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 DEVON ENERGY PRODUCTION CASE NO. 16216 COMPANY, L.P. FOR A NONSTANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF DEVON ENERGY PRODUCTION CASE NO. 16217 COMPANY, L.P. FOR A NONSTANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 28, 2018

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 28, 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

		Page 2
1	APPEARANCES	
2	FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.F	·.:
3	SETH C. McMILLAN, ESQ. KAITLYN A. LUCK, ESQ.	
4	MONTGOMERY & ANDREWS LAW FIRM 325 Paseo de Peralta	
5	Santa Fe, New Mexico 87501	
6	(505) 982-3873 smcmillan@montand.com kluck@montand.com	
7	KIUCK@IIIOIICAIId.COIII	
8	INDEX	
9	TINDEX	
10		PAGE
11	Case Numbers 16216 and 16217 Called	3
12	Devon Energy Production Company, L.P.'s Case-in-Chief:	
13	Witnesses:	
14	Katie Dean:	
15	Direct Examination by Mr. McMillan Cross-Examination by Examiner Brooks	4 15
16	Steve Schwegal:	
17	Direct Examination by Mr. McMillan Cross-Examination by Examiner Goetze	17 24
18	Cross-Examinación by Examiner Goetze	24
19	Proceedings Conclude	25
20	Certificate of Court Reporter	26
21	EXHIBITS OFFERED AND ADMITTED	
22		
23	Devon Energy Production Company, L.P. Exhibit Numbers 1 through 9	15
24 25	Devon Energy Production Company, L.P. Exhibit Numbers 10 and 11	24
1		

- 1 (10:00 a.m.)
- 2 EXAMINER GOETZE: Next we will hear Case
- 3 Number 16216, application of Devon Energy Production
- 4 Company, L.P. for nonstandard oil spacing and proration
- 5 unit and compulsory pooling, Lea County, New Mexico.
- 6 This is also consolidated with Case Number
- 7 16217, which also has the name, application of Devon
- 8 Energy Production Company, L.P. for a nonstandard oil
- 9 spacing and proration unit and compulsory pooling, Lea
- 10 County, New Mexico.
- 11 Call for appearances.
- 12 MR. McMILLAN: Seth McMillan, Montgomery &
- 13 Andrews, on behalf of Devon.
- MS. LUCK: Kaitlyn Luck, Montgomery &
- 15 Andrews, on behalf of Devon.
- MR. McMILLAN: We have two witnesses this
- morning.
- 18 EXAMINER GOETZE: Are these the same
- 19 witnesses?
- 20 MR. McMILLAN: No, different altogether.
- 21 EXAMINER GOETZE: Will the witnesses please
- 22 stand, identify yourself and be sworn in by the court
- 23 reporter.
- MS. DEAN: Katie Dean, Devon.
- MR. SCHWEGAL: Steve Schwegal, geologist

- 1 with Devon.
- 2 (Ms. Dean and Mr. Schwegal sworn.)
- 3 MR. McMILLAN: I'll get right to it and
- 4 call our first witness, Katie Dean.
- 5 KATIE DEAN,
- 6 after having been first duly sworn under oath, was
- 7 guestioned and testified as follows:
- 8 DIRECT EXAMINATION
- 9 BY MR. McMILLAN:
- 10 Q. Good morning.
- 11 A. Good morning.
- 12 Q. Would you please state your full name and city
- 13 of residence?
- 14 A. Katie Dean, Oklahoma City.
- 15 Q. By whom are you employed and in what capacity?
- 16 A. Devon Energy as a landman.
- 17 Q. Have you previously testified before the
- 18 Division or one of its Examiners and had your
- 19 credentials accepted and made a matter of record?
- 20 A. No.
- 21 Q. In that case, please summarize your education
- 22 for the Examiners?
- 23 A. I graduated from the University of Oklahoma in
- 24 2015 with a Bachelor of Business Administration and
- 25 Energy Management and a minor in finance, and I also

1 received my Master's of Business from Oklahoma City

- 2 University.
- Q. And, likewise, would you please summarize your
- 4 work experience for the Examiners?
- 5 A. I've been at Devon Energy working as a landman
- 6 since I graduated undergrad in 2015, and I've been
- 7 working southeast New Mexico for the last year and a
- 8 half.
- 9 Q. Are you familiar with the applications filed in
- 10 these cases?
- 11 A. Yes.
- 12 Q. Are you familiar with the subject lands?
- 13 A. Yes.
- 14 MR. McMILLAN: Mr. Examiner, I tender
- 15 Ms. Dean as an expert petroleum landman.
- 16 EXAMINER GOETZE: She is so qualified.
- 17 MR. McMILLAN: Thank you.
- 18 Q. (BY MR. McMILLAN) Would you briefly state for
- 19 us, Ms. Dean, what Devon seeks in its revised
- 20 applications?
- 21 A. Yes. In Case Number 16216, we seek an order
- 22 approving a 160-acre nonstandard spacing and proration
- 23 unit comprised of the east half of the east half of
- 24 Section 21, Township 22 South, Range 34 East, Lea
- 25 County, New Mexico, and pooling all mineral interests in

- 1 the Bone Spring Formation underlying the nonstandard
- 2 unit. The unit will be dedicated to our proposed Gaucho
- 3 21 Fed 6H well.
- And, likewise, in Case Number 16217, we
- 5 seek an order approving a 160-acre nonstandard oil
- 6 spacing and proration unit comprised of the west half of
- 7 the east half of Section 21, Township 22 South, Range 34
- 8 East, Lea County, New Mexico, and pooling all mineral
- 9 interests in the Bone Spring Formation underlying the
- 10 nonstandard unit. The units for this are our proposed
- 11 Gaucho 21 Fed 7H well.
- 12 Q. Have you prepared certain exhibits for
- 13 introduction in this case?
- 14 A. Yes.
- 15 Q. Let's turn to those now. Is Exhibit 1 a tract
- 16 map showing Devon's proposed project areas?
- 17 A. Yes.
- 18 Can I get a copy of those?
- 19 Q. Oh, of course. Sorry about that.
- 20 A. Thank you. No worries.
- But yes.
- Q. Will you please describe for us the status of
- 23 the acreage within the project areas?
- A. Yes. It is all one federal lease that's held
- 25 by production.

- 1 Q. Excellent.
- 2 Turning to Exhibits 2 and 3, are these the
- 3 C-102s for the proposed Gaucho wells?
- 4 A. Yes.
- 5 Q. When were these C-102s submitted?
- 6 A. The Gaucho 21 Fed 6H C-102 was submitted on
- 7 August 22nd, 2017, and the Gaucho 21 Fed 7H was
- 8 submitted on April 2nd of 2018.
- 9 Q. Have these C-102s been approved?
- 10 A. The Gaucho 21 Fed 6H was approved. The 21 Fed
- 11 7H has not yet been approved. It is in COA status.
- 12 **Q.** Great.
- Do you show the surface- and bottom-hole
- 14 locations for the Gaucho wells on Exhibits 2 and 3?
- 15 A. Yes.
- 16 Q. Have these locations changed?
- 17 A. No.
- 18 Q. Great.
- 19 What pool rules govern development in the
- 20 Bone Spring in this area?
- 21 A. Statewide rules.
- Q. As such, what are the current setbacks for
- 23 wells in this pool?
- A. As we understand the new horizontal wells, the
- 25 new setbacks will be 100 feet, and if we choose to go

- 1 that direction, we will file a sundry notice.
- 2 O. Great.
- For the time being, will the first and last
- 4 take points be situated within setbacks?
- 5 A. Yes.
- 6 Q. And can you tell us what the primary objective
- 7 is for the Gaucho wells?
- 8 A. 2nd Bone Spring.
- 9 Q. Does Devon own the right to drill in each tract
- 10 that will be traversed by the wellbores?
- 11 A. Yes.
- 12 O. Fantastic.
- 13 Let's take a look at Exhibit 4. Is this an
- ownership breakdown showing the east half of Section 21?
- 15 A. Yes.
- 16 Q. And this breakdown covers the entire east half.
- 17 Is it the same ownership for both project areas?
- 18 A. Yes.
- 19 Q. Describe for us Devon's ownership in the east
- 20 half of Section 21.
- 21 A. Devon owns approximately 74 percent, and the
- 22 other party's interest is listed as well.
- Q. Great.
- 24 And you've also noted on this exhibit who
- is committed and who is uncommitted, correct?

- 1 A. Correct.
- Q. How long has Devon owned its interest?
- 3 A. We acquired 25 percent of our interest from BTA
- 4 in 2015, and the rest, Devon has owned since Devon
- 5 acquired Santa Fe Snyder back in 2000.
- 6 Q. What percentage of the acreage in the proposed
- 7 unit is committed at this point to the well?
- 8 A. 81.25 percent.
- 9 Q. And I asked you this. Are the uncommitted
- 10 interest owners shown on Exhibit 4?
- 11 A. Yes, they are.
- 12 Q. Let's turn to Exhibits 5 through 7. Are these
- 13 Devon's well-proposal letters for the Gaucho wells?
- 14 A. Yes.
- 15 Q. Are these wells being proposed under an
- 16 operating agreement?
- 17 A. Yes.
- 18 Q. And is the form of the operating agreement
- 19 called out in Devon's well-proposal letters?
- 20 A. In our initial well-proposal letter that we
- 21 sent April 4th, we noted that we would furnish a joint
- 22 operating agreement, and then we sent a follow-up letter
- 23 on May 3rd that enclosed our full operating agreement
- 24 that was proposed.
- 25 Q. And are you asking the Division to pool the

1 unjoined interests here?

- 2 A. Yes.
- Q. Were there any unlocatable mineral interest
- 4 owners?
- 5 A. No.
- 6 Q. Were the AFEs for the Gaucho wells attached to
- 7 well-proposal letters?
- 8 A. Yes.
- 9 Q. Can you please review for us the total for each
- 10 completed well?
- 11 A. Yes. The total estimated cost for the Gaucho
- 12 21 Fed 6H well is approximately \$5,226,301, and the
- 13 total estimated cost for the Gaucho 21 Fed 7H well is
- 14 approximately \$5,200,148.
- 15 Q. Are these estimates still valid and effective?
- 16 A. Yes.
- 17 Q. Are these costs in line with what is being
- 18 charged by other operators in the area for similar
- 19 wells?
- 20 A. Yes.
- Q. Have you made an estimate of overhead and
- 22 administrative costs while drilling and producing these
- 23 wells?
- 24 A. Yes.
- 25 Q. And what are those estimates?

1 A. We estimate 1,000 -- 8,000 per month drilling

- 2 overhead and 800 per month producing overhead.
- Q. Are these costs in line with what's being
- 4 charged by other operators in the area?
- 5 A. Yes.
- 6 Q. Do you recommend that these drilling and
- 7 producing overhead rates be incorporated into the order
- 8 that results from the hearing?
- 9 A. Yes.
- 10 Q. Do you also request that the order to be issued
- 11 provide for an annual adjustment of these rates?
- 12 A. Yes.
- 13 Q. Turning now to your Exhibit 8, in your opinion,
- 14 has Devon made a good-faith effort to locate all the
- 15 unleased -- all the unjoined interest owners and
- 16 communicate with them in order obtain their voluntary
- 17 participation?
- 18 A. Yes.
- 19 Q. With reference to Exhibit 8, could you go ahead
- and generally describe those efforts?
- 21 A. Yes. I've been corresponding with all of the
- 22 six uncommitted parties that are listed on our ownership
- 23 breakdown on Exhibit 4. I haven't had any issues
- 24 communicating with Larry Long & Associates, Jessica
- 25 Crawford or Jeff Reynolds of the JJR, Inc. Our written

1 correspondence through email is included in Exhibit 8.

- 2 I'd like to make a few comments on the
- 3 Pace family, the other four outstanding uncommitted
- 4 owners. Tara and Aleyna Pace are minors, so I've been
- 5 communicating with their mother and legal guardian,
- 6 Nuray Pace. She understands what we are doing but has
- 7 indicated she does not want to participate with her
- 8 daughters' interest.
- 9 And Ryan and Clinton Pace are adults, but
- 10 it is my understanding that Clinton does not have legal
- 11 capacity, so I've been communicating with his mother,
- 12 Rhonda Pace. Ryan Pace and Rhonda, on behalf of Clinton
- 13 Pace, have signed our proposed joint operating
- 14 agreement, but they have not signed our AFEs. So we
- 15 sent a follow-up letter on May 22nd asking that if it
- 16 was their intention to participate in the wells, to sign
- 17 our AFEs, and we enclosed those again. And they have
- 18 not yet done so, which is why we've considered them
- 19 uncommitted still.
- 20 Q. Thank you for that description.
- 21 A. Uh-huh.
- Q. Does Devon seek the imposition of a 200 percent
- 23 risk penalty against the unjoined working interests?
- 24 A. Yes.
- 25 Q. Does Devon seek to be designated operator of

- 1 the wells?
- 2 A. Yes.
- 3 Q. Has Devon budgeted interval funds for the
- 4 project?
- 5 A. Yes.
- 6 Q. In your opinion, has Devon acted diligently to
- 7 develop the reserves?
- 8 A. Yes.
- 9 Q. And in your opinion, would the granting of
- 10 Devon's application be in the best interest of
- 11 conservation, the prevention of waste and the protection
- 12 of correlative rights?
- 13 A. Yes.
- 14 Q. Were Exhibits 1 through 8 prepared by you or at
- 15 your direction and control?
- 16 A. Yes.
- 17 MR. McMILLAN: Mr. Examiner, I would at
- 18 this time move the admission of Exhibits 1 through 9,
- 19 Exhibit 9 being my law firm's Notice of Affidavit.
- 20 Attached to the Affidavit of Notice is Exhibit A showing
- 21 all of the entities and individuals to whom we served
- 22 notice of today's hearing, the green cards that we got
- 23 back, as well as a copy of the letters that were sent.
- 24 At the very back -- oh, geez. I was hoping
- 25 there would be -- well, we ended up publishing, and I

- 1 may have to submit, after the fact, our Affidavit of
- 2 Notice. Oh, no. I know the story there. Sorry. I'm
- 3 conflating my cases.
- With respect to a handful of overrides,
- 5 trustees of various trusts, things like this, we did not
- 6 receive green cards back. We published just the other
- 7 day, given that we need to give ten business days'
- 8 notice, and we also took into account the holiday coming
- 9 up. I think we're going to have to continue this
- 10 hearing just for notice purposes so that I can provide
- 11 to the Examiners the Affidavit of Publication for those
- 12 folks.
- 13 Also, with respect to Larry Long, who
- 14 Ms. Dean already mentioned, we had an envelope returned
- 15 to us very recently. We re-served it on Larry Long at a
- 16 different address. We also published to him. So we've
- 17 got belt and suspenders.
- 18 Q. (BY MR. McMILLAN) In addition, Ms. Dean, have
- 19 you communicated with Mr. Long directly or with his
- 20 assistant --
- 21 A. Yes.
- 22 Q. -- that this case was due for hearing on the
- 23 14th and continued to today's date?
- 24 A. Yes, I have.
- 25 MR. McMILLAN: That's all I have for

- 1 notice, but I'd move the admission of 1 through 9.
- 2 EXAMINER GOETZE: Exhibits 1 through 9 are
- 3 so entered.
- 4 (Devon Energy Production Co., L.P.
- 5 Exhibit Numbers 1 through 9 are offered
- and admitted into evidence.)
- 7 MR. McMILLAN: And I would pass the
- 8 witness.
- 9 EXAMINER GOETZE: Mr. Brooks?
- 10 CROSS-EXAMINATION
- 11 BY EXAMINER BROOKS:
- 12 Q. The locations of these wells, I'm not real
- 13 clear on. First, let's talk about the #6H. It would
- 14 appear that at the surface location, it is 185 feet from
- 15 the east line so that regardless of the rules about the
- 16 100 foot, that would be a nonstandard location. Now,
- we're not concerned about the surface going to get to
- 18 330 at the terminus, but I don't see where it's going to
- 19 be at the first take point from the east line.
- 20 A. I do know that our first take point would be,
- 21 as currently planned, within the 330 feet.
- 22 Q. So are you saying the first take point will be
- 23 at least -- although it's not going to run straight
- 24 from -- it's not going to be a straight line from the
- 25 surface location to the terminus?

- 1 A. No. The second page to the plat is a little
- 2 bit more detailed. I'm not sure if you got the second
- 3 page of this that showed exactly, but no, it does kick
- 4 back a little bit, and then it's a straight line. So we
- 5 will only perf as legal.
- 6 Q. And the first take point will be at least 330
- 7 **feet --**
- 8 A. As currently planned.
- 9 Q. -- from the east boundary?
- 10 A. Correct.
- 11 Q. And you have a 50-foot tolerance under the new
- 12 rules, so maybe you'll make it (laughter).
- Okay. Let's see. Where is the ownership
- 14 exhibit? Is that 4?
- 15 A. That is, yes, Exhibit 4.
- 16 Q. Okay. Those people are all working interest
- 17 owners?
- 18 A. Yes.
- 19 Q. They own undivided interests in the lease?
- 20 A. Yes.
- 21 Q. Now, this is a federal -- this is federal land,
- 22 right?
- 23 A. Yes.
- Q. Is it all one lease?
- 25 A. It is all one lease. Yes.

- 1 Q. Thank you. That's all I have.
- 2 EXAMINER GOETZE: I have no questions for
- 3 this witness.
- 4 Thank you.
- 5 THE WITNESS: Thank you.
- 6 MR. McMILLAN: May the witness be excused?
- 7 EXAMINER GOETZE: Yes, please.
- 8 MR. McMILLAN: I'd call our next witness,
- 9 Steve Schwegal.
- 10 STEVE SCHWEGAL,
- after having been previously sworn under oath, was
- 12 questioned and testified as follows:
- 13 DIRECT EXAMINATION
- 14 BY MR. McMILLAN:
- 15 Q. Good morning, sir.
- 16 A. Good morning.
- 17 Q. Do you mind flipping right away to Exhibit 10?
- 18 A. Okay. 10.
- 19 Q. Could you please state your full name for the
- 20 record?
- 21 A. Steven Schwegal.
- 22 Q. Where do you reside?
- A. Edmund, Oklahoma.
- Q. By whom are you employed?
- 25 A. Devon Energy.

- 1 Q. And in what capacity?
- 2 A. I'm a geologist.
- 3 Q. Have you previously testified before the
- 4 Division or one of its examiners and had your
- 5 credentials accepted and made a matter of record?
- 6 A. Yes.
- 7 Q. How long ago was that?
- 8 A. About a year and a half ago.
- 9 Q. In any event, if could you briefly summarize
- 10 your education.
- 11 A. I have a Master's degree in Geology from the
- 12 University of Nebraska in 1981.
- 13 Q. And please summarize your work experience.
- 14 A. I started at Phillips Petroleum in 1981 and
- 15 worked continuously there through the merger with Conoco
- 16 until 2012. I joined Devon in 2013. I'm still
- 17 presently with Devon.
- 18 Q. Are you familiar with the application filed in
- 19 these -- applications filed in these cases?
- 20 A. Yes.
- Q. And are you familiar with the subject geology?
- 22 A. Yes.
- 23 MR. McMILLAN: I would tender Mr. Schwegal
- 24 as an expert petroleum geologist.
- 25 EXAMINER GOETZE: He is so qualified.

1 Q. (BY MR. McMILLAN) Mr. Schwegal, when did Devon

- 2 first commence its geological evaluation of this area?
- A. As Ms. Dean previously stated, the acreage was
- 4 obtained in 2000. The first well that I'm aware of was
- 5 drilled in 2012.
- 6 Q. Have you conducted an engineering -- or a
- 7 geologic investigation, rather --
- 8 A. Yes.
- 9 Q. -- to determine whether the 40-acre tract
- 10 comprising the project area for the Gaucho wells are
- 11 prospective for production?
- 12 A. Yes.
- 13 Q. Your conclusion?
- 14 A. Both of the wells are prospective at the
- 15 interval that we plan on drilling, which is the 2nd Bone
- 16 Spring Sand.
- 17 Q. And will each tract contribute approximately
- 18 the same amount of reserves to the wells in each of the
- 19 intervals being developed?
- 20 A. Yes.
- 21 Q. Could you discuss broadly with the Examiner an
- 22 overview of the geologic development here in this area?
- 23 A. Yes. The 2nd Bone Spring Sand consists of
- 24 deep-water sandstones in this area primarily sourced
- 25 from the San Simon Channel to the northeast.

1 Q. And you've prepared certain exhibits for

- 2 introduction in this case, correct?
- 3 A. Yes.
- 4 Q. Are they behind Tab 10?
- 5 A. Correct.
- 6 Q. If you could kindly lead us through a brief
- 7 discussion of what we're looking at here, that would be
- 8 appreciated.
- 9 A. All right. On the first page, I'm showing the
- 10 2nd Bone Spring producers in the area that we call
- 11 Gaucho, and in Section 21, shown by the red arrows
- 12 schematically, are the 6H and the 7H that we're talking
- 13 about today. I've also shown the offset operator
- 14 producers and planned 2nd Bone Spring wells. The Devon
- 15 acreage is shown in yellow, by the way.
- The next page is the subsea structure map
- of the top of the 3rd Bone Spring Lime, which is just
- 18 under the landing that we will drill in Section 21.
- 19 I've also shown on the map the Bell Lake fault. It's
- 20 not interpreted seismically to cut up into the 2nd Bone
- 21 Spring but just as a locator, because there is a
- 22 substantial drape across this deeper fault.
- Q. And to be clear, that's that red star --
- 24 A. Red, yes.
- 25 Q. -- in the diagram?

1 A. It's about 9,000 feet to the west of where we

- 2 will build the 2020 well.
- 3 The next page is the net thickness map of
- 4 the lower part of the 2nd Bone Spring Sandstone. You
- 5 can see it's thinning a bit to the east, and the two
- 6 well locations are shown on there. We figure that it
- 7 will be fairly close to the -- to the Concho wells that
- 8 lie just south in Section 28.
- 9 On the left side is a type log. You can
- 10 see it on the map with the star, the Gaucho 21 Federal
- 11 1. And on the type log, there is a gamma ray curve on
- 12 the left. In the middle, there is a flipped resistivity
- 13 curve, which I kind of like. It's flipped at 100 ohms.
- 14 So going to the right is the lower resistivity shown in
- orange, and on the left of that is the higher
- 16 resistivity greater than 100 ohms shown in blue, but not
- 17 too much of it on this log. And then moving over to the
- 18 far right, the red is density porosity greater than 8
- 19 percent. The mapped interval is shown by the bar in
- 20 yellow, and our approximate landing is shown on the far
- 21 left with the little arrow with the word "landing" next
- 22 to it.
- The next page is a cross section showing
- 24 the various landings, some of the Devon Gaucho wells, as
- 25 well as Mewbourne's well to the east, showing that

1 essentially we will land our wells -- the new wells in

- 2 the same places that everyone has been landing their
- 3 wells for quite a while.
- 4 O. Great.
- 5 Having identified your landing target and
- 6 the specific interval, is that interval continuous
- 7 throughout the project area?
- 8 A. Yes.
- 9 Q. Are there any faults or discontinuities within
- 10 the project area?
- 11 A. Not within Section 21.
- 12 Q. Do you observe any notable porosity differences
- 13 throughout the project area?
- 14 A. Referring back to the side again, we do see
- 15 some thinning in the lower part of the interval, but
- 16 overall, the 2nd Bone Spring Sandstone is about 300 feet
- 17 thick and is pretty porous throughout in this area. So
- 18 we feel that we will contact those with the frac job.
- 19 Q. Excellent.
- 20 Turning to Exhibit 11, is this a schematic
- 21 wellbore diagram for both of the wells?
- 22 A. Yes.
- Q. What is the prevailing development pattern for
- 24 the 2nd Bone Spring in this area?
- 25 A. Stand-up, north-south.

1 Q. And is Devon's unit orientation consistent with

- 2 that prevailing pattern?
- 3 A. Yes. We will drill the wells from south to
- 4 north.
- 5 Q. Can you discuss broadly Devon's experience
- 6 drilling horizontal wells in this area?
- 7 A. In the Delaware Basin, we've drilled many, many
- 8 hundreds of wells. In this area, the Thistle [sic;
- 9 phonetic], Gaucho and Red Bull acreage, we've probably
- 10 drilled over 100 wells. I didn't count them all.
- 11 Q. Has Devon arranged for a drilling rig for the
- 12 Gaucho wells?
- 13 A. Yes.
- 14 Q. And where do these wells fall on Devon's
- 15 drilling schedule?
- 16 A. They're scheduled for early October of this
- 17 year, and they will be drilled back-to-back.
- 18 Q. In your opinion, will granting Devon's
- 19 applications be in the interest of conservation, the
- 20 prevention of waste and the protection of correlative
- 21 rights?
- 22 A. Yes.
- Q. Were Exhibits 10 and 11 prepared by you or at
- 24 your direction?
- 25 A. Yes.

1 MR. McMILLAN: Mr. Examiner, I would tender

- 2 Exhibits 10 and 11 at this time for admission.
- 3 EXAMINER GOETZE: Exhibits 10 and 11 are so
- 4 entered.
- 5 (Devon Energy Exhibit Numbers 10 and 11
- 6 are offered and admitted into evidence.)
- 7 MR. McMILLAN: That concludes my direct
- 8 examination.
- 9 EXAMINER GOETZE: Mr. Brooks?
- 10 EXAMINER BROOKS: No questions.
- 11 EXAMINER GOETZE: Did you make a comment
- 12 about equally contributing from each of the 40-acre
- 13 units?
- 14 MR. McMILLAN: I think we had that in
- 15 there.
- 16 EXAMINER GOETZE: Make sure you've got your
- 17 list.
- 18 MR. McMILLAN: Yeah. I think we checked
- 19 that box.
- THE WITNESS: The answer is yes.
- 21 EXAMINER GOETZE: Okay. Thank you.
- 22 CROSS-EXAMINATION
- 23 BY EXAMINER GOETZE:
- Q. I mean, you really don't have much choice with
- 25 this acreage. Seeing the development all around, you

- 1 have one opportunity.
- 2 How has production in the west half of 21
- 3 been?
- 4 A. You can see on the slide the cumulative
- 5 production from the two wells. Both came on November
- 6 2015. The furthest west has 215,000 barrels. And,
- 7 actually, even though it may be thinning slightly, the
- 8 well that's closer to the 7H has made 266,000 barrels.
- 9 The Concho wells to the south are really strong wells
- 10 also.
- 11 Q. In essence, they're nothing more than infill
- 12 wells?
- 13 A. Correct.
- 14 EXAMINER GOETZE: No more questions for
- 15 this witness.
- 16 MR. McMILLAN: If the witness may be
- 17 excused, I would request a continuance solely for notice
- 18 purposes so that I can provide an Affidavit of
- 19 Publication at the July 12th hearing.
- 20 EXAMINER GOETZE: And we shall go ahead and
- 21 Cases 16216 and 16217 will be continued to July 12th.
- 22 Thank you very much.
- MR. McMILLAN: Thank you very much.
- 24 (Case Numbers 16216 and 16217 conclude,
- 25 10:25 a.m.)

- 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.
- 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.
- 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.
- DATED THIS 26th day of July 2018.

21

22

MARY C. HANKINS, CCR, RPR Certified Court Reporter

New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018

Paul Baca Professional Court Reporters

25