

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:

CASE NO. 16336
16337

Application of McElvain Energy for
a non-standard oil spacing and
proration unit and compulsory pooling,
Lea County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JULY 26, 2018

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, William B. Jones, Examiner, and David Brooks, Legal Examiner, on Thursday, July 26, 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 Therese Macfarlane
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1 (Time noted: 10:44 a.m.)

2 MR. JONES: Cases No. 16336 and 16337,
3 Application of McElvain Energy, Incorporated, for a
4 non-standard well location, non-standard spacing proration
5 unit, and compulsory pooling in Lea County, New Mexico.
6 Both cases are styled the same.

7 Call for appearances.

8 MS. KESSLER: Mr. Examiner, Jordan Kessler of
9 the Santa Fe office of Holland & Hart on behalf of
10 Applicant. I have two witnesses today, Mr. Examiner.

11 MR. JONES: Any other appearances in this case?

12 (Note: No response.)

13 Will the witnesses please stand and be
14 sworn.

15 (Note: Whereupon the designated witnesses were
16 duly sworn.)

17 MS. KESSLER: Mr. Examiner, again before we
18 begin with the witnesses we will be requesting dismissal
19 of both the non-standard spacing unit in the unorthodox
20 location, based on the new horizontal well rules.

21 MR. BROOKS: This was also filed on June 26th?

22 MS. KESSLER: That is correct.

23 MR. BROOKS: After 12:01 a.m.

24 MS. KESSLER: 12:02.

25 MR. BROOKS: Mr. Brancard's secretary told us

1 the rules became effective at 12:01 A.M.

2 MR. JONES: Unlike the proration new rules that
3 start at 7:00 a.m.

4 So are you asking for dismissal for
5 non-standard location also?

6 MS. KESSLER: That's correct. These will be
7 established 100 feet off the heel and the toe.

8 MR. JONES: Thank you very much.

9 MS. KESSLER: May I proceed?

10 MR. JONES: Yes.

11 RICHARD HARRIS,
12 having been duly sworn, testified as follows:

13 DIRECT EXAMINATION

14 BY MS. KESSLER:

15 Q. Mr. Harris, please state your name for the
16 examiners.

17 A. Richard Harris.

18 Q. And by whom are you employed and in what
19 capacity?

20 A. I'm the land manager at McElvain Energy, Inc.

21 Q. Have you previously testified before the
22 Division?

23 A. Yes.

24 Q. Were your credentials as an expert on petroleum
25 land matters accepted and made a part of the record?

1 A. Yes.

2 **Q. Are you familiar with the applications filed in**
3 **these consolidated cases?**

4 A. Yes.

5 **Q. Are you familiar with the lands in the subject**
6 **area?**

7 A. Yes.

8 MR. KESSLER: I would tender Mr. Harris,
9 Mr. Examiner, as an expert in petroleum land matters.

10 MR. JONES: Mr. Harris is qualified as an expert
11 in petroleum land matters.

12 **Q. Mr. Harris, what is McElvain seeking under**
13 **these two applications?**

14 A. We are looking to form two 240-acre spacing
15 units and pool all uncommitted interests in the Bone
16 Spring formation.

17 **Q. Let's turn to Exhibit 1. Does Exhibit 1 contain**
18 **a draft C-102 for each of the two wells, the 3H and the 4H**
19 **wells?**

20 A. Yes.

21 **Q. Have these permits been approved?**

22 A. Permits have been approved. The 30BS2 number 3H
23 well is API No. 30--25-43150.

24 **Q. You may have gone just a little quick there.**

25 A. I'm sorry. Do you need me to say it again?

1 They are not on the C-102.

2 MR. JONES: Okay. Can you say that again,
3 because I printed them out and I thought I had a different
4 API.

5 THE WITNESS: Each number --

6 MR. JONES: 43150 for the 3H.

7 THE WITNESS: Yes, sir.

8 MR. JONES: Okay.

9 THE WITNESS: And for the 4H it's 43159.

10 Q. Now, these are draft permits because you have
11 submitted new footage pursuant to the new horizontal well
12 rules?

13 A. Yes.

14 Q. Those footages contained in the application,
15 revised footage?

16 A. Yes.

17 Q. Has the Commission designated a file?

18 A. They are. It's a special pool, the EK Bone
19 Spring Pool created under the Division Rule R-4981, which
20 requires 80-acre spacing unit and that the completed
21 interval for a well be located within 150 feet of the
22 center line of the quarter/quarter section.

23 Q. But is it your understanding, Mr. Harris, that
24 the footage setback for the horizontal well rules
25 supersede these pool rules?

1 A. Yes.

2 Q. Will the first and last stake points for both
3 the 3H and 4H wells be 100 feet from the outer boundary of
4 the spacing unit?

5 A. Yes.

6 Q. What is the character of these lands?

7 A. It's all federal minerals.

8 Q. Are there any depth severances?

9 A. There is on the 3H, and -- I mean on the 4H,
10 excuse me. Tract 2 of the 4H has a depth severance at
11 about 10,000 feet.

12 Q. And who owns below 10,000 feet?

13 A. EOG Resources.

14 Q. Are they aware, is EOG aware that it is going to
15 be compulsory pooled?

16 A. Yes.

17 Q. They've been provided Notice and specifically
18 waived any objection to pooling; is that correct?

19 A. Yes.

20 Q. And will you continue working on the contractual
21 solution on the depth severance with EOG?

22 A. Yes.

23 Q. Okay. Let's turn to Exhibit 2. Is this the
24 ownership outline for the 3H well?

25 A. Yes.

1 Q. Who do you seek to pool?

2 A. All the uncommitted working interest owners that
3 we are still trying to get commitment from.

4 Q. So everybody on this list.

5 A. Yes.

6 Q. And are they are working interest owners?

7 A. That is correct.

8 Q. Let's turn to Exhibit 3. Is this the ownership
9 outlined for the 4H well?

10 A. Yes.

11 Q. Now, there's a first page with a summary of the
12 working interest owners, and then there's about three
13 pages of other names.

14 Can you please explain that.

15 A. That is correct. BTA Partners Oil Producers has
16 poer of attorney and they have 87 -- the Beall family, and
17 they have 87 different recorded working interest owner
18 names that they the Power of Attorney for. So their
19 interest in Tract 2 corresponds broken out to the 87
20 owners on that attached page, but to simplify the
21 spreadsheet of the working interest owner percentage, I
22 consolidated that as to one line.

23 Q. So I'm looking at Exhibit 3 under Tract 2. It
24 says, "87 BTA Partners."

25 A. Yes.

1 Q. And the following correspond to that 32.786
2 percent; is that correct?

3 A. Yes.

4 Q. And then if we look below that in Tract 2 that's
5 where the depth severance is called out, right?

6 A. Yes.

7 Q. All right. And on Exhibit 3 are you seeking to
8 pool all of these parties?

9 A. Yes.

10 Q. Are they all working interest owners?

11 A. Yes.

12 Q. What efforts have you undertaken to reach an
13 agreement with these working interest owners?

14 A. We sent the Well Proposals out in May to all the
15 parties, and I have been in contact with the majority of
16 them since then and have offered them an opportunity to
17 participate or to farm out or to sell us their interest.
18 So we have a lot of deals in the works.

19 Q. So you have at least attempted to communicate,
20 in addition to the Well Proposal Letters, with each of the
21 interest owners?

22 A. Yes.

23 Q. Is Exhibit 4 a copy of the Well Proposal letter
24 for each of the wells that you sent to the working
25 interest owners?

1 A. Yes.

2 Q. Did each of the two Well Proposals letters
3 include an AFE?

4 A. Yes.

5 Q. Are the costs on those AFEs consistent with what
6 McElvain has incurred in drilling similar horizontal wells
7 in the area?

8 A. Yes.

9 Q. Were you able to locate the working interest
10 owners?

11 A. Yes.

12 Q. You said you had contacted each?

13 A. Yes.

14 Q. In your opinion have you made a good-faith
15 effort to reach a voluntary agreement with the parties
16 that you seek to pool?

17 A. Yes.

18 Q. Have you estimated overhead and administrative
19 costs while drilling and well producing?

20 A. Yes. 7,000 for drilling, 700 for producing.

21 Q. Those costs are in line with what McElvain and
22 other operators in the area charge for similar wells,
23 correct?

24 A. Yes.

25 Q. Do you ask that those costs be incorporated into

1 any Order resulting from this hearing?

2 A. Yes.

3 Q. Do you ask that the costs be periodically
4 adjusted in accordance with COPUS accounting procedures?

5 A. Yes.

6 Q. For uncommitted working interest owners, are you
7 asking a 200 percent risk penalty?

8 A. Yes.

9 Q. If you turn to Exhibit 5, is this an affidavit
10 with attached letters providing Notice to all of the
11 parties that you're seeking to pool?

12 A. Yes.

13 Q. And is Exhibit -- are Exhibits 6 and 7
14 Affidavits of Publication providing notice of this hearing
15 to the parties that you're seeking to pool?

16 A. Yes.

17 Q. There is a lot of them, correct?

18 A. There's a lot, yes.

19 Q. Were Exhibits 1 through 4 prepared by you or
20 compiled under your direction or supervision?

21 A. Yes.

22 MS. KESSLER: Mr. Examiner, I would move the
23 admission of Exhibits 1 through 7, which include three
24 Notice affidavits.

25 MR. JONES: Exhibits 1 through 7 are admitted.

1 CROSS-EXAMINATION

2 BY MR. JONES:

3 Q. All of the parties -- I guess I should just ask:
4 On Exhibit 2 -- Exhibit 2 and Exhibit 3, everybody -- say
5 again? Everybody there is being pooled, is that right, at
6 this time?

7 A. Yes. Except McElvain Resources, which is
8 McElvain's entity. So that's us. But this shows the
9 whole -- but everybody else, yes.

10 Q. Okay. Are you guys out of Denver; is that
11 right?

12 A. Yes, sir.

13 Q. Downtown?

14 A. Yes, sir.

15 Q. Okay. But one of these wells has four tracts
16 and the other one has three, is that right? So basically
17 it's the south of Section 30 was divided for some reason.

18 A. Yes. The east half of the southwest of Section
19 30 has a different lease than the west half of the
20 southwest.

21 Q. Okay. That's what happened.

22 Then you've got federal land involved
23 everywhere?

24 A. Yes.

25 Q. All federal surface and state.

1 And are you going to put -- I mean surface
2 and downhole.

3 Are you going to put the well locations in
4 the southwest/southwest of...

5 A. Yes. They're on the same pad.

6 Q. Okay. 20 of 30. Just pad drilling here?

7 A. Yes.

8 MR. JONES: Okay. Mr. Brooks?

9 CROSS-EXAMINATION

10 BY MR. BROOKS:

11 Q. Well, I'm concerned about this depth severance
12 issue, because the Oil and Gas Act says: All Orders
13 effecting such pooling shall be made after Notice and
14 hearing and shall be upon such terms and conditions as are
15 just and reasonable and will afford to the owners of each
16 tract or interest in the unit the opportunity to recover
17 or receive without unnecessary expense their just and fair
18 share of the oil and gas.

19 Then it goes on to say: For purposes of
20 this -- of determining the portions of production owned by
21 persons owning an interest in the pool owning oil or gas
22 or both, such production shall be allocated to the
23 respective tracts within the unit in the proportion that
24 the number of surface acres included within each tract
25 bears to the number of surface acres included in the

1 entire unit.

2 Well, I think it's reasonable to say that
3 the legislature cannot have intended the term "tract" to
4 mean -- to have other than horizontal, other than
5 horizontal boundaries, because it wouldn't have made
6 any -- it would not have made sense to put a surface
7 acreage distribution clause in there if they had
8 intended -- if they had contemplated vertical boundaries
9 to a tract.

10 So there's some questions here. And they
11 are all -- they all go away if you get an agreement with
12 the person who owns that other elevation within your
13 formation.

14 Who is that?

15 A. It's EOG, who doesn't have a interest in the
16 well.

17 Q. EOG?

18 A. Yes, sir.

19 Q. They do not have an interest in the well?

20 A. They do not have an interest in the Second Bone
21 Spring formation.

22 Q. Okay. But I thought you said one of the wells
23 there was a depth severance within --

24 MS. KESSLER: Mr. Examiner, if I may, I think
25 what my witness may have intended to say is they do own an

1 interest in the Bone Spring, so we are compulsory pooling
2 the entire Bone Spring. We were aware they would be
3 compulsory pooled by virtue of this Order.

4 Now, what we are requesting -- and Mr.
5 Harris can fill you in on the discussions, but my
6 understanding is that EOG and McElvain are in the process
7 of negotiating a contractual agreement. EOG is aware they
8 are being compulsory pooled today and aware of the depth
9 severance. While they work out a contractual agreement we
10 would be moving forward on compulsory pooling them, and
11 they are fine with that with the understanding that at
12 some point they will reach a contractual agreement.

13 MR. BROOKS: Okay. So what are we doing in
14 this case?

15 MS. KESSLER: We are compulsory pooling them
16 today in this case with the understanding that we will
17 reach a contractual agreement at some point and advise the
18 Division.

19 MR. BROOKS: To follow our obligation as it
20 applies to make our Order upon such terms and conditions
21 as are just and reasonable and will afford the owner or
22 owners of each tract or interest in the unit the
23 opportunity to pool, to receive without unnecessary
24 expense their just and fair share of the oil and gas or
25 both, would it be reasonable to say that in the Order that

1 the interest of McElvain and EOG would be held by them
2 jointly until -- or would be owned by them in such
3 proportions as they may agree, or jointly if no agreement
4 reached?

5 MS. KESSLER: Would that be acceptable to
6 McElvain, Mr. Harris?

7 THE WITNESS: I'd have to think about it.

8 MR. BROOKS: Jointly would not be 50-50. It
9 would be, I guess, in such proportions as a court would
10 determine. Because we have no authority to determine
11 title, and it's not clear to me whether -- you could also
12 read that first sentence you would think maybe we had
13 authority to allocate between depths. You read the second
14 sentence and you think maybe we don't.

15 So the question, to my knowledge, has never
16 been decided.

17 MS. KESSLER: I agree with that, Mr. Examiner.
18 I think it has to be the case that -- as reflected on
19 Exhibit 3. If the Order were to say something to the
20 effect of those interests are pooled according to the --
21 according to Exhibit 3, something to that effect, I think
22 that would be fair and reasonable, and I think would also
23 have to be the case. I don't think there's another
24 option for the depth severance.

25 MR. BROOKS: Well, I don't know whether there

1 is or not, but I would not want to recommend to the
2 Director the issuance of an Order that says that attempts
3 to allocate -- and if the well -- well, I just would not
4 want to have to do that, given the supreme degree of
5 uncertainty that, in my opinion -- on the one hand we are
6 told to do something and on the other hand there's
7 language within the same section indicating that maybe we
8 don't have the power to do that.

9 So I just would like to have it say that --
10 something to the effect it will be held subject to the
11 agreement of counsel -- subject to the agreement of the
12 parties -- not counsel, the parties. Subject to agreement
13 of the parties, or subsequent determination, or something
14 to that effect. Because otherwise we don't spell out
15 everybody's interest, which we are specifically directed
16 to do.

17 But if we try to allocate -- first, we have
18 no evidence to allocate at all, and so we couldn't do
19 that, except that you said the well was not going to
20 penetrate the depths where the outstanding interests had
21 interests. And I guess we could determine that's
22 determinative, but I don't know whether it is or not,
23 so...

24 MS. KESSLER: I don't know that we're prepared
25 to put on evidence today.

1 MR. BROOKS: Well, I don't know that that would
2 be good, because I don't know whether we have authority to
3 rule on that or not. So I think that's probably the best
4 way to do it.

5 MS. KESSLER: Okay. Thank you.

6 MR. BROOKS: Sorry for this long digression but
7 we are treading on unexplored territory here.

8 MS. KESSLER: If you would like Holland & Hart to
9 put together a draft Order or draft for your
10 consideration, we would be happy to do that.

11 MR. BROOKS: That would be helpful.

12 CONTINUED CROSS-EXAMINATION

13 BY MR. JONES:

14 **Q. We're talking about Case 16336, the 3H well?**
15 **And that's only concerning the northeast of the southwest**
16 **quarter of Section 30?**

17 A. It's 16337, that case, the No. 4H well.

18 **Q. So it's the 4H well?**

19 A. Yes, sir.

20 **Q. Okay. So it's in Tract 3?**

21 A. It's in Tract 2 of the 4H well.

22 **Q. Okay. Because I have -- I thought -- I probably**
23 **read it wrong. Let me make sure, though.**

24 MS. KESSLER: It's the first page, Mr. Examiner,
25 of my Exhibit 3.

1 MR. JONES: Exhibit 3.

2 MS. KESSLER: For the 4H well.

3 Q. I have northeast of the southwest of 30 is EOG.

4 A. They own an uncommitted interest in that well,
5 of all, the entire Bone Spring formation, just to make it
6 more confusing for everyone.

7 Q. Okay. Okay.

8 A. Yes, that's not the interest.

9 Q. Okay. But the interest you're talking about is
10 down in the Second Bone Spring? You're not drilling in
11 the Second -- you are drilling in the Second Bone Spring.

12 And can you say -- do they own above that,
13 below that?

14 A. Below.

15 Q. So they own from the First -- Third Bone Spring
16 Carbonate or the -- on down?

17 A. They own the top of the Third, and you can --
18 the Third Bone Spring.

19 Q. Third Bone Spring. Just say the Third Bone
20 Spring.

21 A. Yes, sir.

22 MR. BROOKS: As to what acreage?

23 THE WITNESS: Tract 2 of the EK No. 4H well.

24 MR. BROOKS: Okay.

25 MR. JONES: Tract 2 of EK No. 4H and it's in

1 Case No. 16337. Okay.

2 That's the one they don't own the interest
3 in.

4 And they're not mentioned as being pooled,
5 because they are not in the unit. They are not in your
6 interest in this well.

7 MS. KESSLER: They are mentioned.

8 MR. JONES: They were noticed of this hearing?

9 MS. KESSLER: Correct. And they specifically
10 waived objection.

11 MR. JONES: Okay. Okay. We asked for that in
12 the past, if there is vertical subrogation, as to those
13 parties being noticed.

14 MR. BROOKS: Yeah.

15 MR. JONES: It's a question of how you write the
16 language.

17 MR. BROOKS: But you're asking for an Order
18 pooling the whole formation. You are not asking for an
19 Order separating out. You're not asking for an Order
20 making a depth severance in the pool.

21 MS. KESSLER: That's correct. We are asking for
22 pooling of the entire pool, including their depth
23 severance interest.

24 MR. JONES: So if you go back later and drill a
25 well down where they do have an interest, they will be --

1 it will be a separately owned well not subject to this
2 compulsory pooling Rule at all. You will have to have a
3 separate complete compulsory pooling.

4 MS. KESSLER: Well, no, Mr. Examiner, because in
5 this case we are asking to compulsory pool the entire Bone
6 Spring. So they would be subject to this Order, but we
7 are hoping in the interim to get a contractual agreement.

8 MR. BROOKS: You're proposing a contractual
9 agreement. And this is Case 16337 in which the depth
10 severance applies?

11 MS. KESSLER: Correct.

12 MR. BROOKS: Only.

13 MS. KESSLER: Only.

14 MR. JONES: Thank you very much.

15 MR. BROOKS: Thank you.

16 MS. KESSLER: We will call our next witness.

17 KYLE SHEFTE,

18 having been previously sworn and qualified,

19 testified as follows:

20 DIRECT EXAMINATION

21 BY MS. KESSLER:

22 Q. Please state your name for that record and tell
23 the examiners who you're employed by.

24 A. Kyle Shefte. I'm a geologist employed by
25 McElvain Energy Incorporated.

1 Q. Have you previously testified before the
2 Division?

3 A. Yes, I have.

4 Q. Were your credentials as an expert in petroleum
5 geology matters made a matter of record?

6 A. Yes, I was.

7 Q. Are you also familiar with the applications
8 filed in these cases?

9 A. Yes.

10 Q. Have you conducted a geologic study of the lands
11 in the area?

12 A. Yes.

13 MS. KESSLER: Mr. Examiner, we would tender
14 Mr. Shefte as an expert in petroleum geology.

15 MR. JONES: So qualified.

16 Q. Would you please turn to Exhibit 8 and identify
17 this exhibit for the examiners.

18 A. This is a subsea structure map using the top of
19 the Second Bone Spring. It shows the two well tracts for
20 the 3H and the 4H northwest half of Section 30. We will
21 have a surface location in the southwest and they will be
22 drilled north updip. The structure map suggests is that
23 the dip in this area is roughly 2 percent.

24 Q. And you have a line labeled A to A prime. Does
25 that correspond to the cross section exhibits?

1 A. Yes, it does.

2 Q. Why did you select these wells?

3 A. These wells represent the Second Bone Spring.

4 Q. The logs are deep enough to cover the second
5 Bone Spring?

6 A. Yes.

7 Q. And you used four wells, correct?

8 A. Yes.

9 Q. Let's turn to Exhibit 9. Is this your cross
10 section exhibit?

11 A. Yes, it is.

12 Q. Can you please walk us through this.

13 A. This is a cross section A to A prime using four
14 wells. The green line across the top represents the top
15 of the Second Bone Spring Sand, the blue line along the
16 bottom represents the base of the Second Bone Spring Sand,
17 and the red line represents our horizontal target.

18 The logs are numerary (phonetic) logs, bulk
19 density logs, neutron porosity logs. The first and fourth
20 wells, and lateral logs, as well. Okay.

21 The logs represent that the target
22 formation in this area is continuous and uniform.

23 Q. No major thickening or thinning for the target
24 formation?

25 A. No.

1 Q. Based on study of this area have you identified
2 any geologic hazards or impediments to horizontal
3 drilling?

4 A. No, we have not.

5 Q. In your?

6 A. Opinion can the area be efficiently and
7 economically developed by horizontal wells?

8 A. Yes.

9 Q. In your opinion will each of the tracts on
10 average contribute more or less equally to production on
11 each of the wells?

12 A. Yes, they will.

13 Q. And finally, in your opinion will the granting
14 of McElvain's application be in the best interest of
15 conservation, prevention of waste, and protection of
16 correlative rights?

17 A. Yes.

18 Q. Were Exhibits 7 and 8 prepared by you or
19 compiled under your direction or supervision -- I'm
20 sorry, 8 and 9 prepared by you?

21 A. Yes.

22 MS. KESSLER: Mr. Examiner I would move the
23 admission of Exhibits 8 and 9.

24 MR. JONES: Exhibits 8 and 9 are admitted.

25 CROSS-EXAMINATION

1 BY MR. JONES:

2 Q. So your surface location you got on this
3 Exhibit 8 really should have been over you in Unit M,
4 Correct?

5 I mean, it's shown on the C-102 that way
6 and on the application that way, but it shows here that
7 it's Unit N. It seems like it.

8 It's immaterial either way, but do you know
9 why the surface locations were chosen?

10 A. I believe we consulted with the BLM to choose
11 the best surface location, and the pad is designed for
12 future developments, as well, for additional wells.

13 Q. Okay. So then it's possible that BLM has moved
14 this well, the surface location. Can you check on that
15 and get to your --

16 A. I think that our land witness has an answer on
17 this.

18 MR. JONES: Okay.

19 MR. HARRIS: The C-102 is correct. We would go
20 on it to BLM. It's BLM surface.

21 So the C-102s are correct.

22 MR. JONES: Okay. Your land guy...

23 I will -- he did it to you again. So I'll
24 go ahead and draw that in here.

25 It's quite, uh, more structure than we

1 normally see in these. Can you explain why that little --
2 I don't know what you call it, a nose or whatever, is...

3 A. Yeah. So this location is fairly close to the
4 shelf, and due to the way the sands were deposited in this
5 location and the overlapping channels as they were
6 deposited, you get this characteristic across the entire
7 area.

8 The only reason it doesn't show further to
9 the north in that map is because your well control, you
10 don't get as many penetrations for the Second Bone Spring.

11 Q. Okay. And why did you choose the Second Bone
12 Spring as a target?

13 A. We have offset horizontal production that shows
14 economic...

15 Q. Okay. So it's empirical that if you got it, you
16 just stay with it?

17 A. Yes.

18 Q. Okay. Because if you did shoot -- how far down
19 will your well drain as you complete this well?
20 Geologically, what can you say about that?

21 A. We've done track simulations, and there is a
22 calcytic layer below our target, so the reason is that
23 stops all fracs from going down.

24 Q. Okay. So fracture above and below that, they
25 don't go below that.

1 A. Yes.

2 Q. Okay. That was a good answer.

3 I don't have any more questions.

4 Mr. Brooks?

5 MR. BROOKS: No questions.

6 MS. KESSLER: I'll submit a draft Order, but I
7 would ask the cases be taken under advisement.

8 MR. JONES: Thanks for coming up.

9 MR. BROOKS: Submit it to me. I suspect I'll
10 be writing this Order.

11 MR. JONES: I will be glad to shift this over to
12 you.

13 Cases No. 16336 and 16337 are taken under
14 advisement.

15 (Time noted:
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1 STATE OF NEW MEXICO)
 2) SS
 3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
 7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, July 26,
 8 2018, the proceedings in the above-captioned matter were
 9 taken before me; that I did report in stenographic
 10 shorthand the proceedings set forth herein, and the
 11 foregoing pages are a true and correct transcription to
 12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
 14 nor related to nor contracted with (unless excepted by the
 15 rules) any of the parties or attorneys in this case, and
 16 that I have no interest whatsoever in the final
 17 disposition of this case in any court.

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MARY THERESE MACFARLANE, CCR
 NM Certified Court Reporter No. 122
 License Expires: 12/31/2018

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