

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:

ORIGINAL

APPLICATION OF ENDURING RESOURCES, LLC CASE NO. 16398
FOR APPROVAL OF THE LONE MESA UNIT,
SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, September 6, 2018, at the New Mexico Energy,
Minerals and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
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1 APPEARANCES

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8 INDEX

9		PAGE
10	Case Number 16398 Called	3
11	Enduring Resources, LLC's Case-in-Chief:	
12	Witnesses:	
13	Paul Brooke:	
14	Direct Examination by Mr. Feldewert	4
15	Cross-Examination by Examiner McMillan	19
16	Cross-Examination by Examiner Brooks	20
17	Robert German:	
18	Direct Examination by Mr. Feldewert	21
19	Cross-Examination by Examiner McMillan	29
20	Cross-Examination by Examiner Brooks	30
21	Proceedings Conclude	32
22	Certificate of Court Reporter	33

22 EXHIBITS OFFERED AND ADMITTED

23	Enduring Resources, LLC Exhibit Numbers 1 through 6	19
24	Enduring Resources, LLC Exhibit Numbers 7 through 9	29

25

1 (2:30 p.m.)

2 EXAMINER McMILLAN: I'd like to call the
3 hearing back to order.

4 Call Case Number 16398, application of
5 Enduring Resources, LLC for approval of the Lone Mesa
6 Unit, San Juan County, New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: May it please the examiner,
9 Michael Feldewert, with the Santa Fe office of Holland &
10 Hart, appearing on behalf of the Applicant. I have two
11 witnesses today.

12 EXAMINER McMILLAN: Any other appearances?
13 Please proceed.

14 MR. FELDEWERT: We'll call our first -- do
15 you want the witnesses sworn?

16 EXAMINER McMILLAN: Yes.

17 (Mr. Brooke and Mr. German sworn.)

18 MR. FELDEWERT: Mr. Examiner, I'll call our
19 first witness.

20 EXAMINER McMILLAN: Please proceed.

21 PAUL BROOKE,
22 after having been first duly sworn under oath, was
23 questioned and testified as follows:
24
25

DIRECT EXAMINATION

1
2 BY MR. FELDEWERT:

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

5 A. My name is Paul Brooke. I work for Enduring
6 Resources, LLC as a senior landman.

7 Q. How long have you been employed by Enduring
8 Resources?

9 A. In various capacities, for about ten years.

10 Q. And have you been -- have your responsibilities
11 since -- when was their initial acquisition in the San
12 Juan Basin?

13 A. It closed June 30th, 2017.

14 Q. Okay. And then since that time, have you been
15 involved in development projects with respect to the oil
16 and gas properties in the San Juan Basin?

17 A. I have, yes.

18 Q. Have you previously testified before the Oil
19 Conservation Division?

20 A. I have not.

21 Q. Would you please outline your educational
22 background?

23 A. I have a Bachelor of Science degree from the
24 University of Wyoming and a juris doctorate from the
25 University of Wyoming.

1 Q. When did you get your law degree?

2 A. May of 1980.

3 Q. And since getting your law degree in 1980, what
4 has been your work history?

5 A. I have had somewhat of a checkered history, not
6 unusual in the industry. I've worked for Dome
7 Petroleum, Axon Resources, Snyder Oil Company, Aspect
8 Resources and Enduring.

9 Q. When you worked for Dome, did that -- did that
10 work involve New Mexico properties?

11 A. Yes, it did. I worked the San Juan Basin
12 exclusively.

13 Q. Okay. Are you a member of any professional
14 associations?

15 A. I belong to the Rocky Mountain Mineral Law
16 Foundation.

17 Q. And how long have you been a member of that
18 organization?

19 A. About as long as I've been a landman.

20 Q. Okay. Are you familiar with the unit that is
21 the subject of the application filed in this case?

22 A. Yes, I am.

23 Q. And are you familiar with the status of the
24 lands in the subject area?

25 A. Yes, I am.

1 MR. FELDEWERT: I would tender Mr. Brooke
2 as an expert witness in petroleum land matters.

3 EXAMINER McMILLAN: So qualified.

4 I've made a lot of contributions to the
5 University of Wyoming lately.

6 THE WITNESS: We thank you, sir.

7 (Laughter.)

8 Q. (BY MR. FELDEWERT) Now, what does the company
9 seek under this particular application, Mr. Brooke?

10 A. We hope to unitize for drilling in the
11 Fruitland Formation a combination of BLM, allotted
12 Indian and State of New Mexico leases.

13 Q. If I turn to what's been marked as Enduring
14 Exhibit Number 1 --

15 A. Yes, sir.

16 Q. -- is that the Exhibit A to the proposed unit
17 agreement that we will be reviewing shortly?

18 A. That's correct. Yes, it is.

19 Q. And I turned to this because -- does this
20 identify for the examiner the tracts of land involved in
21 the proposed unit area?

22 A. Yes, sir, it does.

23 Q. It shows that there are 23 tracts of land?

24 A. Correct.

25 Q. At the bottom of this page, does it break out

1 for the examiner the percentage of federal lands, the
2 state lands and the Indian-allotted lands?

3 A. Yes, it does.

4 Q. And basically the Indian-allotted lands and the
5 federal lands comprise the majority of this unit?

6 A. That's correct.

7 Q. Okay. Then if I turn to what's been marked as
8 Enduring Exhibit Number 2, does this exhibit contain a
9 complete copy of the proposed unit agreement with all
10 exhibits?

11 A. Yes, it does.

12 Q. And does this follow the form that is utilized
13 by the BLM and the State when you have federal, state
14 and allottee lands involved?

15 A. Yes, it does.

16 Q. With respect to this particular unit agreement,
17 does it apply to both vertical and horizontal wells?

18 A. Yes, it does.

19 Q. Are there any existing producing wells in the
20 Fruitland Formation that you seek to unitize?

21 A. There are not.

22 Q. As we page through this unit agreement, for
23 example, does it treat the proposed unit area as a
24 single participating area?

25 A. Yes, that's correct.

1 Q. Does it provide for contraction of the unitized
2 area if development does not proceed as required by the
3 unit agreement?

4 A. Yes, it does, particularly in provision 2E.

5 Q. Now, we've already looked at the Exhibit A to
6 the unit agreements. That contained the unit outline.
7 If I flip back and go to what's been marked as Exhibit
8 Number B, does this provide an ownership breakdown of
9 the 23 tracts of land that are involved?

10 A. Yes, it does.

11 Q. What ownership percentage does Enduring either
12 hold or control in this proposed unit?

13 A. Something slightly in excess of 98 percent.

14 Q. Now, you mention that there is no existing well
15 in the Fruitland. Are these leases currently held by
16 production?

17 A. One of the BLM leases is HBP. The remainder of
18 the leases are not.

19 Q. Are there leases with upcoming expiration
20 dates?

21 A. There are -- from memory, I think our earliest
22 expiration on an allotted lease is December 13th of
23 2018.

24 Q. So December of this year?

25 A. Correct.

1 Q. Okay. So that's why you're here trying to get
2 this approved so you can start your drilling?

3 A. That's right.

4 Q. All right. Are there unleased tracts?

5 A. There are four unleased tracts. One is a BLM
6 tract in the southeast quarter of Section 32, and three
7 are allotted Indian tracts.

8 Q. Have you visited with the BLM about how they're
9 going to address the unleased BLM tract?

10 A. To the extent that is possible in the current
11 situation.

12 Q. And how are they going to handle the -- how is
13 the BLM going to handle the unleased tract?

14 A. We will account for costs and revenue, costs
15 being absorbed by the participating working interest,
16 revenue being escrowed. And that this lease, when and
17 if issued by the BLM, will commit the successful lessee
18 to this unit.

19 Q. That'll be part of the requirements for --
20 restrictions, then, on leasing that will require them to
21 commit to the unit?

22 A. Correct.

23 Q. You said there were three unleased allottee
24 tracts?

25 A. That is correct.

1 Q. Those are being handled by FIMO, right?

2 A. Right.

3 Q. Federal Indian Management Office?

4 A. I believe that's correct.

5 Q. How is FIMO going to handle those particular
6 leases?

7 A. FIMO has represented that those three tracts --
8 they're 160 acres each -- will be on an immediately
9 forthcoming parcel list.

10 Q. Okay. And is there going to be restrictions
11 that will subject them to the less successful --

12 A. Like the BLM, those tracts will be committed to
13 the unit.

14 Q. All right. Then if I continue on, I see an
15 Exhibit C. Does that contain the type log that
16 identifies -- it's kind of a pullout. Does that
17 identify the unitized Fruitland Formation?

18 A. Yes, it does.

19 Q. And is this the type log that is referenced in
20 the unit agreement to identify the unitized interval?

21 A. That's correct.

22 Q. And if I look at the top of that exhibit, does
23 it provide the examiner with the location of this
24 reference type log with respect to the unit boundary?

25 A. Yes, it does.

1 Q. Then finally, Exhibit D. Does Exhibit D
2 contain the participation percentage for each of the 23
3 tracts?

4 A. That is correct.

5 Q. Now, you had discussions with the BLM about
6 your proposed unit and your development plan?

7 A. Yes, we have. We've been through their
8 standard area and depth protocol.

9 Q. And did those discussions include FIMO?

10 A. They did.

11 Q. Now, when this was first filed, the application
12 was requesting unit approval for all depths, correct?

13 A. That is correct.

14 Q. But that has now been changed to only the
15 Fruitland Formation?

16 A. That is also correct.

17 And after the area and depth was completed,
18 with the all-depth type agreement being submitted, as we
19 sought the logical determination letter from BLM and
20 FIMO, they came back and said they were in agreement
21 with the unit, but they wanted the current undivided
22 type form unit agreement limited to the Fruitland
23 Formation only.

24 Q. So now, for the examiner, a pre-hearing
25 statement that was filed in this matter noted that the

1 unitized interval has been changed only to include the
2 Fruitland Formation?

3 A. That is correct.

4 Q. As identified on the type log, Exhibit C?

5 A. Yes, sir.

6 Q. All right. Then if I look at Enduring Exhibit
7 Number 3, does that contain the BLM preliminary approval
8 letter for this unit?

9 A. Yes, it does.

10 Q. And I note that it's signed by both the field
11 manager for the BLM and then the director of FIMO,
12 correct?

13 A. That is correct.

14 Q. What are the requirements in this letter and in
15 the proposed unit agreement for the initial obligation
16 well?

17 A. We must drill a horizontal lateral well, per
18 the terms of the unit agreement, within six months of
19 unit approval.

20 Q. And you have some leases expiring?

21 A. We do.

22 Q. So you're going to be drilling fairly soon,
23 right?

24 A. Yes. We have that on our drilling schedule
25 currently for either late November or early December of

1 this year.

2 Q. Okay. Given that there were Indian allotted
3 lands involved, did the company take the additional step
4 of holding a town hall meeting to discuss the proposed
5 unit with the allottee owners?

6 A. Yes, we did.

7 Q. Where and when did that take place?

8 A. That was held Tuesday morning at 9:00 a.m. at
9 the School of Energy at San Juan College in Farmington.

10 Q. And during that meeting, was there any
11 opposition to the proposed unit expressed by any of the
12 allottee owners?

13 A. No, there was none.

14 Q. Now, you also met with the State Land Office
15 with respect to this unit?

16 A. Yes, we did.

17 Q. If I turn to what's been marked as Enduring
18 Exhibit Number 4, is this the State Land Office's
19 preliminary approval letter?

20 A. Yes, it is.

21 Q. And it reflects, does it not, that part of
22 their approval is contingent upon an order from the Oil
23 Conservation Division?

24 A. That's correct.

25 Q. Which is why we're here today?

1 A. Yes, sir.

2 Q. All right. What's the status of the approval
3 by the remaining working interest owners in this
4 voluntary unit that are shown on Exhibit B to the unit
5 agreement?

6 A. You'll note in Tract 2 that Hilcorp is a
7 working interest owner. Hilcorp has committed to join
8 the unit as a committed working interest owner.
9 Although I do not have the ratification and joinder
10 instrument in hand, they will join, I have every reason
11 to believe, and I have written evidence of that.

12 In Tract 20, under an allotted lease,
13 you'll see that the most shallow and most deep depths
14 are shown to be owned by a company called K-E-L. Since
15 this Exhibit B was drafted, I have acquired through
16 purchase those shallow and deep rights from KEL, and
17 that assignment has been submitted to FIMO for approval.
18 So once that's approved, Enduring and Hilcorp will be
19 the only working interest owners.

20 Q. Now, when I go through there, Exhibit B, I see
21 some references to WPX.

22 A. That's correct.

23 Q. What's the circumstance there?

24 A. WPX was the assignor of these existing leases
25 into Enduring pursuant to our acquisition under a

1 purchase and sale agreement which closed in March. We
2 continue to represent WPX until all of the assignments
3 of FIMO leases, BLM operating rights and BLM record
4 title has been approved, at which point in time then, we
5 will revise the exhibit to be show Enduring Resources as
6 the owner of record.

7 Q. So at this point, WPX is still, in some
8 circumstances, a record title owner?

9 A. As of my last inquiry, the BLM had not approved
10 the record title interest under one lease only.
11 Otherwise, FIMO had approved all of the assignments from
12 WPX into Enduring, and the BLM had approved all
13 operating rights assignments from WPX into Enduring.

14 Q. Have you visited with WPX about ratifying the
15 unit agreement as the record title owner if needed?

16 A. Yes, I have.

17 Q. Have they agreed to do it?

18 A. They will do so willingly.

19 Q. I notice that there were a few overriding
20 royalty interest owners listed on Exhibit B. What's the
21 circumstance with respect to them?

22 A. There are two. In Tract 2, you'll see XTO with
23 an override of 7.5 percent against a single lease. They
24 have been contacted. I have every reason to believe
25 that they will ratify, but I don't have that in writing

1 yet.

2 And then in Tract 20, you'll see an
3 organization called Skikis, LLC with a 3.33 percent
4 override. Skikis's interest pursuant to the conveyance
5 under which they gained that override committed them to
6 unitization and pooling. And, furthermore, I have
7 reached out to Skikis personally and expressed my
8 interest in a formal ratification and joinder just to
9 wrap up all the loose ends, and they have agreed to
10 provide me with that instrument.

11 Q. Now, when I look at -- when I look at Enduring
12 Exhibit Number 1, I see that the unit boundary contains
13 a little -- I'll call it a dogleg, I guess, to the
14 north. Do you see that?

15 A. Yes, it does.

16 Q. What's the circumstance there? Why do we have
17 this dogleg?

18 A. We have this dogleg because these are leases
19 owned by Enduring and because we reached out to the
20 offsetting owners in the east half of Section 19 and in
21 Section 20 to join the unit and they refused.

22 Q. And who are they?

23 A. That was Dugan and Encana.

24 Q. Okay. In preparing for the case here today,
25 did the company provide notice of this proposed unit

1 boundary and this hearing to the operators in this -- in
2 the acreage offsetting this dogleg to the north?

3 A. Yes, we did.

4 Q. That would be Dugan and Encana?

5 A. Yes.

6 Q. If I then turn to what's been marked as
7 Enduring Exhibit Number 5, this contains an affidavit
8 prepared by my office with attached letters providing
9 notice of this hearing, correct?

10 A. Yes, correct.

11 Q. If I go to the third page of this exhibit, we
12 see a list of six parties, BLM, FIMO and the State Land
13 Office, right?

14 A. Correct.

15 Q. We've already talked about them.

16 We see Skikis. That was the overriding
17 interest owner that you talked about?

18 A. That's correct.

19 Q. That you believe is subject to a contractual
20 obligation to join the unit?

21 A. Yes.

22 Q. Then we see Dugan and Encana being noticed as
23 offsetting owners for the dogleg?

24 A. Correct.

25 Q. Then we have numerous pages of names. What do

1 they represent?

2 A. These represent either the allottees, if they
3 are still living, and/or their various heirs and
4 successors.

5 Q. And if I look in the left-hand corner on the
6 fourth page of this exhibit --

7 A. Yes.

8 Q. -- a page of a number of names, I see a
9 six-digit code. Do you see that?

10 A. Yes, that's correct.

11 Q. What does that represent?

12 A. That represents part of the official FIMO lease
13 number. So those six digits will tie back to each one
14 of the lease tracts in Exhibit B.

15 Q. So then as I flipped through this long list of
16 names here, is it organized by the six-digit code that
17 you see up in the left-hand corner?

18 A. Yes, it is.

19 Q. Then in addition to sending out notice by
20 registered mail to the addresses of record that FIMO
21 had, did the company then also provide notice by
22 publication in the local newspaper of this proposed unit
23 and this hearing here today?

24 A. Yes, we did.

25 Q. If I turn to what's been marked as Enduring

1 Exhibit Number 6, is that an Affidavit of Publication
2 reflecting this public notice of this unit and this
3 hearing?

4 A. Yes, that's correct.

5 Q. Were Enduring Exhibits 1 through 4 compiled or
6 prepared under your supervision?

7 A. Yes, they were.

8 MR. FELDEWERT: Mr. Examiner, I'd move
9 admission into evidence of Enduring Exhibits 1 through
10 6, which includes my notice affidavit and the Affidavit
11 of Publication.

12 EXAMINER McMILLAN: Exhibits 1 through 6
13 may now be accepted as part of the record.

14 (Enduring Resources, LLC Exhibit Numbers 1
15 through 6 are offered and admitted into
16 evidence.)

17 MR. FELDEWERT: That concludes my
18 examination of this witness.

19 CROSS-EXAMINATION

20 BY EXAMINER McMILLAN:

21 Q. My question is your map. What has been --
22 looking at the unleased acreage? You said there are
23 five tracts or four?

24 A. Four, sir, one BLM tract in the southeast
25 quarter of Section 32 and three allottee tracts in

1 Sections 29, 30 and 25.

2 Q. When you told the State Land Office about the
3 unleased acreage, did they -- what was their take on it?

4 A. They were interested, of course, as to what
5 provisions would be made and how those tracts would
6 share in costs and revenue and whether there were any
7 efforts underway to get those tracts leased.

8 Q. And then were they satisfied with your plan of
9 development for that acreage, because there has been
10 unit cases where the acreage has been contracted out
11 because it's unleased?

12 A. I understand. Yes, they were satisfied.

13 Q. And so the Skikis, they have an override --

14 A. Yes.

15 Q. -- on the one tract, and it'll be spread out
16 through the entire unit --

17 A. That's correct.

18 Q. -- on a per-acreage basis?

19 A. (Indicating.)

20 EXAMINER McMILLAN: Go ahead, David.

21 CROSS-EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. You said this was -- the 98 percent working
24 interest was held by Enduring, 98-plus?

25 A. Yes, sir.

1 Q. Now, is there any other outstanding interest
2 other than these unleased tracts that you've identified?

3 A. Just that small interest in Hilcorp, and that's
4 all, sir.

5 Q. Okay. And that is to be assigned to you? Did
6 I understand?

7 A. No. The KEL interest in Tract 20 will be
8 assigned to us. Hilcorp is going to maintain their
9 interest and join as a working interest owner.

10 Q. So their interest will be committed to --

11 A. They will have the difference between 100
12 percent and 98-point-something percent.

13 Q. Thank you. That's all I have.

14 A. Yes, sir.

15 MR. FELDEWERT: If there are no further
16 questions, we'll call our next witness.

17 THE WITNESS: Thank you, Examiners.

18 EXAMINER BROOKS: Thank you.

19 ROBERT GERMAN,

20 after having been previously sworn under oath, was
21 questioned and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. FELDEWERT:

24 Q. Would you please state your name, identify by
25 whom you're employed and in what capacity?

1 A. My name is Robert German, G-E-R-M-A-N, and I'm
2 a senior geologist, manager of geologic sciences for
3 Enduring Resources, LLC.

4 Q. And how long have you been with Enduring
5 Resources in that capacity?

6 A. I've been employed full time for about 11
7 years.

8 Q. Okay. Have you previously testified before
9 this Division?

10 A. No, I have not.

11 Q. Would you outline your educational background?

12 A. I have a BS in geology from Duke University,
13 1973. In 1976, I got a Master's of Science in Geology
14 from the University of Canterbury, Christchurch, New
15 Zealand. In 1991, I got a Master's in Environmental
16 Science from the Colorado School of Mines.

17 Q. Following your Master's in Environmental
18 Science in 1991, what did you do after that?

19 A. I worked as an environmental consultant for
20 Walsh Environmental for about 12 years. I then was an
21 independent consultant in geology and environmental
22 science, and then I was hired on full time by Enduring.

23 Q. I believe the testimony was that Enduring
24 acquired their initial assets in the San Juan Basin
25 sometime in 2017; is that right?

1 A. That's correct.

2 Q. And since the time that Enduring acquired those
3 assets in the San Juan Basin, have you been involved in
4 evaluating those assets for the company?

5 A. I have.

6 Q. And analyzing the opportunities for the company
7 in that area?

8 A. Yes, I have.

9 Q. Are you a member of any professional
10 affiliations or associations?

11 A. Yes. I'm a member of the American Association
12 of Petroleum Geologists, AAPG; RMAG, Rocky Mountain
13 Association of Geologists; Houston Geologic Society;
14 Four Corners Geologic Society.

15 Q. And with respect to the AAPG, how long have you
16 been a member of that group?

17 A. Probably since 1979.

18 Q. Okay. And when did you join the Four Corners
19 Geologic Society?

20 A. About two years ago.

21 Q. Okay. Are you familiar with the proposed unit
22 that is the subject of this case?

23 A. I am.

24 Q. And have you conducted a geologic study of the
25 lands that are the subject of this proposed unit?

1 A. I have.

2 MR. FELDEWERT: I would tender Mr. German
3 as an expert witness in petroleum geology.

4 EXAMINER McMILLAN: So qualified.

5 Q. (BY MR. FELDEWERT) If I turn to what's been
6 marked as Enduring Exhibit Number 2, which is the unit
7 agreement, and if I go about halfway through, I get to
8 the tab that pulls out, kind of easy to get to. It's
9 Exhibit Number C -- or Exhibit C to the unit agreement.
10 Is that correct?

11 A. Yes, it is.

12 Q. Does this identify, on the right-hand side, the
13 formation that Enduring seeks to unitize?

14 A. It does.

15 Q. And in your opinion, does this proposed
16 unitized formation extend across the acreage that the
17 company seeks to include within the unit?

18 A. It does.

19 Q. If I go to what's been marked as Enduring
20 Exhibit 7, is this a structure map that you have
21 created?

22 A. It is.

23 Q. And I see that it depicts in red the proposed
24 unit outline?

25 A. That's correct.

1 Q. Would you tell us how you constructed this
2 structure map and what it shows?

3 A. I looked at all the available data that I had
4 in the area and mapped the top of the basal coal in the
5 Fruitland Formation. That's the target interval, and
6 this is a structure map on that. It shows that the
7 formation -- the target dips gently to the northeast
8 into the basin. And I have also outlined on here two
9 cross sections, north-south and east-west.

10 Q. Now, I see a little arrow here within the unit
11 boundary. Do you see that?

12 A. Yes, Section 28.

13 Q. What does that depict? What is that?

14 A. That is the location of the initial well.

15 Q. And the target of that will be the basal coal?

16 A. That is correct.

17 Q. Now, you mentioned that you used all the
18 available data points that you had to create this
19 structure map?

20 A. That's right.

21 Q. Why did they choose the -- and then if I look
22 to the north up there, just to the north of the unit in
23 Section 20, I see the type well, right?

24 A. That's right.

25 Q. That's the one we just looked at on Exhibit C?

1 A. Yes, it is.

2 Q. Why was that log utilized?

3 A. That well was close to the unit, and it had the
4 best, most complete suite of logs, your modern suite of
5 logs of all the wells.

6 Q. How many wells actually penetrate the Fruitland
7 Formation within the proposed unit area?

8 A. Only one.

9 Q. And that's over in Section 25?

10 A. That's correct.

11 Q. And that was utilized in one of your cross
12 sections that you --

13 A. Yes, it is. It's on B, B prime.

14 Q. Before we get to that, what do you note about
15 the structure in this area?

16 A. Gently dipping to the northeast. I was not
17 able to identify any faults or any discontinuities.

18 Q. Do you see any geologic impediments that would
19 prevent this acreage from being efficiently and
20 effectively developed under a unit plan?

21 A. I don't.

22 Q. All right. Let's talk about your two
23 cross-section lines. I see one from south to north; is
24 that right?

25 A. That's right. South is on the left-hand side,

1 and north would be on the right-hand side. The type
2 well would be the middle well.

3 Q. All right. So I think you jumped ahead of me
4 here. You're on Exhibit Number 8; is that right?

5 A. Yes.

6 Q. Okay. First off, when I look at the wells that
7 you chose here for your Exhibit Number 8, why did you
8 choose those three wells?

9 A. Well, these are wells that -- I just went
10 across the unit. I had relatively little control out
11 there, and I think they were decent -- decent wells that
12 showed the basal coal.

13 Q. And if I look back at Exhibit Number 7, did you
14 actually use the two wells to the north that are fairly
15 close to the unit? Right?

16 A. I didn't use those wells, but they look very
17 similar to the type well.

18 Q. Okay. Okay. All right. And this cross
19 section we see in Exhibit 8, that utilizes the type log
20 well and then the two other wells that you show,
21 correct?

22 A. Yes, that's right.

23 Q. And what do you observe about this unitized
24 interval as you go north to south?

25 A. As I go north to south, it's consistent like

1 the coal wells that I examined.

2 Q. Okay. Then we have a little more data when you
3 go east to west, right?

4 A. That's correct.

5 Q. So when I go to what's been marked as Enduring
6 Exhibit Number 9, again did you utilize the type log
7 that's referenced in the unit agreement?

8 A. I did. It's the well -- the fourth well from
9 the left-hand side is an annotated type well in
10 intersection with the north-south cross section.

11 Q. Okay. And then you pointed out there is one
12 well within the unitized area that penetrates the
13 Fruitland -- does this log utilize that well?

14 A. Yes, it does. That would be the second well
15 from the left, the Sun Oil well.

16 Q. And have you also observed here as you move
17 from east to west the presence of the coal that you seek
18 to target?

19 A. Yes. And that's annotated in red. It says,
20 "Target Coal." And it's found in all the wells.

21 Q. Okay. And in your opinion, does the -- based
22 on the data that you have available, does this targeted
23 coal exist throughout the proposed unit area?

24 A. It does.

25 Q. And in your opinion, will approval of this

1 application to unitize this area be in the best interest
2 of conservation, the prevention of waste and the
3 protection of correlative rights?

4 A. Yes, it will.

5 Q. Were Enduring Exhibits 7 through 9 compiled by
6 you or prepared under your direction and supervision?

7 A. Yes, they were.

8 MR. FELDEWERT: Mr. Examiner, I'd move
9 admission into evidence of Enduring Exhibits 7 through
10 9.

11 EXAMINER McMILLAN: Exhibits 7 through 9
12 may now be accepted as part of the record.

13 (Enduring Resources, LLC Exhibit Numbers 7
14 through 9 are offered and admitted into
15 evidence.)

16 MR. FELDEWERT: That concludes my
17 examination of this witness.

18 CROSS-EXAMINATION

19 BY EXAMINER McMILLAN:

20 Q. For clarity purposes, I just want to make sure
21 I'm clear on this. This relates back to your type log
22 and to the unit description for the unitized interval.
23 I just want to make sure you're getting all of the
24 Fruitland. And the Fruitland is going to go from the
25 top of the Fruitland to top of the Pictured Cliffs,

1 right?

2 A. That's correct.

3 Q. And that's what this says?

4 A. That's what it says.

5 Q. I just want to make sure there are no depth
6 severances.

7 Okay. And I guess -- and you have to go
8 horizontal wells. Are you going to drill any
9 multilaterals out of this?

10 A. We're going to push it as far as we can, 500
11 feet longer if possible. We're going to see how it
12 does, and then we'll have to go from there.

13 Q. So short radius?

14 A. 500 feet. It's not very far, but it's not very
15 deep.

16 Q. Because Hilcorp's drilling some more -- they've
17 proposed multilaterals in the coal, essentially the
18 Colorado.

19 A. Considerably deeper.

20 Q. Oh, okay.

21 CROSS-EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. I wanted to ask you about this depth scale.

24 Where is that measured from? The 500 feet -- the target
25 zone is shown a little less than 500 feet from where, on

1 Exhibit 9?

2 A. This cross section is hung on the Pictured
3 Cliffs Sandstone.

4 Q. Okay.

5 A. And so the target might be about 700 feet
6 measured depth, if that's what you're asking.

7 Q. Now, how is that -- I mean, I'm a little
8 unclear on this because these numbers, I just want to
9 know what they represent. When you say a depth of 450
10 to 500 feet, where --

11 A. Oh, I see what you're saying.

12 Q. Below what?

13 A. Yeah. The zero -- zero point on the scale on
14 the right-hand side is referenced to where the cross
15 section is hung, which is the base of the target
16 interval at the top of Pictured Cliffs. That makes
17 zero. So each tick mark is 100 feet. So, for example,
18 the type well would be about 700-and-some feet deep at
19 that location.

20 Q. 700 from ground level?

21 A. Yes.

22 Q. Okay. Thank you.

23 MR. FELDEWERT: Mr. Examiner, if there are
24 no more questions, I would ask this case be taken under
25 advisement.

1 EXAMINER McMILLAN: Okay. Case Number

2 16398 shall be taken under advisement.

3 Thank you very much.

4 THE WITNESS: Thank you.

5 MR. FELDEWERT: Thank you.

6 (Case Number 16398 concludes, 3:05 p.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 28th day of September 2018.

21 
22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
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