that JOA.  
12   We're sending them as to the new 640-acre proposal as to  
13   the Wolfcamp.

14          Q.    So you're going to revise your JOA or --

15          A.    No.  This is a new JOA.

16          Q.    You're making a new -- brand-new one?

17          A.    Making a new one, correct.

18          Q.    For both sections?

19          A.    Correct.  For both sections, all 640 acres.  
20   That's correct.

21          Q.    And when do you anticipate that to be done?

22          A.    So we are looking to spud this well later this  
23   year, so anytime between now and that time would be to  
24   have the JOA in place and ready to go.  It's been sent  
25   out to most of these parties.  It's just now a matter of

1 either negotiating it or getting all signatures on it,  
2 outside of anybody who is not force pooled.

3 RECROSS EXAMINATION

4 BY EXAMINER BROOKS:

5 Q. Well, do you have any working interest owners  
6 who own only in the portion of the unit that is covered  
7 by the joint operating agreement?

8 A. I'm not sure.

9 Q. Okay. Then I think there would be some legal  
10 issues there. There would be some possible legal issues  
11 there if you did, but as we -- we received a protest on  
12 this subject, but it was withdrawn, so we're not really  
13 concerned with that now. But you might want to discuss  
14 it with your attorneys because it seems like a difficult  
15 question -- legal question. Okay.

16 EXAMINER DAWSON: Is that all the  
17 questions?

18 EXAMINER BROOKS: That's all I have.

19 EXAMINER DAWSON: Thank you, Mr. Gutierrez.  
20 You can call your next witness now.

21 RACHEL STORNILO,  
22 after having been previously sworn under oath, was  
23 questioned and testified as follows:

24

25

1 DIRECT EXAMINATION

2 BY MS. BROGGI:

3 Q. Will you state your name, by whom you're  
4 employed and in what capacity?

5 A. My name is Rachel Storniolo. I'm a petroleum  
6 geologist with Chevron.

7 Q. And have you previously testified before the  
8 Division as an expert witness?

9 A. I have.

10 Q. And have your credentials as an expert in  
11 petroleum geology been accepted by the Division and made  
12 a matter of record?

13 A. They have.

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

16 A. I am.

17 Q. And have you conducted a geological study of  
18 the lands in the subject area?

19 A. I have.

20 MS. BROGGI: At this time we would tender  
21 Ms. Storniolo as an expert witness in petroleum geology.

22 EXAMINER DAWSON: Ms. Storniolo will be  
23 admitted as an expert in petroleum geology at this time.

24 I hope I said your name right.

25 THE WITNESS: (Indicating.)

1           **Q.    (BY MS. BROGGI) What is the target formation in**  
 2           **this case?**

3           A.    We are looking at the Wolfcamp Formation,  
 4           specifically the Y Sand within the upper section of the  
 5           Wolfcamp A.

6           **Q.    Okay. And it looks like you're already there,**  
 7           **but please turn to Chevron Exhibit 10.**

8           A.    So Exhibit Number 10, in the upper right-hand  
 9           corner, it kind of has a regional of southwest  
 10          New Mexico. The black box just east of Loving is the  
 11          inset of the top of the Wolfcamp structure map and TVD  
 12          subsea. And you can see on the west half of Sections 15  
 13          and 22 is the proposed unit and the three laterals that  
 14          we will be drilling from north to south. And you can  
 15          see in this structure map that the Wolfcamp A structure  
 16          is very gently dipping to the east fairly uniform.

17          **Q.    Do you see any faults, pinch-outs or other**  
 18          **geologic impediments to developing this formation?**

19          A.    I do not.

20          **Q.    Will you please turn to the next exhibit,**  
 21          **Chevron Exhibit Number 11? Can you identify this for**  
 22          **the Examiner?**

23          A.    Okay. So this is the top of the Wolfcamp Y  
 24          Sand structure. So this is the top of the Y Sand target  
 25          that we will be drilling or proposing to drill in the

1 section. And the red dots on the structure map on the  
2 left side of the page are the control points that  
3 generated the grid. Again, this is in subsea TVD. You  
4 can tell -- you can see that the structure is gently  
5 dipping.

6 On the right-hand side is a Y Sand isopach  
7 map, so that's -- and true stratigraphic thickness, and  
8 you can see that the Y sand thickness in this area is  
9 very uniform, plus or minus, you know, a couple of feet  
10 from 40-feet overall thickness.

11 Q. And let's look at the next exhibit, Chevron  
12 Exhibit Number 12.

13 A. So Number 12 is again the top of the Y Sand  
14 structure map. We have the cross section that we'll see  
15 in the next exhibit. It's running from A to A prime, so  
16 north to south, and we've chosen four wells to  
17 illustrate -- represent the stratigraphy in this  
18 section.

19 Q. And it's representative of the Wolfcamp  
20 Formation?

21 A. They are.

22 Q. And turn to the last exhibit, Chevron Exhibit  
23 Number 13. What is this?

24 A. So this is a stratigraphic cross section. On  
25 the top right-hand side is the inset, again with that

1 cross-section line showing which wells we've identified  
2 here. So starting on the left, from north to south, A  
3 to A prime, we've got gamma ray on the left track,  
4 resistivity and porosity, and the Y Sand target is in  
5 blue. You can see in the section. And the two blue  
6 lines identify the top and base of the target that we  
7 are proposing here. And the cross section is flattened  
8 on the top of that Y Sand. And so you can see that from  
9 north to south across the two sections, the Y Sand is --  
10 is continuous in thickness and present.

11 Q. Ms. Storniolo, have you reached conclusions  
12 from your geologic studies of the lands in this case?

13 A. I have.

14 Q. Have you concluded that there are no geologic  
15 hazards to drilling a horizontal well in this area?

16 A. There are not.

17 Q. Have you concluded that each quarter-quarter  
18 section will be productive and contribute more or less  
19 equally to each 40-acre unit comprising this nonstandard  
20 spacing unit?

21 A. Yes, I have.

22 Q. And have you concluded that horizontal drilling  
23 will be the most efficient method to develop this  
24 acreage and will prevent the drilling of unnecessary  
25 wells and result in the greatest ultimate recovery?



1           A.     Yes.

2           Q.     And in your opinion, will the granting of  
3     Chevron's application in this case, 16152, be in the  
4     best interest of conservation, the prevention of waste  
5     and the protection of correlative rights?

6           A.     I do.

7           Q.     Were Exhibits 10 through 13 prepared by you or  
8     compiled at your direction?

9           A.     Yes. I prepared them myself.

10                   MS. BROGGI: At this time I would like to  
11     move into admission Chevron Exhibit Numbers 10 through  
12     13.

13                   EXAMINER DAWSON: Okay. At this time  
14     Exhibits 10 through 13 will be admitted to the record.  
15                   (Chevron U.S.A. Inc. Exhibit Numbers 10  
16     through 13 are offered and admitted into  
17     evidence.)

18                   MS. BROGGI: No more questions.

19                   EXAMINER DAWSON: One question: Did you  
20     already admit Exhibits 1 through 9? Did you ask for  
21     that or --

22                   MS. BROGGI: I think I did. But if not,  
23     I'd like to move for that.

24                   EXAMINER DAWSON: Okay. Exhibits 1 through  
25     9 will also be admitted to the record at this time.

1 (Chevron U.S.A. Inc. Exhibit Numbers 1  
2 through 9 are offered and admitted into  
3 evidence.)

4 EXAMINER DAWSON: Questions, Mike?

5 EXAMINER McMILLAN: No.

6 EXAMINER DAWSON: David?

7 EXAMINER BROOKS: No questions.

8 EXAMINER DAWSON: I have just a couple of  
9 questions.

10 CROSS-EXAMINATION

11 BY EXAMINER DAWSON:

12 Q. These wells on your cross section --

13 A. Yes, sir.

14 Q. -- it looks like the first one -- was it  
15 dry-holed or -- looks like a dry-hole symbol on top  
16 above the log header.

17 A. Oh. I'm not sure if that's representative of a  
18 dry hole. I'd have to look for that. I can look for  
19 that if you'd like me to.

20 Q. Are any of those wells producing, or do you  
21 know?

22 A. I am not sure of that. However, I do know they  
23 are all vertical conventional wells.

24 Q. And they all have the similar Wolfcamp Y Sand  
25 target zone as depicted on the cross section?

1           A.     Yes.

2           Q.     Okay. That's all the questions I have. Thank  
3     you very much.

4                   MS. BROGGI: Thank you.

5                   EXAMINER DAWSON: So at this time you're  
6     requesting this to be continued to June 14th for notices  
7     and waivers?

8                   MS. BROGGI: No, for May 31st.

9                   EXAMINER DAWSON: Oh, May 31st. Okay.

10                  MS. BROGGI: With the possibility that we  
11     may have to continue it further, until June 14.

12                  EXAMINER BROOKS: If they get waivers from  
13     enough people -- from everybody that they don't have  
14     valid notice to, then we would make those  
15     determinations. But if they do that, they can -- we can  
16     take it under advisement on June 14th. If they have to  
17     rely on new notices sent out after today, then that  
18     would have to be -- I think I said that wrong. I think  
19     I misspoke.

20                  If they have waivers or existing valid  
21     notice to everyone, we can take it under advisement on  
22     May 31st. If they need to send out new notices after  
23     today, then we would have to have until at least June  
24     14th so that the 20-day period could run, unless it was  
25     a situation where all they had to do is publish and then

1 publish -- well, it would have to run today, so you'd  
2 still have to have June 14th because it has to have two  
3 weeks from the day that it runs. Okay?

4 EXAMINER DAWSON: So we'll continue to May  
5 31st. And that concludes Case Number 16152.

6 (Case Number 16152 concludes, 2:00 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  
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