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 CONOCOPHILLIPS COMPANY CASE NO. 16340 FOR APPROVAL OF THE ZIA HILLS BC/WC UNIT; CONTRACTION OF THE JENNINGS; UPPER BONE SPRING SHALE POOL, THE PURPLE SAGE; WOLFCAMP GAS POOL AND THE WC-025 G-08 S263205N UPPER WOLFCAMP POOL; AND FOR CREATION OF WILDCAT BONE SPRING AND WOLFCAMP OIL POOLS FOR THE UNIT AREA, LEA AND EDDY COUNTIES, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 9, 2018

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
LEONARD LOWE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Leonard Lowe, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, August 9, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
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Page 2 1 APPEARANCES 2 FOR APPLICANT CONOCOPHILLIPS COMPANY: 3 JORDAN L. KESSLER, ESQ. HOLLAND & HART, LLP 4 110 North Guadalupe, Suite 1 Santa Fe, New Mexico 87501 5 (505) 988-4421 jlkessler@hollandhart.com 6 7 FOR INTERESTED PARTY CHEVRON U.S.A., INC.: 8 JENNIFER L. BRADFUTE, ESQ. MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A. 9 500 4th Street, Northwest, Suite 1000 Albuquerque, New Mexico 87102 (505) 848-1800 10 jlb@modrall.com 11 12 13 14 15 16 17 18 19 2.0 21 22 23 24 25

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- 1 (11:18 a.m.)
- 2 EXAMINER DAWSON: At this point we'll hear
- 3 case number 39 on the list, which is Case Number 16340.
- 4 It's the application of ConocoPhillips Company for
- 5 approval of the Zia Hills BC/WC Unit; contraction of the
- 6 Jennings; Upper Bone Spring Shale Pool, the Purple Sage;
- 7 Wolfcamp Gas Pool and the WC-025 G-08 S263205N Upper
- 8 Wolfcamp Pool; and for creation of wildcat Bone Spring
- 9 and Wolfcamp oil pools for the unit area, Lea and Eddy
- 10 Counties, New Mexico.
- 11 Call for appearances.
- MS. KESSLER: Mr. Examiners, Jordan
- 13 Kessler, with Holland & Hart, on behalf of the
- 14 Applicant.
- MS. BRADFUTE: Mr. Examiner, Jennifer
- 16 Bradfute, with the Modrall Sperling Law Firm, on behalf
- of Chevron U.S.A., Incorporated.
- 18 EXAMINER DAWSON: Okay.
- 19 MS. KESSLER: And we have two witnesses
- 20 today.
- 21 EXAMINER DAWSON: All right. Can your
- 22 witnesses please stand up and be sworn?
- 23 (Mr. Smith and Ms. Robinson sworn.)
- Ms. Kessler: I'll call my first witness.
- 25 EXAMINER DAWSON: Okay.

- 1 HUNTER SMITH,
- 2 after having been first duly sworn under oath, was
- 3 questioned and testified as follows:
- 4 DIRECT EXAMINATION
- 5 BY MS. KESSLER:
- 6 Q. Can you please state your name for the record
- 7 and tell the examiners by whom you're employed and in
- 8 what capacity?
- 9 A. My name is Hunter Smith. I'm employed by
- 10 ConocoPhillips Company as a landman in the Permian.
- 11 Q. Have you previously testified before the Oil
- 12 Conservation Division?
- 13 A. I have not.
- 14 Q. Can you please outline your educational
- 15 background?
- 16 A. I graduated from the University of Oklahoma in
- 17 2014 with an energy management degree.
- 18 Q. What's been your work history since that time?
- 19 A. I've worked in various facets of the Permian
- 20 Basin for three years as a landman with 18 months of
- 21 that being in southeast New Mexico.
- 22 Q. Are you familiar with the application that's
- 23 been filed in this case?
- 24 A. Yes.
- 25 Q. And are you familiar with the status of the

- 1 lands in the subject area?
- 2 A. Yes.
- 3 MS. KESSLER: Mr. Examiner, I tender
- 4 Mr. Smith as an expert in petroleum land matters.
- 5 EXAMINER DAWSON: Any objections?
- 6 MS. BRADFUTE: No objection.
- 7 EXAMINER DAWSON: Okay. At this time
- 8 Mr. Smith will be submitted as an expert in petroleum
- 9 land matters.
- 10 Q. (BY MS. KESSLER) Mr. Smith, what does Conoco
- 11 seek in this application?
- 12 A. ConocoPhillips Company is seeking the approval
- of a voluntary unit for the Bone Spring and the Wolfcamp
- 14 Formations encompassing about 13,860 acres of state and
- 15 federal lands in Lea and Eddy Counties.
- 16 We are also seeking the contraction of two
- 17 Wolfcamp pools and one Bone Spring pool outside of the
- 18 unit boundaries and for the extension of one Bone Spring
- 19 Pool resulting in one wildcat Bone Spring pool and one
- 20 wildcat Wolfcamp pool covering the entirety of the area.
- 21 O. Let's look first at Exhibit 1. Is this the
- 22 unit agreement covering the acreage?
- 23 A. Yes, it is.
- Q. And is this the BLM's base form with state
- 25 contributions on it?

- 1 A. Yes, it is.
- 2 Q. Does it apply to horizontal wells and future
- 3 vertical wells?
- 4 A. Yes.
- 5 Q. But existing vertical wells are excluded; is
- 6 that correct?
- 7 A. That is correct.
- 8 Q. Okay. Does this unit treat the area as a
- 9 single participating area?
- 10 A. No. It will be two participating areas, one
- 11 for the Bone Spring and one for the Wolfcamp.
- 12 Q. And I'm going to flip to Tab A of the unit
- 13 agreement. Does this provide an outline of the unit
- 14 area?
- 15 A. Yes, it does.
- 16 Q. And shows which are state and federal leases,
- 17 correct?
- 18 A. Yes.
- 19 Q. I'm looking at Section 26. Can you please
- 20 explain the two keyholes in Section 26?
- 21 A. Yes. Those are unleased federal land.
- Q. And they are being excluded from this unit; is
- 23 that correct?
- A. Yes, they are.
- 25 Q. Was that done in consultation with the BLM and

- 1 the State Land Office?
- 2 A. Yes.
- Q. Let's look at Tab B. Is this an ownership
- 4 breakdown of the unit?
- 5 A. Yes, it is.
- 6 Q. Does Conoco own 100 percent of the working
- 7 interest in the unit lands?
- 8 A. Yes.
- 9 Q. And are all leases HBP'd?
- 10 A. Most of the leases are HBP'd. There is one
- 11 lease under suspension.
- 12 Q. Is Exhibit C a type log identifying the
- unitized Bone Spring and Wolfcamp Formations?
- 14 A. Yes, it is.
- 15 Q. Did you discuss the proposed unit and your
- development plans with the BLM Carlsbad field office?
- 17 A. Yes, we did.
- 18 Q. Is Exhibit 2 a development plan discussed with
- 19 the BLM?
- 20 A. Yes, it is.
- 21 Q. Does Exhibit 3 contain the BLM approval letter
- 22 for this unit?
- 23 A. Yes.
- Q. And does it require drilling three obligation
- 25 wells?

- 1 A. Yes, it does.
- 2 Q. That will be two Wolfcamp wells and one Bone
- 3 Spring well?
- 4 A. Yes.
- Q. Has one of those wells already been drilled?
- 6 A. We are on location right now.
- 7 Q. And did you likewise meet with the State Land
- 8 Office and review your development plans and discuss the
- 9 unit?
- 10 A. Yes, we did.
- 11 Q. Will you turn to Exhibit 4? It looks like the
- 12 first page of this email is -- of this exhibit is an
- 13 email from the State Land Office and the third and
- 14 fourth pages are a preliminary approval letter from
- 15 2017; is that correct?
- 16 A. Yes, it is.
- 17 Q. And does the email from the State Land Office
- 18 simply update the approval of that 2017 --
- 19 A. Yes.
- 20 Q. -- preliminary letter?
- 21 How will you treat the overriding royalty
- 22 interest owners in this unit?
- 23 A. We will ask the overriding royalty owners to
- 24 either sign the unit or ratify it. And if we do not get
- 25 them to ratify the unit, we will treat them on a lease

- 1 basis as opposed to a unit basis.
- 2 O. Let's turn now to the existing pools in the
- 3 proposed unit area. Has the Division district office
- 4 identified a Bone Spring and Wolfcamp pool covering the
- 5 acreage?
- 6 A. Yes. There are two Bone Spring pools, the
- 7 Jennings; Upper Bone Spring Shale Pool and a wildcat
- 8 Bone Spring pool. And there are two Wolfcamp pools, the
- 9 Purple Sage; Wolfcamp Pool and then a wildcat Wolfcamp
- 10 pool.
- 11 MS. KESSLER: Mr. Examiner, I'm just going
- 12 to jump in and provide you those pool code numbers. The
- 13 Jennings; Upper Bone Spring Shale Pool is 97838. The
- 14 Wildcat Bone Spring Pool referenced as 98009. The
- 15 Purple Sage is 98220, and the Wildcat Wolfcamp is 98065.
- 16 Q. (BY MS. KESSLER) What has the Division district
- 17 office requested that ConocoPhillips do to address the
- 18 multiple pools in the unit area?
- 19 A. They requested that we contract the --
- 20 Q. The Jennings; Upper Bone Spring Pool?
- 21 A. Yes, exactly, the Jennings; Upper Bone Spring
- 22 Shale Pool and then expand the Wildcat Bone Spring Pool
- 23 so there is only one Bone Spring pool in the unit.
- Q. And are they requesting that you name it the
- 25 Zia Hills Bone Spring Pool?

- 1 A. Yes.
- 2 Q. Now, with respect to the Wolfcamp Formation, is
- 3 the Division district office requesting that you
- 4 contract the Purple Sage Gas Pool out of the existing
- 5 unit and expand the Wildcat Wolfcamp Pool -- I'm
- 6 sorry -- contract both of the two pools in the Wolfcamp
- 7 out of the unit?
- 8 A. Yes.
- 9 Q. And are they requesting that you create a new
- 10 wildcat Wolfcamp pool to be named the Zia Hills;
- 11 Wolfcamp Pool?
- 12 A. Yes.
- 13 Q. Do you expect oil gas or gas production out of
- 14 the unit?
- 15 A. Oil production.
- 16 Q. And will the Division district office treat the
- 17 two new pools as oil pools?
- 18 A. Yes.
- 19 Q. Did Conoco provide notice of this hearing at
- 20 the request to expand and contract pools to the
- 21 operators in the contracted pools and within one mile
- thereof if the wells were not assigned to another pool?
- 23 A. Yes.
- 24 Q. Is Exhibit 5 an affidavit from my office with
- 25 attached letters providing notice of this hearing to

- 1 those parties that we just discussed for the pool
- 2 issues, as well as overriding royalty interest owners --
- 3 A. Yes.
- Q. -- within the unit?
- 5 A. Yes.
- 6 Q. And does Exhibit 6 contain two Affidavits of
- 7 Publication confirming notice of this application and
- 8 hearing in both Lea and Eddy Counties?
- 9 A. Yes, it does.
- 10 Q. Were Exhibits 1 through 6 prepared by you or
- 11 compiled under your direction and supervision and by
- 12 your team?
- 13 A. Yes.
- 14 MS. KESSLER: Mr. Examiners, I'd move
- 15 admission of Exhibits 1 through 6.
- 16 EXAMINER DAWSON: Any objection?
- MS. BRADFUTE: No objection.
- 18 EXAMINER DAWSON: Okay. Exhibits 1 through
- 19 6 will be admitted to the record at this time.
- 20 (ConocoPhillips Company Exhibit Numbers 1
- 21 through 6 are offered and admitted into
- evidence.)
- MS. KESSLER: That concludes my direct.
- 24 EXAMINER DAWSON: Leonard, do you have any
- 25 questions?

1 EXAMINER LOWE: Of the four pools that you

- 2 mentioned just a while ago, what was the last pool code,
- 3 98 --
- 4 MS. KESSLER: 98065, and that's the Wildcat
- 5 Wolfcamp Pool.
- 6 EXAMINER LOWE: Okay. And of the four
- 7 pools, you said two of them are wildcats?
- 8 MS. KESSLER: Two of them are wildcat, one
- 9 Bone Spring wildcat and one Wolfcamp wildcat.
- 10 EXAMINER LOWE: Okay. That's all I've got.
- 11 Thank you.
- 12 EXAMINER BROOKS: And those wildcat
- 13 Wolfcamp pools are more specifically identified in your
- 14 exhibits?
- MS. KESSLER: That's correct.
- 16 EXAMINER BROOKS: Okay. I don't need you
- 17 to read the numbers.
- MS. KESSLER: Appreciate that.
- 19 EXAMINER BROOKS: No further questions.
- 20 EXAMINER DAWSON: Okay.
- 21 CROSS-EXAMINATION
- 22 BY EXAMINER DAWSON:
- Q. So you discussed the -- the delaminations [sic]
- 24 of certain pools and the addition of the Wolfcamp
- 25 wildcat and the Bone Spring wildcat, that was discussed

- 1 with the land office in the preliminary meeting?
- 2 A. Are you referring to the New Mexico State Land
- 3 Office?
- 4 Q. Yes.
- 5 A. I don't want to provide you with the wrong
- 6 information, so I will have to get back to you on that.
- 7 MS. KESSLER: I believe it was discussed
- 8 with the Division district office.
- 9 THE WITNESS: That's the impression I'm
- 10 under.
- 11 EXAMINER DAWSON: I was just wondering
- 12 about the royalties. Do you know how that --
- MS. KESSLER: I can update the Division
- 14 whether or not those discussions occurred.
- 15 EXAMINER DAWSON: Okay.
- Q. (BY EXAMINER DAWSON) And on your notice -- I'm
- 17 looking at your tracking sheets. This kind of shows
- 18 that notice was provided to these people, but it doesn't
- 19 really show whether they received notice or --
- 20 MS. KESSLER: Mr. Examiner, the way these
- 21 spreadsheets are arranged -- and they're kind of
- 22 difficult to follow -- but if you --
- 23 EXAMINER DAWSON: On the back page, I see
- 24 now.
- 25 MS. KESSLER: The first page is to whom it

1 was provided, and then the second page shows whether it

- 2 was delivered.
- 3 EXAMINER DAWSON: Okay.
- 4 MS. KESSLER: And then every other page
- 5 basically shows it was delivered.
- 6 EXAMINER DAWSON: Okay. I see it now.
- 7 It's on the last page where it's tracked, whether it was
- 8 delivered or not.
- 9 MS. KESSLER: Exactly.
- 10 EXAMINER DAWSON: And you did provide
- 11 notice in the newspaper, I see.
- 12 That's all the questions I have. Thank you
- 13 very much.
- MS. KESSLER: We'll call our geologist.
- 15 EXAMINER DAWSON: You can call your next
- 16 witness.
- 17 KRYSTIN ROBINSON,
- after having been previously sworn under oath, was
- 19 questioned and testified as follows:
- 20 DIRECT EXAMINATION
- 21 BY MS. KESSLER:
- 22 Q. Please state your name for the record and tell
- the employers by whom you're employed and in what
- 24 capacity?
- 25 A. My name is Krystin Robinson. I'm employed by

1 ConocoPhillips, and I am an asset geologist for the

- 2 Delaware Basin.
- 3 Q. Have you previously testified before the
- 4 Division?
- 5 A. I have not.
- 6 Q. What is your educational background?
- 7 A. I received my Bachelor's of Science from
- 8 University of Texas at Arlington in 2011 and my Master's
- 9 in Science -- or in Geoscience as well in 2012 from the
- 10 University of Texas at Arlington.
- 11 Q. What has been your work history since that
- 12 time?
- 13 A. I worked one year as a reservoir
- 14 characterization geologist for Encana, and then for the
- 15 last four years, I've been working with ConocoPhillips
- 16 as an asset geologist for both the Eagle Ford and now
- 17 the Delaware Basin.
- 18 Q. And what has been your experience in the
- 19 Permian Basin?
- 20 A. I've been an asset geologist for a year and a
- 21 half in the Permian Basin, specifically.
- 22 O. In Texas and New Mexico?
- 23 A. In both Texas and New Mexico, yes.
- 24 Q. Are you a member any professional associations?
- 25 A. The AAPG, American Association of Petroleum

- 1 Geologists.
- 2 Q. Are you familiar with the application filed in
- 3 this case?
- 4 A. Yes, ma'am.
- 5 Q. Have you conducted a geologic study of the
- 6 lands that are the subject of this application?
- 7 A. Yes, ma'am.
- 8 MS. KESSLER: Mr. Examiners, I would tender
- 9 Ms. Robinson as an expert in petroleum geology.
- 10 EXAMINER DAWSON: Any objections?
- MS. BRADFUTE: No objection.
- 12 EXAMINER DAWSON: Ms. Robinson will be
- 13 admitted as an expert in petroleum geology at this time.
- MS. KESSLER: Thank you.
- 15 Q. (BY MS. KESSLER) Ms. Robinson, let's turn first
- 16 to Exhibit 1, Tab C. And this is going to be the type
- 17 log identified in the unit agreement; is that correct?
- 18 A. Yes, ma'am.
- 19 Q. Does this reflect the interval that Conoco
- 20 seeks to unitize?
- 21 A. Yes. It includes the entire Bone Spring all
- 22 the way down to the Wolfcamp Formation. It's about
- 23 6,372 feet in thickness total across the unit.
- Q. In your opinion, do the Wolfcamp and Bone
- 25 Spring Formation extend across the acreage that Conoco

- 1 seeks to include within the unit?
- 2 A. Yes. It shows to be relatively -- it is
- 3 correlative and relatively uniform in thickness and
- 4 lithology.
- 5 Q. Have you created exhibits to support these
- 6 conclusions?
- 7 A. Yes, ma'am.
- 8 Q. Let's turn to Exhibit 8. Can you please
- 9 identify this exhibit for us?
- 10 A. Yes. This is a Bone Spring structure map
- 11 created at the top of the Bone Spring with contour
- 12 intervals at 100 feet. The structure map shows that the
- 13 top of this formation begins at 4,500 feet on the west
- 14 side and extends to 5,500 feet to subsea on the east
- 15 side of the unit.
- 16 Q. And what do you observe about the structure
- 17 across the unit area?
- 18 A. It is uniform. It doesn't show any faults or
- 19 pinch-outs across the unit -- proposed unit area.
- Q. Okay. No impediments geologically to
- 21 developing the acreage under a unit plan?
- 22 A. No, ma'am.
- Q. Is Exhibit 9 a west-east Bone Spring cross
- 24 section?
- 25 A. Yes, ma'am.

1 Q. And it looks like on the right, you've put a

- 2 line of section; is that correct?
- 3 A. Yes, ma'am.
- 4 Q. Okay.
- 5 A. And that is correlative from west to east with
- 6 the four point. Again, this cross section is just
- 7 showing the Bone Spring interval, which is about 3,210
- 8 feet thick across the acreage position, and it is
- 9 showing from the top of the Bone Spring to the top of
- 10 the Wolfcamp. And this cross section is actually hung
- on the top of the Wolfcamp to show the thickness across
- 12 the area, which remains correlative and appears to be
- 13 similar in lithology and thickness across the full
- 14 proposed unit.
- 15 Q. As to the Bone Spring?
- 16 A. Yes, ma'am.
- Q. And Exhibit 10 is a north-south Bone Spring
- 18 cross section?
- 19 A. Yes, ma'am.
- Q. Again, you show your line of section in the box
- 21 to the right?
- 22 A. Yes, ma'am.
- Q. What does this cross section show us?
- A. This cross section is the same as before, same
- 25 correlative interval as before going from the top of the

- 1 Bone Spring to the Wolfcamp section -- top of the
- 2 Wolfcamp section, showing that the lithology is
- 3 correlative, as well as thickness across the interval.
- 4 Q. Is Exhibit 11 a Wolfcamp structure map of the
- 5 unit area?
- 6 A. Yes, ma'am. Again, this is a Wolfcamp
- 7 structure map in TVD subsea ranging from 8,000 feet TVD
- 8 subsea to 8,800 feet TVD subsea across the proposed
- 9 interval, and these contours are done at a 100-foot
- 10 interval.
- 11 Q. What do you observe about the structure across
- 12 the unit area in the Wolfcamp?
- 13 A. It appears to again not show any faults or
- 14 stratigraphic pinch-outs across the interval.
- 15 Q. Is Exhibit 12 a west-east cross section of the
- 16 Wolfcamp?
- 17 A. Yes, ma'am. This shows the correlative
- 18 interval between -- from the top of the Wolfcamp to the
- 19 base of the Wolfcamp across the proposed section, again
- 20 showing that the lithology remains relatively
- 21 correlative and thickness is uniform.
- Q. Finally, is Exhibit 14 a north-south cross
- 23 section of the Wolfcamp?
- 24 A. 13?
- 25 Q. 13. I'm sorry.

1 A. Yes, same thing. Top of Wolfcamp to base of

- 2 Wolfcamp and relative thickness, and lithology
- 3 correlative across the section.
- 4 Q. Do you expect oil or gas production from the
- 5 unit?
- 6 A. Oil production.
- 7 Q. Do you see any evidence of a gas reservoir
- 8 within the Wolfcamp Formation under the unitized area?
- 9 A. I do not.
- 10 Q. And do you concur that the Purple Sage Pool
- 11 should be contracted out of the unit area in favor of a
- 12 wildcat oil pool?
- 13 A. Yes.
- 14 Q. In your opinion, can the unitized interval be
- 15 efficiently and effectively developed under a common
- 16 development plan?
- 17 A. Yes.
- 18 Q. And will approval of this application be in the
- 19 best interest of conservation, for the prevention of
- waste and the protection of correlative rights?
- 21 A. Yes.
- Q. Were Exhibits 8 through 13 prepared by you or
- 23 compiled under your direction and supervision?
- 24 A. Yes.
- 25 MS. KESSLER: Mr. Examiners, I'd move

- 1 admission of Exhibits 8 through 13.
- 2 EXAMINER DAWSON: Any objection?
- MS. BRADFUTE: No objection.
- 4 EXAMINER DAWSON: Exhibits 8 through 13
- 5 will be admitted to the record at this time.
- 6 (ConocoPhillips Company Exhibit Numbers 8
- 7 through 13 are offered and admitted into
- 8 evidence.)
- 9 EXAMINER DAWSON: Do you have any
- 10 questions?
- MS. BRADFUTE: No questions.
- 12 EXAMINER DAWSON: Leonard?
- 13 CROSS-EXAMINATION
- 14 BY EXAMINER LOWE:
- 15 Q. I've got a question. On your -- I didn't quite
- 16 get the thickness on the Bone Spring, you indicated?
- 17 A. Yes. Approximately 3,210 feet, and that's
- 18 going west to east with dip.
- 19 Q. Okay. That's all I've got. Thank you.
- 20 EXAMINER DAWSON: David, do you have any
- 21 questions?
- 22 EXAMINER BROOKS: No questions.
- 23 CROSS-EXAMINATION
- 24 BY EXAMINER DAWSON:
- 25 Q. The questions I have -- I just have a couple of

1 questions. Do you -- do you happen to know where the

- initial well for this unit's going to be drilled?
- 3 A. So we have three wells that we are -- what are
- 4 we calling them?
- 5 MS. KESSLER: Obligation wells.
- 6 THE WITNESS: Obligation wells. Sorry.
- 7 Q. (BY EXAMINER DAWSON) They're depicted in here,
- 8 right?
- 9 A. Yes. One of them, we're currently on that pad
- 10 right now drilling. It's the Zia Hills 25E 404H well.
- 11 We're currently drilling the 401H well, but that well is
- 12 part of that pad. And then we will be drilling the Zia
- 13 Hills 19 109H, which will be a Wolfcamp well, and then
- 14 an additional Wolfcamp well in the Zia Hills 20. The
- 15 actual well number escapes me right now.
- 16 Q. So you will be committed to drilling a well
- 17 over six months in both formations as part of the unit
- 18 agreement, correct?
- 19 A. Yes. We will adhere to the unit agreement.
- 20 Q. And it'll contract if you don't fully develop
- 21 the unit --
- 22 A. Yes. Okay.
- Q. -- per the unit agreement?
- 24 A. Yes.
- 25 MS. KESSLER: Mr. Examiner, any more of

1 those types of questions may probably be better answered

- 2 by the landman.
- 3 EXAMINER DAWSON: Okay. In reading the
- 4 unit agreement, I mean, it pretty much outlines that
- 5 within the unit agreement. I mean, this is kind of a
- 6 new and different unit agreement that I'm looking at
- 7 here, but I did see that there was drilling and
- 8 discovery and drilling commitments within the agreement
- 9 itself.
- MS. KESSLER: Correct.
- 11 EXAMINER DAWSON: So that's all the
- 12 questions I have. Thank you very much.
- 13 THE WITNESS: Thank you.
- 14 EXAMINER DAWSON: And so at this time, we
- 15 will take Case Number 16340 -- we'll take it under
- 16 advisement.
- 17 Thank you very much.
- And we will go on break until 1:30 at this
- 19 time.
- Thank you. See you back at 1:30.
- 21 (Case Number 16340 concludes, 11:39 a.m.)
- 22 (Recess, 11:39 a.m. to 1:31 p.m.)
- 23
- 24
- 25

- 1 STATE OF NEW MEXICO
- 2 COUNTY OF BERNALILLO

3

- 4 CERTIFICATE OF COURT REPORTER
- 5 I, MARY C. HANKINS, Certified Court
- 6 Reporter, New Mexico Certified Court Reporter No. 20,
- 7 and Registered Professional Reporter, do hereby certify
- 8 that I reported the foregoing proceedings in
- 9 stenographic shorthand and that the foregoing pages are
- 10 a true and correct transcript of those proceedings that
- 11 were reduced to printed form by me to the best of my
- 12 ability.
- 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 16th day of August 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