

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

FOR APPLICANT TAP ROCK RESOURCES, LLC:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

and

DANA ARNOLD, ESQ.
TAP ROCK OPERATING, LLC
Office of General Counsel
602 Park Point Drive, Suite 200
Golden, Colorado 80401
(720) 460-3497
darnold@taprk.com

1	INDEX	
2		PAGE
3	Case Numbers 20598 and 20599 Called	4
4	Tap Rock Resources, LLC Case-in-Chief:	
5	Witnesses:	
6	Erica Hixson:	
7	Direct Examination by Mr. Bruce	4
8	Cross-Examination by Examiner Jones	12
9	Andrew McCallister:	
10	Direct Examination by Mr. Bruce	14
11	Cross-Examination by Examiner Jones	20
12	Proceedings Conclude	25
13	Certificate of Court Reporter	26
14		
15		
16	EXHIBITS OFFERED AND ADMITTED	
17	Tap Rock Resources, LLC Exhibit Numbers 1 through 5	11
18	Tap Rock Resources, LLC Exhibit Numbers 6 through 12	20
19		
20		
21		
22		
23		
24		
25		

1 (1:44 p.m.)

2 EXAMINER JONES: Okay. Let's call Cases
3 20598 and 20599, applications of Tap Rock Resources, LLC
4 for compulsory pooling in Lea County, New Mexico.

5 Call for appearances in one or both cases.

6 MR. BRUCE: Yeah. Mr. Examiner, in both
7 cases, Jim Bruce of Santa Fe representing the Applicant.
8 I have two witnesses.

9 EXAMINER JONES: Other appearances?

10 Will the witnesses please stand and the
11 court reporter swear in the witnesses?

12 (Ms. Hixson, Mr. McCallister; and
13 Mr. Miller sworn for Case Number 20634.)

14 ERICA HIXSON,
15 after having been first duly sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name for the
20 record?

21 A. Erica Hixson.

22 Q. Where do you reside?

23 A. I reside in Arvada, Colorado.

24 Q. Who do you work for and in what capacity?

25 A. Tap Rock Resources as a landman.

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

3 A. I have.

4 **Q. And were your credentials as an expert**
5 **petroleum landman accepted as a matter of record?**

6 A. Yes.

7 **Q. And are you familiar with the land matters**
8 **involved in these two applications?**

9 A. I am.

10 **Q. And could you identify Exhibits 1A through 1C**
11 **and describe the wells that we are here for today?**

12 A. Yes. So the three wells we're here for today
13 are the Poseidon State Com wells. The first well in
14 Exhibit 1A is the Poseidon State Com 201H. We submitted
15 this C-102 May 15th, 2019 to OCD. It was accepted and
16 approved.

17 The second C-102, which is Exhibit 1B, is
18 the Poseidon State Com 205H, and Exhibit 1C is the
19 Poseidon State Com 202H. Both the 205H and 202H will be
20 submitted in the coming weeks.

21 **Q. Okay. What units will be dedicated to the**
22 **well?**

23 A. The west half-west half of Section 4 and the
24 west half-west half of Section 9 in 24 South, 33 East
25 will have the Poseidon State Com 201H and the 205H.

1 The east half-west half of Section 4 and
2 the east half-west half of Section 9 in 24 South, 33
3 East will have the 202H.

4 **Q. Okay. And at least on the 201H, you have an**
5 **API number. The other two are still pending, correct?**

6 A. That's correct.

7 **Q. And it's in the Antelope Ridge; Wolfcamp Pool,**
8 **and the pool code is given on the C-102s?**

9 A. Yup. 2220 is the pool code.

10 **Q. Could you identify Exhibit 2 for the examiner?**

11 A. Exhibit 2 is a tract map showing the west half
12 of Section 4 and west half of Section 9, in Township 24
13 South, 33 East, Lea County, New Mexico. As you can see,
14 it's shown in blue there. They're all state leases. So
15 the west half of Section 4 is state lease LG3175. The
16 west half of Section 9 and the north half-southwest of
17 Section 9 is state lease B04396, and then the south
18 half-southwest of Section 9 is state lease B04096.

19 **Q. Now, Ms. Hixson, to my neglect, I -- one of the**
20 **wells -- I believe it's the 205H; is that correct?**

21 A. Yes.

22 **Q. -- is at an unorthodox location?**

23 A. That's correct. It's closer than 320 from the
24 outer boundaries.

25 **Q. I didn't ask for that. And if necessary, we**

1 can apply administratively for that, correct?

2 A. That's correct.

3 Q. But looking at your Exhibit 2, no one is
4 adversely affected by an unorthodox location?

5 A. That is true. The parties in the west
6 half-west half and the east half-west half are the same.
7 So no parties would be adversely affected by that 205
8 location.

9 Q. And could you identify Exhibit 3 and the
10 parties you seek to pool?

11 A. Yes. So Exhibit 3 is the Wolfcamp unit working
12 interests. Shown in blue is voluntary joinder at
13 approximately 69 percent. Shown in gray are the parties
14 we seek to pool, which is Devon Energy Production
15 Company at approximately 8.3 percent; EOG Resources,
16 Incorporated at approximately 16.7 percent; and
17 Murchison Oil and Gas at approximately 6.1 percent.

18 Q. And what is contained in Exhibit 4?

19 A. Exhibit 4 is a sample of the proposal letter
20 that was sent out to all working interest parties.

21 Q. Okay. And besides the proposed letter, have
22 you had other contacts with the working interest owners?

23 A. Yes. Throughout the past few months, we've had
24 many conversations with all working interest owners.
25 We've been working on deals and trades throughout the

1 last few months.

2 Q. And are you hopeful of getting everybody's
3 voluntary agreement at some point or another?

4 A. Yes.

5 Q. And if you do obtain agreement with these
6 parties, will you notify the Division?

7 A. I will. We will.

8 Q. In your opinion, have you made a good-faith
9 effort to obtain the voluntary joinder of the interest
10 owners in the well units?

11 A. Yes.

12 Q. Also part of Exhibit 4 are AFEs for the three
13 wells. Could you identify them and just briefly discuss
14 the cost of the wells?

15 A. Yes. So the first AFE in Exhibit 4 is for the
16 Poseidon 201H, and it's for a total well cost of
17 approximately \$12,300,000. The second AFE is for
18 Poseidon 202H. That's for approximately \$12,300,000.
19 And then the third AFE is for the Poseidon 205H for
20 approximately \$12,300,000 as well.

21 Q. And are these costs fair and reasonable and in
22 line with the cost of similar wells drilled to this
23 depth in this area of New Mexico?

24 A. Yes.

25 Q. And what overhead rates do you request?

1 A. 7,000 per month and then 700 for a production
2 rate.

3 Q. And are these amounts fair and reasonable?

4 A. Yes.

5 Q. Sometimes other operators are asking more,
6 aren't they?

7 A. That's true. They're very reasonable.

8 Q. And who should be appointed operator of the
9 wells?

10 A. Tap Rock Resources.

11 Q. Is it Tap Rock --

12 A. Tap Rock Operating. I'm sorry.

13 Q. Tap Rock Operating.

14 A. Yup.

15 Q. And do you request the maximum cost plus 200
16 percent risk charge in the event that a working interest
17 owner goes nonconsent in the wells?

18 A. Yes.

19 Q. And let's turn to Exhibit 5. Did you identify
20 the interest owners who needed to be pooled in this
21 proceeding?

22 A. Yes.

23 Q. And if you look, this is my notice letter; is
24 it not?

25 A. Yes.

1 Q. And was this prepared and sent out at Tap
2 Rock's direction?

3 A. Yes.

4 Q. Now, it lists the working interest owners. One
5 of them, MEC Petroleum Corp., apparently you've made a
6 deal with them?

7 A. They've signed the JOA. Yes.

8 Q. And then there are several overriding royalty
9 owners also?

10 A. That's correct.

11 Q. Okay. And at your direction, was notice mailed
12 to these interest owners?

13 A. It was, yes.

14 Q. And were these -- the addresses on Exhibit 8 of
15 my notice letter, are those the most recent addresses
16 you had at the time for these interest owners?

17 A. Yes.

18 Q. One other issue. There is one override owner
19 named Michael Brininstool. His -- his -- his real first
20 name is Mitchell; is that correct?

21 A. That's correct.

22 Q. And was notice also published in the Hobbs
23 newspaper against all of these interest owners?

24 A. Yes, it was.

25 Q. And so even if they did not get -- they have

1 not returned a green card, they all received notice of
2 one type or another?

3 A. That's correct. I think the Affidavit of
4 Publication is towards the end of the exhibit.

5 Q. And so you took care of both the working
6 interests and the overriding royalty interest owners so
7 there is no one -- hopefully, there is no one left to be
8 repool.

9 A. There is no one left to repool.

10 Q. And were Exhibits 1 through 5 prepared by you,
11 under your supervision or compiled from company business
12 records?

13 A. Yes.

14 Q. And in your opinion, is the granting of these
15 two applications in the interest of conservation and the
16 prevention of waste?

17 A. Yes.

18 MR. BRUCE: Mr. Examiner, I move the
19 admission of Exhibits 1 through 5.

20 EXAMINER JONES: Exhibits 1 through 5 are
21 admitted.

22 (Tap Rock Resources, LLC Exhibit Numbers 1
23 through 5 are offered and admitted into
24 evidence.)

25 MR. BRUCE: And I have no further questions

1 of the witness.

2 EXAMINER JONES: Mr. Brooks?

3 EXAMINER BROOKS: No questions.

4 CROSS-EXAMINATION

5 BY EXAMINER JONES:

6 Q. These leases are all under -- the lessee of
7 record is -- who -- what is the lessee of record on
8 these; do you know?

9 A. I don't have that information right off the top
10 of my head, but I know the working interest parties in
11 each of those. Yeah.

12 Q. Okay. Okay. And the com agreement, you'll --

13 A. Yeah. It'll be stated.

14 Q. It's in the works?

15 A. It's in the works. That's correct.

16 Q. Waiting on this, I guess.

17 MR. BRUCE: Yeah.

18 EXAMINER JONES: Okay. So basically you
19 wanted to apply under Tap Rock Resources, but not -- but
20 the operator will be Tap Rock Operating?

21 MR. BRUCE: I will take care of this. The
22 next couple of days --

23 (Cell phone ringing.)

24 MR. BRUCE: We have two Mr. Brooks up here.

25 EXAMINER JONES: Yeah. Yeah. It's

1 actually a prank call.

2 (Laughter.)

3 (Discussion off the record.)

4 Q. (BY EXAMINER JONES) It's like 319 acres, and --
5 it's not quite because of one of the lots in there, I
6 guess. There's a lot somewhere, but --

7 So you anticipate any more people signing
8 on?

9 A. I do. I think that Murchison Oil and Gas,
10 we're in negotiations -- they elected to participate but
11 just have not signed the JOA. So we're working through
12 just some JOA tweaks with them. And then we're working
13 on various deals and things with Devon and EOG. So I
14 have a feeling that we will eventually end up at some
15 voluntary --

16 Q. Okay. So you're really busy working on deals
17 with people.

18 A. Yes.

19 Q. What about spud dates on these?

20 A. We plan to spud these within the next few
21 months. So --

22 Q. Oh, okay. Okay (laughter).

23 A. Yeah. We have a tight timeline.

24 Q. So you're in a hurry for these then.

25 MR. BRUCE: You can put them aside for

1 two-and-a-half months, Will.

2 EXAMINER JONES: And then wait for his
3 desperate call (laughter). He never does unless he
4 needs to for sure.

5 Okay. I guess that's it. Thank you very
6 much.

7 EXAMINER BROOKS: Thank you. I don't have
8 anything.

9 ANDREW McCALLISTER,
10 after having been previously sworn under oath, was
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. BRUCE:

14 **Q. Would you please state your name for the**
15 **record?**

16 A. Andrew McCallister.

17 **Q. And where do you reside?**

18 A. Centennial, Colorado.

19 EXAMINER JONES: I used to live there.

20 THE WITNESS: Beautiful place.

21 EXAMINER JONES: Yeah, great place.

22 **Q. (BY MR. BRUCE) Who do you work for and in what**
23 **capacity?**

24 A. I work for Tap Rock Resources, and I am one of
25 our operations geologists.

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

3 A. I have not.

4 **Q. Would you please summarize your educational and**
5 **employment background for the examiner?**

6 A. So I received my bachelor's of geology from the
7 University of Arizona in 2010. I received my master's
8 of geology from the University of Kansas in 2012. I
9 worked for Chevron from January 2013 through April of
10 2016, the first half of my tenure as an exploration
11 geologist working international new ventures. For the
12 second half of my tenure, was an exploration and
13 appraisal geologist working the Delaware Basin.

14 From November 2017 through August 2018, I
15 was a senior geologist at Total Depth Geosteering, and
16 since August 2018, I've been an operations geologist at
17 Tap Rock.

18 **Q. Are you familiar with the geology involved in**
19 **these applications?**

20 A. I am.

21 **Q. And have you prepared geologic exhibits for**
22 **presentation today?**

23 A. I have.

24 MR. BRUCE: Mr. Examiner, I tender
25 Mr. McCallister as an expert petroleum geologist.

1 EXAMINER JONES: He is so qualified.

2 Q. (BY MR. BRUCE) What is Exhibit 6?

3 A. Exhibit 6 is a project location map centered in
4 southwest New Mexico, specifically Eddy and Lea
5 Counties. Our Poseidon drilling spacing units are
6 located in 24 South, 33 East. The inset map above the
7 main map highlights this area around our Poseidon
8 drilling spacing units. Our drilling spacing units are
9 outlined by red rectangles. Our pad location is
10 represented by a small blue square at the bottom of
11 these red polygons, and our well schematic wellbore
12 paths are shown coming out from that pad. The Poseidon
13 State Com 201 well is highlighted in blue. The Poseidon
14 State Com 205 is in purple, and the Poseidon State Com
15 202 is in orange. Our bottom-hole locations are
16 indicated by the circles.

17 Q. And what is Exhibit 7?

18 A. Exhibit 7 is a subsea structure map for the top
19 of Wolfcamp A. It is contoured in 25-foot contour
20 intervals. The data that this map was created off of is
21 in smaller gray text above the wells that that data
22 point was taken from. All nearby offset wells that are
23 producing in the Wolfcamp A are highlighted on the
24 bottom-hole location with red circles. I have marked
25 the location of our cross section in the upcoming

1 exhibits from A to A prime. Those well locations are
2 red dots with blue rims around them. The Poseidon DSU,
3 or drilling spacing unit, is located in the middle of
4 the map, along with all three of the wells.

5 **Q. And these are all Wolfcamp A tests; are they**
6 **not? These are all --**

7 A. Yes. All three of the wells we are drilling
8 are Wolfcamp A.

9 **Q. And the structure is pretty flat across the**
10 **entire well units?**

11 A. Yes. Across the Poseidon drilling spacing
12 unit, the structure is relatively flat. This is in a
13 locally -- local depression with increasing dip to the
14 west, the east and the north.

15 **Q. And what is Exhibit 8?**

16 A. Exhibit 8 is a stratigraphic cross section that
17 was denoted on the exhibit before. This cross section
18 has been flattened on the Wolfcamp A top. All four of
19 these wells have had triple combo logs run on them, and
20 I have all of those logs displayed for each of these
21 wells.

22 Track number one has a caliper log
23 displayed that's scaled 6 to 16 inches, a gamma ray
24 scale scaled 0 to 200 API with a pseudo lithologic
25 coloring. The blue coloring denotes more carbonate

1 facies. The yellow and orange denotes more
2 sand-dominated facies, and the brown to dark brown
3 denotes more shale-dominated facies.

4 In track two, I have the depth log, which
5 has 20-foot -- or 25-foot tick marks and is labeled
6 every 100 feet.

7 The track number three is a deep
8 resistivity log scaled logarithmically from 0.2 to 2,000
9 with a cutoff of 50 or less.

10 And finally the fourth track is a
11 density-porosity, neutron-porosity log, both scaled 30
12 to negative ten. The density-porosity log has a cutoff
13 of ten and greater. The neutron-porosity log has a
14 cutoff of 15 and greater.

15 In the middle of this diagram, I have a
16 schematic wellbore showing our target interval within
17 the Wolfcamp A. The green shading is our anticipated
18 stimulated rock column.

19 **Q. And what is Exhibit 9?**

20 A. Exhibit 9 is an isopach map for the Wolfcamp A
21 that is measured between the top of the Wolfcamp A to
22 the top of Wolfcamp B. This has been contoured in
23 10-foot increments. I have the cross-section location
24 shown, as on the previous map, along with denoting all
25 local Wolfcamp A wells in the local area.

1 Q. In looking at Exhibits 8 and 9 together, is the
2 targeted zone continuous across the entire length of the
3 wellbores?

4 A. Yes, it is.

5 Q. And is the thickness relatively similar across
6 the entire length of the wellbores?

7 A. It is.

8 Q. In your opinion, is the way to develop this
9 acreage by horizontal drilling?

10 A. It is.

11 Q. In your opinion, from a geologic standpoint,
12 will these quarter sections contribute more or less
13 equally to production?

14 A. Yes.

15 Q. And is there any faulting or other problems in
16 the area that would prevent these wells from being
17 drilled?

18 A. No.

19 Q. Finally -- I think you can do them together --
20 Exhibits 10, 11 and 12, what are they?

21 A. Exhibits 10 and 11 -- 10, 11 and 12 are
22 schematic wellbore diagrams that are not drawn to be
23 scale. Starting from the outside of these diagrams, the
24 solid gray lines are our section lines from the south
25 line of Section 9 to the north line of Section 4. The

1 dashed gray lines represent our first take point and
2 last take point. This consists of -- the blue lines are
3 schematic wellbore diagram.

4 **Q. Were Exhibits 6 through 12 prepared by you or**
5 **under your supervision?**

6 A. Yes.

7 **Q. And in your opinion, would the granting of**
8 **these applications be in the interest of conservation**
9 **and the prevention of waste?**

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I move the
12 admission of Exhibits 6 through 12.

13 EXAMINER JONES: Exhibits 6 through 12 are
14 admitted.

15 (Tap Rock Resources, LLC Exhibit Numbers 6
16 through 12 are offered and admitted into
17 evidence.)

18 MR. BRUCE: And I have no further questions
19 of the witness.

20 CROSS-EXAMINATION

21 BY EXAMINER JONES:

22 **Q. Okay. This Wolfcamp A, this is not in an area**
23 **that is subject to Mr. Kautz' Wolfbone Pool, is it?**
24 **It's Lea County. It's just something that -- you**
25 **already know the pool code -- the pool is Antelope --**

1 MR. BRUCE: Antelope Ridge.

2 EXAMINER JONES: You already know that.

3 MR. BRUCE: Correct.

4 Q. (BY EXAMINER JONES) I guess I should have asked
5 the land witness, but from a geologic standpoint, is
6 there any reason not to have these combined into
7 one -- into one horizontal spacing unit under the
8 proximity track provision of the Horizontal Well Rule?

9 A. I'm not familiar enough with those rules to --

10 Q. Well 205 is too close to the center line, so
11 that could have been the proximity well, I would have
12 thought, but there was a reason maybe for not doing
13 that.

14 MR. BRUCE: Well, I don't know that there
15 was other than negligence on my part. But as the
16 landman testified, all the interests are identical in
17 each well unit.

18 EXAMINER JONES: Okay. It's no big deal.
19 But as far as -- you know, you're going to have to apply
20 for NSL, but that -- that's the same so there won't be
21 no notice required.

22 MR. BRUCE: There is no notice.

23 EXAMINER JONES: So I guess before we write
24 these up --

25 MR. BRUCE: I will get that done ASAP.

1 EXAMINER JONES: What I mean is before we
2 write these up, we could actually combine these two into
3 one spacing unit.

4 MR. BRUCE: Would that be acceptable?

5 MS. ARNOLD: However we want to do it.
6 Yeah.

7 MR. BRUCE: It would be perfect either way.
8 There is no negative effect.

9 EXAMINER JONES: That way you wouldn't have
10 to do your NSL.

11 MR. BRUCE: Yeah. That paragraph-long
12 letter will kill me (laughter).

13 EXAMINER JONES: Mr. Brooks, is it kosher
14 for us to do that?

15 EXAMINER BROOKS: Well, if the parties have
16 agreed to it and it sounds to me like they have,
17 although one of them is doing so without any verbal
18 statement.

19 EXAMINER JONES: I notice she didn't say a
20 whole lot, but she's okay with it?

21 THE WITNESS: (Indicating.)

22 EXAMINER JONES: She's (indicating) nodding
23 yes.

24 EXAMINER BROOKS: Did the court reporter
25 get the nod?

1 EXAMINER JONES: Keep both titles in the
2 top and just issue one order and combine them.

3 EXAMINER BROOKS: Yeah. It's the option of
4 the operators, not the option of the OCD, but if both
5 parties agree to it, you can do anything you want.

6 EXAMINER JONES: As long as it's done
7 before we write --

8 MR. BRUCE: We can do a new C-102.

9 EXAMINER JONES: Okay. I guess that would
10 be the only issue, is the C-102.

11 MR. BRUCE: Yeah. Okay.

12 EXAMINER JONES: Just tell your regulatory
13 people about it.

14 Okay. Okay. Well, thanks very much.

15 THE WITNESS: Thank you. Mr. Commissioner,
16 I would like to request that we expedite this order, as
17 we're moving our drilling rig over to this pad in the
18 near future.

19 EXAMINER JONES: That sounds like a plan.

20 THE WITNESS: Thank you, sir.

21 EXAMINER BROOKS: I always like to see
22 people use proximity tracts because proximity tracts was
23 my idea.

24 (Laughter.)

25 MR. BRUCE: I had never done one until

1 three days ago.

2 EXAMINER BROOKS: Well, I'm glad you have
3 gotten on board.

4 EXAMINER JONES: Okay. So we've already
5 admitted the exhibits.

6 So Cases 20598 and 20599 will be taken
7 under advisement.

8 MR. BRUCE: Before we get to Mr. Miller --
9 this will just take a minute -- when you look at page 2
10 of the sheet there, you'll see there are four other Tap
11 Rock cases. And they were continued, and they were
12 continued at the request of Matador Petroleum, actually.
13 And I asked when I filed -- when I paid my fee
14 (laughter) and requested, I asked for July 25. Now, I
15 understand that dockets can get rather large at times,
16 but the OCD, I guess, kind of automatically continued
17 them to August 22nd. And I probably need to speak with
18 Marlene about that, but if at all possible, we would
19 like to get those set on the July 25th docket.

20 EXAMINER JONES: Okay. You're talking
21 about 15, 16, 19 and 20?

22 MR. BRUCE: Yes.

23 EXAMINER JONES: It sounds good to me.
24 They will all be heard, the Turtle and the Poseidon?

25 MR. BRUCE: Yeah. I think they will be

1 uncontested. If they were, they would probably have to
2 be continued. So either way, it's not a --

3 EXAMINER JONES: That sounds good to me.

4 (Case Numbers 20598 and 20599 conclude,
5 2:10 p.m.)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

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.

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 26th day of July 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

25