

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:

AMENDED APPLICATION OF ADVANCE  
ENERGY PARTNERS HAT MESA, LLC  
FOR A NONSTANDARD OIL SPACING  
AND PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 16095

Consolidated with

APPLICATION OF ADVANCE ENERGY  
PARTNERS HAT MESA, LLC FOR A  
NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

CASE NOS. 16096,  
16097,  
16098

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 31, 2018

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
LEONARD LOWE, TECHNICAL EXAMINER  
PHILLIP GOETZE, TECHNICAL EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, Leonard Lowe and Phillip Goetze,  
Technical Examiners, and David K. Brooks, Legal  
Examiner, on Thursday, May 31, 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

## APPEARANCES

FOR APPLICANT ADVANCE ENERGY PARTNERS HAT MESA, LLC:

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1 (8:32 a.m.)

2 EXAMINER JONES: Okay. As I understand it,  
3 we will proceed down the docket, but we will do all four  
4 Advance cases now, with the three combined and the one  
5 separate; is that correct?

6 MR. HALL: Well, yeah. Let's call the  
7 three and Case 16098. They all involve the same  
8 acreage.

9 EXAMINER JONES: Okay. So all four can be  
10 combined.

11 Okay. And then after that, we will do Jim  
12 Bruce's DGP cases and the Matador cases and Mewbourne  
13 cases and then Adam or Mike's Hilcorp cases at the end.

14 So it's narrowed down quite a bit here, so  
15 we're off and running.

16 Let's call Case Number -- Case Numbers  
17 16098, 16095, 16096 and 16097. I will attempt to -- the  
18 first one is number three on the docket. Case 16095 is  
19 amended application of Advance Energy Partners Hat Mesa,  
20 LLC for a nonstandard oil spacing and proration unit and  
21 compulsory pooling in Lea County, New Mexico.

22 I will call all these cases. And the next  
23 ones are cases 82 -- actually, 64 on the docket, number  
24 64, which is application of -- it's Case Number 16098,  
25 application of Advance Energy Partners Hat Mesa, LLC for

1 a nonstandard oil spacing and proration unit and  
2 compulsory pooling, Lea County, New Mexico.

3 The last two are 82 and 83, which are Case  
4 Numbers 16096, application of Advance Energy Partners  
5 Hat Mesa, LLC for a nonstandard oil spacing and  
6 proration unit and compulsory pooling in Lea County, New  
7 Mexico; Case 16097, application of Advance Energy  
8 Partners Hat Mesa, LLC for a nonstandard oil spacing and  
9 proration unit and compulsory pooling in Lea County, New  
10 Mexico.

11 Call for appearances in all or portions of  
12 these cases.

13 MR. HALL: In all, Scott Hall, Montgomery &  
14 Andrews, for the Applicant, Advance Energy Partners Hat  
15 Mesa, LLC, with two witnesses this morning. Ocean was  
16 supposed to be here.

17 EXAMINER JONES: She has an appearance in  
18 three of them -- or all four, actually.

19 MR. HALL: Four.

20 EXAMINER JONES: So COG has made an  
21 appearance in all four of these cases.

22 Any other appearances?

23 Will the two witnesses please stand and the  
24 court reporter please swear the witnesses?

25 (Mr. Burdick and Mr. Caamano sworn.)

1                   MR. HALL: At this time, Mr. Examiner, I'd  
2 call Paul Burdick.

3                   PAUL BURDICK,  
4 after having been first duly sworn under oath, was  
5 questioned and testified as follows:

6                   DIRECT EXAMINATION

7 BY MR. HALL:

8           Q. For the record, state your name.

9           A. Paul Burdick.

10          Q. Mr. Burdick, where do you live and by whom are  
11 you employed?

12          A. I live in Houston, Texas. I'm employed by  
13 Advance Energy Partners, LLC.

14          Q. And in what capacity?

15          A. As a land advisor.

16          Q. All right. Now, I understand you have  
17 previously testified before the Division and had your  
18 credentials as an expert petroleum landman accepted as a  
19 matter of record, but that was the last century,  
20 correct?

21          A. It was a long, long time ago, in the '80s  
22 (laughter).

23          Q. Why don't we give the Examiners a brief summary  
24 of your educational background?

25          A. All right. I have a -- from the University of

1 Texas at Austin a Bachelor of Business Administration  
2 and specializing in petroleum land management. I have  
3 an MBA, later on, from the University of Texas. I've  
4 been employed in the oil and gas business since 1979  
5 pretty much through now, 25-plus years ConocoPhillips,  
6 and with Advance Energy Partners since March of 2017.  
7 Yeah.

8 Q. And you're familiar with the applications we  
9 filed in these cases?

10 A. Yes.

11 Q. And you're familiar with the lands that are the  
12 subject of the applications?

13 A. Yes.

14 MR. HALL: At this point we offer --  
15 reoffer Mr. Burdick as an expert petroleum landman.

16 EXAMINER JONES: So qualified.

17 THE WITNESS: Thank you.

18 Q. (BY MR. HALL) If you would, please,  
19 Mr. Burdick, could you summarize what you're asking of  
20 the Division's Examiners?

21 A. Yes. We're asking for four wells, for  
22 nonstandard units, for 240 acres each well unit and  
23 compulsory pooling.

24 And the detail in Case 16094 [sic], a  
25 240-acre oil spacing and proration unit comprised of the

1 west half-west half of Section 20 and the west  
2 half-southwest of Section 17, in Township 21 South,  
3 Range 33 East, in Lea County. This will be dedicated to  
4 a well named Wool Head 501H, and it will be drilled from  
5 an approximate surface location of 100 feet from the  
6 south line and 1,650 feet from the west line of Section  
7 20 to a bottom-hole location of 2,540 feet from the  
8 south line and 1,650 feet of the west line of Section 17  
9 in the same 21 South, 32 East.

10 In Case 16096, we are seeking a 240-acre  
11 spacing and proration unit comprised of the east  
12 half-west half of Section 20 and the east half-southwest  
13 quarter of Section 17 and all in 21 South, 33 East. The  
14 unit will be dedicated to the Wool Head 502H well, and  
15 it will be drilled from the surface location at 100 feet  
16 from the south line and 2,310 feet from the west line of  
17 Section 20 to a bottom-hole location of 2,540 feet from  
18 the south line and 2,310 feet from the west line of  
19 Section 17, Township 21 South, Range 33 East.

20 In Case 16097, we are seeking a 240-acre  
21 oil spacing and proration unit comprised of the west  
22 half-east half of Section 20 and the west half-southeast  
23 quarter of Section 17, in Township 21 South, Range 33  
24 East. This unit will be dedicated to the Wool Head  
25 503H, and it will be drilled from an approximate surface



1 location of 100 feet from the south line and 1,650 feet  
2 from the east line of Section 20 to a bottom-hole  
3 location of 2,540 feet from the south line and 1,650  
4 feet from the east line of Section 17.

5 And the last one is for the Case 16098.  
6 It's a 240-acre oil spacing and proration unit comprised  
7 of the east half-east half of Section 20 and the east  
8 half-southeast quarter of Section 17, Township 21 South,  
9 Range 33 East. The unit will be dedicated to the Wool  
10 Head 504H, and it will be drilled from an approximate  
11 surface location of 100 feet from the south line and 330  
12 feet from the east line of Section 20 to the bottom-hole  
13 location of 2,540 feet from the south line and 330 feet  
14 from the east line of Section 17.

15 Q. Now, if we turn to Exhibit 1 in the packet,  
16 does this exhibit depict the approximate location and  
17 configurations of these wells?

18 A. Yes.

19 Q. And is it correct that the applications that  
20 have been filed in this matter indicate that you're  
21 seeking to pool interests only from the top of the 1st  
22 Bone Spring Sand to the base of the 2nd Bone Spring  
23 Sand?

24 A. Yes.

25 Q. And what is the primary objective for each of

1     these wells?

2           A.     It will be the 2nd Bone Spring Sand.

3           Q.     Okay.  And are Bone Spring Formation wells in  
4     this area governed by statewide rules, 40-acre units,  
5     330-foot setbacks?

6           A.     Yes.

7           Q.     And is it the plan now that the first and last  
8     take points will be located within those setbacks?

9           A.     Yes.

10          Q.     And should the Division rules change to allow  
11     first and last take points to be placed 100 feet from  
12     the ends, does Advance contemplate coming back in with a  
13     sundry notice allowing it to do so?

14          A.     That would be to our advantage.  Yes.

15                     And would sundry notices be the go-forward  
16     path?

17                     EXAMINER JONES:  If it gets to our district  
18     and it, you know, obeys the rules, they won't kick it up  
19     to us for an exception.

20                     THE WITNESS:  Okay.  All right.

21                     EXAMINER JONES:  But it'll have to wait  
22     until the rule is in effect.

23                     THE WITNESS:  July-ish, give or take?

24                     EXAMINER BROOKS:  End of July probably.

25                     EXAMINER JONES:  It's in the 20-day

1     suspense period waiting for somebody to ask for a  
2     rehearing right now. Then after that, the legal team  
3     has to --

4                   EXAMINER BROOKS: It has to be filed with  
5     the State Records and published in the "New Mexico  
6     Register." We anticipate getting it July 15, but it  
7     could run late if there is a motion for rehearing.

8                   THE WITNESS: All right.

9           **Q. (BY MR. HALL) Let's turn to Exhibit 2, if you**  
10   **would explain what that exhibit is.**

11          A. I prepared Exhibit 2 to depict the ownership --  
12   leasehold ownership in the south half of 20, north half  
13   of 20 and also the south half of 17. And in 20, the two  
14   state leases, the ownership is identical. Advance  
15   Energy Partners Hat Mesa owns 95 percent working  
16   interest, and a partner of ours called Bullhead Energy,  
17   LLC owns 5 percent.

18                   And up in section -- the south half of  
19   Section 17, under state lease B 3427-3, Advance Energy  
20   Partners own 42-and-a-half percent in that lease.  
21   Bullhead Energy owns 2-and-a-half percent, and then  
22   Devon Energy owns 50 percent, and Chevron owns 5  
23   percent.

24          **Q. So this interest ownership is consistent**  
25   **throughout each of the 240-acre well units?**

1           A.     Yes.

2           **Q.     Let's turn to Exhibit 3. Does it show your**  
3 **working interest control?**

4           A.     Yes. This would depict the same working  
5 interest in a tabular fashion, spreadsheet.

6           **Q.     And identify the parties you're seeking to**  
7 **pool.**

8           A.     We're seeking to pool Devon Energy Production  
9 and Chevron.

10          **Q.     And, again, you do not seek to pool any**  
11 **interests below the 2nd -- base of the 2nd Bone Spring?**

12          A.     That is correct.

13          **Q.     Now, is there an existing well in the 3rd Bone**  
14 **Spring in this acreage?**

15          A.     Yes. In the north half of Section 20, COG owns  
16 the -- I went blank on the name.

17          **Q.     It's in your notes.**

18          A.     Oh. The Crockett State 2H. Sorry. It's an  
19 east-west in the north half-north half of Section 20,  
20 and it produces out of the 3rd Bone Spring.

21          **Q.     Would that be, in fact, the south half of the**  
22 **north half?**

23          A.     Oh, okay. Yeah, I'm looking at it. It's the  
24 south half of the north half of Section 20. I'm looking  
25 at two locations. Yeah. That unit -- half. I'm sorry.

1           Q.    All right.  Now, have the operator and owners  
2   in the 3rd Bone Spring Sand being excluded from the  
3   pooling of the wells been notified of Advance's  
4   applications?

5           A.    Yes.

6           Q.    And has any objection been received?

7           A.    No.

8           Q.    Are there any unleased mineral interest owners?

9           A.    No.

10          Q.    And as to the parties to be pooled, is Advance  
11   seeking imposition of the 200 percent risk penalty?

12          A.    Yes.

13          Q.    And is Advance seeking to be designated as  
14   operator of the wells?

15          A.    Yes.

16          Q.    Mr. Burdick, in your opinion, has Advance made  
17   a good-faith effort to locate all of the unjoined  
18   working interest owners, communicate with them in order  
19   to obtain their voluntary participation in the wells?

20          A.    Yes.

21          Q.    Let's turn to Exhibit 4 and if you could  
22   identify that and provide the Examiners with a summary  
23   of your efforts to obtain the voluntary joinder of the  
24   other parties.

25          A.    Yes.  Exhibit 4, I prepared to show a summary

1 of the contact efforts and the contact dates with the  
2 various working interest owners. It started on January  
3 22nd. We sent well proposals to the other working  
4 interest owners. Energy -- Bullhead Energy consented to  
5 participate in the wells.

6 And also on July 22nd, we made offers to  
7 Chevron to acquire their interest, and that has not been  
8 successful. Running from January 30th through, gosh --  
9 through all of March, we have continued communication  
10 with different people with Chevron, and it never  
11 amounted to an agreement.

12 We've had many, many conversations and  
13 communications with Devon over months, and it's possible  
14 we could work out a regimen, but we have not done so  
15 yet.

16 And on February 23rd, we sent a proposed  
17 joint operating agreement to the parties and have not  
18 received any replies from those parties.

19 And then on April 18th, we had an incorrect  
20 finish location for the Wool Head 501H, and we sent the  
21 operators a corrected well location -- well AFE. That  
22 sums up the efforts.

23 **Q. Are Exhibits 5 through 7 your well-proposal**  
24 **letters to those parties who are unjoined at the time?**

25 **A. Yes.**

1           Q.    And let's look at the one on the bottom of  
2   Exhibit 7.  So that's -- is that a well proposal to  
3   Mr. Mike Petraitis?

4           A.    Yes.

5           Q.    And the last page of that, there is a letter,  
6   February 16th, 2018.  Would you summarize that?

7           A.    Mr. Petraitis, with an old agreement involving  
8   the south half of Section 17, was that he in subsequent  
9   wells -- and we considered this to be subsequent  
10   wells -- an option to convert an overriding royalty to a  
11   small working interest owner.  And this signature, he  
12   just confirms that he wants to retain his overriding  
13   royalty interest and not to participate with a working  
14   interest.

15          Q.    So you're not seeking to pool his interest?

16          A.    No.  He's maintaining an overriding royalty  
17   interest.

18          Q.    Okay.  Let's turn to Exhibit 8 and discuss the  
19   estimated well costs.  Could you summarize that, please?

20          A.    Sure.  These are the estimated AFE costs for  
21   the four wells.  The total costs for three of the wells  
22   are approximately \$9.7 million for a completed producing  
23   wells.  And the Wool Head 504 is more expensive.  It's  
24   approximately \$5.44 [sic] million, and that's because  
25   they had some additional surface facility and

1 production.

2 Q. All right. If we look at Exhibit 9, is that a  
3 compilation of the AFEs that have been provided to the  
4 parties?

5 A. Yes.

6 Q. And if you look at one, it's transmitted by an  
7 email from you dated Wednesday, April 18th to the  
8 parties.

9 A. The 501?

10 Q. Yes, the 501H.

11 What was that circumstance?

12 A. The original proposals back on January 22nd, we  
13 made a mistake in the footage location, and so we  
14 corrected this to be a corrected path of the wells.

15 Q. All right. So, Mr. Burdick, in your opinion,  
16 are the costs reflected in the AFEs in your spreadsheet,  
17 Exhibit 8, are those costs in line with what's being  
18 charged by other operators in the area for similar  
19 wells?

20 A. We believe so. Yes.

21 Q. And have you made an estimate of the overhead  
22 producing -- overhead producing, drilling rates?

23 A. Yes.

24 Q. What are those?

25 A. For drilling, the rate is \$7,000 a month. For



1 a producing well rate, it's \$700 per month.

2 Q. And are these costs in line with what's being  
3 charged in the area by other operators?

4 A. We believe so. Yes.

5 Q. And are you asking that these drilling and  
6 producing overhead rates be incorporated in the order or  
7 orders that result from this hearing?

8 A. Yes.

9 Q. And is Advance requesting that the order  
10 provide that the overhead rates be adjusted in  
11 accordance with the current COPAS bulletin at the time?

12 A. Yes.

13 Q. And in your opinion, has Advance acted with  
14 diligence to develop these reserves?

15 A. Yes.

16 Q. In your opinion, would granting Advance  
17 Energy's applications be in the best interest of  
18 conservation, the prevention of waste and the protection  
19 of correlative rights?

20 A. Yes.

21 Q. And were Exhibits 1 through 9 prepared by you  
22 or at your direction?

23 A. Yes.

24 Q. Let me refer you to one of the notice  
25 affidavits. Let's look at the first one for Case 16095.

1     And if you look at the bottom of that, there is a  
2     compilation of the notice that was provided to the  
3     owners of overriding royalty interests.

4                     EXAMINER BROOKS:   Where is this?

5                     MR. HALL:   This is within Exhibit 10.  I'm  
6     sorry.  The pages aren't numbered, but if you dig down  
7     to almost the bottom, there is my cover letter to all  
8     the overrides.

9                     EXAMINER BROOKS:   I'm sorry.  They're not  
10    noticed also -- they're not numbered.

11                    MR. HALL:   Sorry about that.

12                    THE WITNESS:   So you're referring to all  
13    the certified --

14             Q.     (BY MR. HALL) Yes.

15             A.     Okay.

16             Q.     And under my letter, there is a list of  
17    overriding royalty interest owners.  Do you see that?  
18    So Exhibit A identifies four override owners, correct?

19             A.     Yes.

20             Q.     There is one, Charis Royalty F, LP, correct, in  
21    Southlake, Texas?

22             A.     Yes.

23             Q.     Then if we look further into that exhibit, we  
24    see the green certified card for the letter to Charis  
25    Royalty?

1           A.     Okay.

2           Q.     Okay.  And it does not reflect that a return  
3     was received for that; is that correct?

4           A.     Yes.

5           Q.     And -- first of all, do you know who Charis  
6     Royalty is?

7           A.     Yes.  It's the -- it's owned by the same owners  
8     of Bullhead Energy.  It was an overriding royalty they  
9     created when our predecessor in title created an  
10    overriding royalty and the same principals are now  
11    Bullhead Energy, LLC?

12          Q.     All right.  And Bullhead Energy was also  
13    notified as an override owner, correct?

14          A.     And a working interest owner, too.  Yeah.

15          Q.     All right.  So is it reasonable to expect that  
16    Bullhead would have realized it was receiving notice for  
17    Charis as well?

18          A.     That would be correct.

19          Q.     All right.

20                   MR. HALL:  And we hope that's satisfactory,  
21    Mr. Examiner, to obviate the need to publish in the  
22    newspaper.

23                   EXAMINER BROOKS:  Okay.  You sent actual  
24    notice to all these people, right?

25                   MR. HALL:  Yes.

1 EXAMINER BROOKS: And you have green cards  
2 from all of them?

3 MR. HALL: We do except Charis, but Charis  
4 and Bullhead are the same entity.

5 EXAMINER BROOKS: Okay.

6 MR. HALL: With that, Mr. Examiner, I'd  
7 move the admission of Exhibits 1 through 9,  
8 Mr. Burdick's exhibits, and Exhibits 10 through 13,  
9 which is our notice affidavits.

10 And that completes our direct of this  
11 witness.

12 EXAMINER JONES: Exhibits 1 through 13 are  
13 admitted.

14 (Advance Energy Partners Hat Mesa, LLC  
15 Exhibit Numbers 1 through 13 are offered  
16 and admitted into evidence.)

17 EXAMINER JONES: Mr. Goetze?

18 EXAMINER GOETZE: No questions.

19 EXAMINER JONES: Mr. Lowe?

20 EXAMINER LOWE: No questions.

21 EXAMINER JONES: Mr. Brooks?

22 CROSS-EXAMINATION

23 BY EXAMINER BROOKS:

24 Q. We have been known to split spacing vertically  
25 in compulsory pooling cases, and there were times for

1 Concho, under Mr. Catanach, that the Commission approved  
2 it. And my understanding was that as Examiners, our  
3 marching orders were to only do it in cases very similar  
4 to that case, which I don't remember all the criteria.

5 If the present director wants to tweak  
6 that, this would be a good time to order it, in this  
7 case, since that's what you want to do and since nobody  
8 is opposing.

9 MR. HALL: We'd like to -- and let me just  
10 recite into the record the precedence for this.

11 EXAMINER BROOKS: Okay. Please do. I need  
12 it, and not just to recite it in the record but for me  
13 to refer to it and go back to it.

14 MR. HALL: Right. So in Case Number  
15 15158 -- it's Mewbourne -- the order in that case was  
16 Order Number R-13882.

17 EXAMINER BROOKS: 13882?

18 MR. HALL: Correct.

19 And then the COG order I think you're  
20 referring to is Case Number 15327, de novo, and that was  
21 R-14023A.

22 EXAMINER BROOKS: 14023A.

23 MR. HALL: And I'll give you these copies  
24 just so you have them.

25 EXAMINER BROOKS: Appreciate it.

1                   MR. HALL: I think they are Cimarex Sneed  
2 wells or COG Sneed.

3                   EXAMINER BROOKS: Sneed. I remember the  
4 name Sneed.

5                   MR. HALL: Yeah.

6                   EXAMINER JONES: Thank you for providing  
7 this material, Mr. Scott (laughter).

8                   Okay. Yeah. I was going to ask if you  
9 preferred -- we have two ordering paragraphs. We have  
10 one creating the unit and one saying it's pooled -- the  
11 interests are pooled within the unit. And you did --  
12 your application says "for a nonstandard oil spacing and  
13 proration unit." So as far as I'm concerned, that could  
14 mean vertically nonstandard also, and then we could say  
15 "all interests are pooled within" -- "nonconsenting  
16 interests are pooled within that unit." Or we could  
17 style it as a whole. The unit is created with the whole  
18 Bone Spring and say "interests are only pooled below a  
19 certain depth," but you didn't specify a certain depth,  
20 did you? You just said at the base of the -- did you  
21 say in your application a certain depth?

22                   MR. HALL: No. But we'll have some  
23 testimony on that.

24                   EXAMINER JONES: Okay.

25                   MR. HALL: It's consistent with ownership.

1 THE WITNESS: Title ownership.

2 EXAMINER JONES: I know Mr. Bruce -- Jim  
3 Bruce was always all doing this to us in the past.

4 MR. BRUCE: My pleasure.

5 EXAMINER JONES: Thank you. Thank you, Jim  
6 (laughter).

7 Okay. I apologize for getting confused. I  
8 worked this up, and I had four wells.

9 CROSS-EXAMINATION

10 BY EXAMINER JONES:

11 Q. So are there any other wells existing within  
12 this 960-acre area?

13 A. Yes.

14 Q. But that was here before, these four being  
15 proposed?

16 A. Yeah, the one COG Crockett State.

17 Q. Okay. And that one is -- south of the north  
18 half of 20? Is it an east-west?

19 A. Yes, E to H. It's east-west running.

20 Q. E, F, G, H?

21 A. Yes, sir.

22 Q. Okay. What zone is that in? Is that in the  
23 2nd Bone Spring?

24 A. 3rd Bone Spring.

25 Q. Yes. Okay. You said that. I'm sorry.

1           A.    They did a --

2           **Q.    You're repeating yourself.**

3           A.    In 2015, they did a conveyance to each other  
4   that created the separation.

5           **Q.    Okay.   So this was all done in 2015?**

6           A.    Yeah.

7           **Q.    Who is the operator of that well?**

8           A.    COG.

9           **Q.    COG.**

10                   Is that -- do you surmise that's why COG  
11   made an appearance in this case?

12          A.    Be my guess.

13                   MR. HALL:  They should be here to explain  
14   themselves (laughter).

15                   Would you like the API number for that?

16                   EXAMINER JONES:  I can find it.

17                   MR. HALL:  Here, let me --

18                   THE WITNESS:  We have it right here.

19   30-025-41080.

20          **Q.    (BY EXAMINER JONES) Okay.  Now, I have some**  
21   **markings besides these ownerships.  Is this oil and gas**  
22   **reserve, federal acreage, or is it --**

23          A.    They're all state leases.

24          **Q.    All state.**

25                   **Three state leases?**



1           A.    Yes, sir.  Yeah.  Here's the numbers.

2           Q.    Okay.  That's your exhibit.  Okay.  So it's  
3   state surface, state minerals, and there is no  
4   federal --

5           A.    No federal.

6           Q.    No federal in this.

7                       Okay.  So they're all -- all four of these  
8   are exactly the same mix of ownership; is that correct?

9           A.    The four wells?  Yes, sir.

10          Q.    Okay.  I think that's all I've got.

11                       EXAMINER JONES:  Anybody else?

12                       EXAMINER GOETZE:  I have one more question.

13                               CROSS-EXAMINATION

14   BY EXAMINER GOETZE:

15          Q.    These wells are all in the same pool?  This is  
16   called the Bone Spring Pool?

17                       MR. HALL:  Yes.

18                       EXAMINER JONES:  Really?  Say again.  The  
19   Bone Spring Pool?  We shouldn't be having to ask you  
20   about this.

21                       THE WITNESS:  We did do the homework.

22                       EXAMINER GOETZE:  Typically we get a 102.

23                       MR. HALL:  It's 97895 and it's -- here  
24   (indicating).

25                       EXAMINER JONES:  If it's wildcat, you don't

1     need to read all those numbers.

2                   EXAMINER GOETZE:   Is it a Paul --

3                   MR. HALL:   Yes.

4                   EXAMINER GOETZE:   It's a Paul Kautz  
5     special.   So this is a fairly recently declared -- or  
6     designated, I'll say, pool.

7                   MR. HALL:   When I started looking at this,  
8     I saw three Bone Spring pools in this section, and this  
9     is what we were told to do, Mr. Goetze (laughter).

10                  EXAMINER JONES:   Okay.   Did anyone mention  
11     if he was going to move this 3rd Bone Spring well to  
12     this pool?

13                  MR. HALL:   I don't know about that.   I  
14     think there is a vertical Bone Spring out there, too,  
15     somewhere.

16                  EXAMINER JONES:   Oh, boy.   Okay.   Well, are  
17     you admitting this one, or do you want this back?

18                  MR. HALL:   You can have it.

19                  EXAMINER JONES:   Thanks for asking that,  
20     because we usually do get a C-102.

21                  And there are no API numbers involved yet?

22                  THE WITNESS:   No.   They're in the process.  
23     Their permitting is in the process.

24                  EXAMINER BROOKS:   Are you going to have the  
25     reporter mark it or --

1 EXAMINER JONES: No.

2 EXAMINER BROOKS: It's for the file, not  
3 for the record?

4 EXAMINER JONES: Yeah. I'll just --

5 MR. HALL: It's a "take notice."

6 EXAMINER JONES: It's state records  
7 already, the C-102.

8 MR. HALL: Yeah.

9 RECROSS EXAMINATION

10 BY EXAMINER JONES:

11 Q. Is the rig on its way out there right now to  
12 drill them?

13 A. There is a rig on location immediately to the  
14 west, about a mile to the west.

15 Q. Is that your contracted rig?

16 A. Yes.

17 Q. Are you in a hurry, is what I'm trying to get  
18 at?

19 A. No. We have, what, three or four more wells.  
20 Yeah.

21 Q. We'll try to move fast on it, but I just wanted  
22 to see.

23 EXAMINER BROOKS: Well, I would like to  
24 have a chance to talk to the director about this issue  
25 of splitting the pools vertically because I know

1    what Mr. Catanach thinks.  I don't know what Ms. Riley  
2    believes.

3                                   RECROSS EXAMINATION

4    BY EXAMINER BROOKS:

5           Q.    I had another question.  Mr. Petraitis -- which  
6    exhibit is that that your letter is in?

7                   MR. HALL:  That was in Exhibit 7, the last  
8    one.

9                   EXAMINER BROOKS:  Oh.  10?

10                  MR. HALL:  7.

11           Q.    (BY EXAMINER BROOKS) Okay.  And he owns what?  
12    You said a working interest in vertical -- or override  
13    convertible working interest?

14           A.    That would be correct.

15           Q.    Okay.  And did he sign this, because the copy I  
16    have here is not signed by anybody?

17                   MR. HALL:  Look at the last page.

18                   THE WITNESS:  The last page, the letter  
19    dated February 6.

20           Q.    (BY EXAMINER BROOKS) Oh, okay.  Yeah, I see it.  
21    He didn't sign the form.  He signed down here, bottom of  
22    the letter.

23           A.    I tried to make it as easy as I could for the  
24    man.

25           Q.    Well, you did a good job.  Thank you.

1                                   **RECROSS EXAMINATION**

2       BY EXAMINER JONES:

3           **Q.     Bullhead, is that Bill Savage?**

4           A.     Yes.

5           **Q.     What's wrong with Amtex?  He got tired of that**  
6 **name?**

7           A.     Amtex was the operating -- before we acquired  
8 that interest, Amtex was the operating name, and then  
9 the equity -- or the leaseholder was Chap Exploration.  
10 And then the overriding royalty that we did -- we didn't  
11 get a green card is Charis, and that's Bill Savage.

12          **Q.     Okay.  That's him, Charis Royalty F, LP.**

13                               **Thanks very much.**

14                               MR. HALL:  Just to be clear, Mr. Brooks,  
15 we're not asking for vertical contraction of the pool at  
16 all, just --

17                               EXAMINER BROOKS:  No.  But you're asking  
18 for a nonstandard spacing unit that includes -- that  
19 includes only a portion of the pool.

20                               EXAMINER JONES:  Vertically.

21                               EXAMINER BROOKS:  Yeah.

22                               And having stated the Sneed cases, you know  
23 that there's been some concern about that.

24                               MR. HALL:  (Indicating.)

25                               EXAMINER BROOKS:  Okay.  I want to get that

1     straightened out so we have a policy on it because I  
2     anticipate more requests.

3                     MR. HALL:   It's going to get very  
4     interesting.

5                     EXAMINER BROOKS:   It has already gotten  
6     interesting, but I think it will get more so.

7                     Thank you.

8                     MR. HALL:   At this time, Mr. Examiner, I'd  
9     call Ed Caamano to the stand, please.

10                    EDWARD CAAMANO,  
11            after having been previously sworn under oath, was  
12            questioned and testified as follows:

13                    DIRECT EXAMINATION

14   BY MR. HALL:

15           Q.    **For the record, please state your name.**

16           A.    Edward Caamano.

17           Q.    **Mr. Caamano, where do you work?**

18           A.    Advance Energy Partners.

19           Q.    **In what capacity?**

20           A.    I'm vice president of geoscience.

21           Q.    **All right. Have you previously testified**  
22   **before the Division and had your credentials as a**  
23   **geologist accepted as a matter of record?**

24           A.    No.

25           Q.    **Please give the Examiners a brief summary of**

1     **your educational background and work experience.**

2           A.     I got my Master's in Geology from Rutgers  
3     University. Since graduation, I worked 18 years at  
4     Conoco as a geologist, 12 years -- 12, 13 years at  
5     Pioneer Natural Resources as a geologist, and then with  
6     Advance Energy Partners in my current role.

7           **Q.     All right. And you are familiar with the**  
8     **applications that have been filed in these cases?**

9           A.     Yes.

10          **Q.     And the lands that are the subject of these**  
11     **applications?**

12          A.     Yes.

13                   MR. HALL: At this point I'd offer  
14     Mr. Caamano as an expert petroleum geologist.

15                   EXAMINER JONES: Do you know Rocky Holley  
16     [phonetic]?

17                   THE WITNESS: Rocky? No, I don't.

18                   EXAMINER JONES: With Pioneer.

19                   THE WITNESS: No, I don't.

20                   EXAMINER JONES: He's so qualified.

21          **Q.     (BY MR. HALL) All right. Mr. Caamano, have you**  
22     **conducted a geologic investigation to determine whether**  
23     **each of the 40-acre tracts comprising the respective**  
24     **project areas for each of the four wells are prospective**  
25     **for production?**

1           A.    Yes, I do.

2           Q.    And what did you conclude?

3           A.    I concluded that they were.

4           Q.    Will each of the tracts within the well units  
5   contribute approximately the same amount of reserves to  
6   the wells?

7           A.    Yes.

8           Q.    Let's refer to Exhibit 13, if you would,  
9   please, and provide the Examiners with a geologic  
10   overview of the Bone Spring Formation in this area.

11          A.    Exhibit 13 or 15?

12          Q.    I'm sorry.  14.

13          A.    Well, the maps and close-ups on mine start on  
14   15.

15          Q.    All right.  Do you want to start with the pool  
16   map?

17          A.    I'm sorry.

18          Q.    Let's go back to 14.

19          A.    Go back to 14.

20                   Oh, okay.

21          Q.    What is that?

22          A.    Okay.  So this is the area -- the subject area  
23   and location of the four Wool Head wells located in Lea  
24   County, New Mexico.

25          Q.    And what does the red outline indicate?



1           A.    The red outline on this map?

2           Q.    Yes.

3           A.    That is the outline of the potash area.

4           Q.    All right. Let's turn to Exhibit 15 and  
5 explain what that shows.

6           A.    Okay. That's the same area now zoomed in to  
7 show the structure overlying the area. It ranges  
8 from -- the structural contours are subsea depth.

9           Q.    All right. And --

10          A.    And also posted on this map are the offsetting  
11 producing wells, their horizontal wells color-coded  
12 according to the legend on the right, and the location  
13 of the subject wells with their bottom-hole and surface  
14 locations annotated.

15          Q.    Does this exhibit also establish that the  
16 prevailing pattern of development for the Bone Spring is  
17 north-south wells?

18          A.    Yes, it does.

19          Q.    All right. And does the exhibit also reflect  
20 the location of your A, A prime cross-section line?

21          A.    Yes, it does.

22          Q.    Anything further with respect to Exhibit 15?

23          A.    No.

24          Q.    Let's turn to Exhibit 16, if you would identify  
25 that and explain this one to us.

1           A.    This is an isopach map, a thickness map of the  
2   2nd Bone Spring, the target interval.  The legends are  
3   the same, so it's the same well locations and  
4   cross-section location.

5           **Q.    And what do you observe with this thickness**  
6   **map?**

7           A.    It's of relative uniform thickness, no  
8   tremendous variation of thickness across this area.  It  
9   averages about 575 feet.

10          **Q.    Okay.  And let's turn to your cross section on**  
11   **Exhibit 17.**

12          A.    Okay.

13          **Q.    Let me ask you:  In the course of your**  
14   **investigation and compilation of these exhibits, did you**  
15   **observe the existence of any faulting or formational**  
16   **discontinuities that would make drilling and completion**  
17   **of these horizontal laterals problematic?**

18          A.    No, I did not.

19          **Q.    And on your cross section, do you show the well**  
20   **log for the Crockett State 2H?**

21          A.    Yes, I do.  It's the --

22          **Q.    On your exhibit, would you point out the top of**  
23   **the 1st Bone Spring and the bottom of the 2nd Bone**  
24   **Spring Sand?**

25          A.    The top of the 1st Bone Spring would be right

1 here (indicating), labeled "1st Bone Spring." This  
2 cross section can be a little confusing, but the label  
3 is at the formation. And so the base -- I'm sorry. You  
4 asked for the base of the 2nd Bone?

5 Q. Yes.

6 A. The base of the 2nd Bone would be right here  
7 (indicating), top of the 3rd Bone.

8 Q. Is your pick for the bottom of the 2nd Bone  
9 Spring generally consistent with the depth-limited  
10 ownership in these sections?

11 A. Yes.

12 Q. And what is the landing depth for the wells?  
13 Is it shown here?

14 A. Around 10,9 TVD, 10,900 TVD.

15 Q. In your opinion, will the Wool Head wells be in  
16 communication with the 3rd Bone Spring at all?

17 A. No.

18 Q. Given the existence of the Crockett State  
19 well -- let's discuss -- what allowable per 40-acre  
20 tract would the Wool Head wells receive?

21 A. 365 [sic] feet.

22 Q. Do you foresee any problems with sharing the  
23 allowables in those tracts that are common with the  
24 Crockett State 2H well?

25 A. No.

1           Q.    At what rates is the Crockett State well  
2   producing?

3           A.    About 38-, 35,000 barrels a day.

4           Q.    Mr. Caamano, in your opinion as an expert  
5   petroleum geologist, will granting Advance Energy's  
6   application be in the interest of conservation, the  
7   prevention of waste and protection of correlative  
8   rights?

9           A.    Yes.

10          Q.    And were Exhibits 14 through 16 prepared by you  
11   or at your direction?

12          A.    Yes.

13                   MR. HALL:  At this time I'd move the  
14   admission of Exhibits 14 through 16, and that completes  
15   my direct of this witness.

16                   EXAMINER JONES:  And 17?

17                   MR. HALL:  I'm sorry.  Yes.

18                   EXAMINER JONES:  14 through 17?

19                   MR. HALL:  Yes.

20                   EXAMINER JONES:  Exhibits 14 through 17 are  
21   admitted.

22                   (Advance Energy Partners Hat Mesa, LLC  
23   Exhibit Numbers 14 through 17 are offered  
24   and admitted into evidence.)

25                   EXAMINER JONES:  Mr. Goetze?

1 CROSS-EXAMINATION

2 BY EXAMINER GOETZE:

3 Q. Good morning.

4 So we're going to be threading the needle  
5 between the first and the third. The third carbonate,  
6 you are presenting that -- this is going to be a  
7 permeability barrier?

8 A. Yes.

9 Q. Do you have the completion? You're not going  
10 to have any issues of migrating into the carbonate?

11 A. We believe not, no.

12 Q. Okay. And let's see. So would it be possible  
13 to get a more finite depth description of what you're  
14 looking at as a target? My concern is that when we  
15 talked about the Sneed wells, it was easy because that  
16 was set up in the Blinebry, and we could look at a  
17 marker and say anything below that was excluded. Will  
18 we be using this as a defining depth, because we're just  
19 not going to say the 2nd Bone Spring? We're going to  
20 have to get some limited -- with a description. Will  
21 you be referring back to this --

22 A. Yes.

23 Q. -- so we have a number and range?

24 EXAMINER JONES: Can we -- I was thinking  
25 the same thing.

1                   Can we ask Mr. Burdick the language that  
2   was used when they split that --

3                   MR. BURDICK:  Yes.  I do believe we have a  
4   copy of the assignment and abeyance that would have that  
5   detail.

6                   EXAMINER ONES:  Because if we -- if we --  
7   if Mr. Brooks and the director decide to title it a  
8   certain way, we're going to need to use the exact, same  
9   language.

10                  EXAMINER BROOKS:  I was concerned about  
11   that also.  It depends upon whether the language is  
12   precise or not, and until we see it, I don't know.

13                  MR. BURDICK:  It would be the document that  
14   actually created the vertical, and the details are in  
15   the exhibits about -- probably ten pages further deep.

16                  EXAMINER BROOKS:  These pages are numbered  
17   but only --

18                  EXAMINER ONES:  You need this back, don't  
19   you?

20                  MR. BURDICK:  We have more than one copy.

21                  EXAMINER BROOKS:  Good, because we need to  
22   put it in evidence, I believe.

23                  MR. HALL:  We ought to refer to the  
24   recording information on there.  Then I think the  
25   Division can just take administrative notice of the

1 public record.

2 EXAMINER BROOKS: Okay. That should  
3 authenticate it, but we'll still need a copy.

4 MR. HALL: You can keep that.

5 EXAMINER BROOKS: Okay. I'll give it to  
6 the court reporter after the hearing, and we will  
7 designate it as Advance Exhibit 18.

8 MR. HALL: And let me just read it into the  
9 record. So it's an assignment of oil and gas leases,  
10 operating rights and bill of sale by Amtex Energy and  
11 Chap Exploration, LLC to the SNE [sic] Advance Energy  
12 Partners Hat Mesa, and Book 2121, page 971 of Lea  
13 County --

14 EXAMINER BROOKS: That's not the instrument  
15 I'm looking at.

16 MR. BURDICK: That was the original.

17 MR. HALL: Oh, I beg your pardon. Chap,  
18 COG and --

19 EXAMINER BROOKS: The instrument I'm  
20 looking at is 2001 at 307.

21 MR. HALL: Correct. Yes. It's styled  
22 "Stipulation of Interest and Cross Assignment,"  
23 effective August 31, 2015, recorded at Book 2001, page  
24 307, Lea County clerk's record.

25 EXAMINER BROOKS: Okay. And this is

1 Cases --

2 MR. HALL: 16095 through 16098.

3 EXAMINER BROOKS: And this is Exhibit 18?

4 MR. HALL: Yes.

5 EXAMINER BROOKS: Okay. Now, can you guide  
6 me to the relevant language?

7 MR. HALL: I believe if you look Exhibit  
8 B -- and it's page 7 of 10 -- you'll find it there.

9 EXAMINER BROOKS: Okay. Thank you.

10 MR. HALL: So I will email that to Florene.

11 EXAMINER BROOKS: I'll read this into the  
12 record: "As to depths described as the 1st Bone Spring  
13 Sand and 2nd Bone Spring Interval, being the  
14 stratigraphic interval from the top of the 1st Bone  
15 Spring Sand at 9,972 feet to the Base of the 2nd Bone  
16 Spring Sand at 11,338 feet, as specifically shown on  
17 that certain Schlumberger High Resolution Laterolog  
18 Array, Spectral Gamma Ray dated May 19, 2013, for the  
19 Crockett State Well No. 2H, API Number 30-025-41080."

20 CROSS-EXAMINATION

21 BY EXAMINER BROOKS:

22 Q. Now, is that an identifiable geologic  
23 description of the -- you may look at it if you want to.  
24 Is that an identifiable geologic -- I'm going to ask  
25 you: Is that an identifiable geologic description of



1     **the interval that is being requested to be pooled?**

2           A.     It's difficult to say exactly based on the  
3     scale of this log, but it appears to be at the base of  
4     the high -- of the upper high resistivity zone in the  
5     cross section, just below the top of what we consider to  
6     be the 3rd Bone Carbonate.

7           **Q.     Okay.   Very good.**

8                   EXAMINER JONES:   Okay.   Mr. Goetze, go  
9     ahead.   I'm sorry.

10                   EXAMINER GOETZE:   No, no.   It's a detail  
11    that needs to be worked out now.

12                   CONTINUED CROSS-EXAMINATION

13    BY EXAMINER GOETZE:

14           **Q.     The only other question I have then similarly,**  
15    **with all the other wells -- four wells will be completed**  
16    **in the same interval?  They're all in the same target,**  
17    **so --**

18           A.     Yes.

19           **Q.     -- we're looking at the same stratigraphic**  
20    **section as consistent throughout the project area as**  
21    **being the target?**

22           A.     Yes.

23           **Q.     No more questions.   Thank you very much.**

24           A.     Thank you.

25                   EXAMINER JONES:   Mr. Leonard [sic]?

1 CROSS-EXAMINATION

2 BY EXAMINER LOWE:

3 Q. Just to clarify on my end, on Exhibit 14, you  
4 said the red line is the potash area?

5 A. Uh-huh.

6 Q. What's the difference between Exhibit 15 and  
7 16, for my education?

8 A. Okay. So 15 is a structure map, which is a map  
9 of the structural configuration at the top of the 2nd  
10 Bone. And 16 is a thickness map, which is the thickness  
11 of the interval.

12 Q. Okay. That's all I've got for now. Thank you.

13 EXAMINER BROOKS: I'm through. Thank you.

14 EXAMINER JONES: I would ask Mr. Burdick  
15 one more question.

16 PAUL J. BURDICK,

17 after having been previously sworn under oath, was  
18 re-called, questioned and testified as follows:

19 RECROSS EXAMINATION

20 BY EXAMINER JONES:

21 Q. Those state three leases, are they all under  
22 Advance -- is the record title under your company name?

23 A. In Section 20 -- sections -- yes. In  
24 Section -- south half of 17, I do not think that we are  
25 the record title owner. We're just a partial owner in

1     that one.

2           Q.     Okay.  Thanks.

3                               RECROSS EXAMINATION

4     BY EXAMINER BROOKS:

5           Q.     Well, since this issue has been raised, are all  
6     the record title owners joined in this proceeding, since  
7     the question of record title -- of record title -- these  
8     are federal leases, right?

9           A.     No.  They're all state leases.

10          Q.     Okay.  We have to be very careful about that.  
11     If they're state leases, the record title may not be  
12     the -- the question -- the issue is lessee of record  
13     rather than record title, which is --

14                       EXAMINER JONES:  Okay.  I'm sorry.

15          Q.     (BY EXAMINER BROOKS) Well, I'm just trying to  
16     get clear that we haven't left anybody out.

17          A.     No.  We have not left anyone out.

18          Q.     All the record title -- all the record -- the  
19     lessees of record that the State Land Office would  
20     recognize have all been joined in this proceeding?

21          A.     Yes.

22          Q.     Thank you.

23                       EXAMINER JONES:  I have no more questions  
24     for either of you.  Thank you.

25                       Let's take a ten-minute break.  I'll

1     wait --

2                     Are you done with these cases?

3                     MR. HALL: That concludes our case. We ask  
4     it be taken under advisement.

5                     EXAMINER JONES: Okay. So Cases 16095,  
6     16096, 16097 and 16098 are taken under advisement.

7                     Thank you-all.

8                     (Case Numbers 16095, 16096, 16097 and 16098  
9     conclude, 9:28 a.m.)

10                    (Recess, 9:31 a.m. to 9:46 a.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.

20 DATED THIS 23rd 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  
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