

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 CHEVRON USA, INC., FOR A
NONSTANDARD SPACING AND PRORATION UNIT,
UNORTHODOX WELL LOCATION AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

Case 14929

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Presiding Examiner
DAVID K. BROOKS, Legal Examiner

November 29, 2012

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Presiding Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, November 29, 2012, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
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A P P E A R A N C E S

FOR THE APPLICANT:

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1 EXAMINER EZEANYIM: I call Case Number
2 14929, application of Chevron USA, Inc., for a
3 nonstandard spacing and proration unit, unorthodox well
4 location and compulsory pooling, Eddy County, New Mexico.
5 Call for appearances.

6 MR. FELDEWERT: Mr. Examiner, Michael
7 Feldewert, with the Santa Fe office of the law firm of
8 Holland & Hart, appearing on behalf of the applicant,
9 Chevron, USA, Inc. I have two witnesses here today.

10 EXAMINER EZEANYIM: Any other appearances?

11 Okay. May the witnesses stand up, state your
12 names and be sworn, please?

13 MR. STUBBS: My name is Kevin Stubbs. I'm
14 a landman for Chevron.

15 MR. MINNERY: Greg Minnery. I'm a
16 geologist for Chevron.

17 (Two witnesses were sworn.)

18 MR. FELDEWERT: Mr. Examiner, with your
19 permission, I'll call my first witness.

20 EXAMINER EZEANYIM: Go ahead.

21 KEVIN STUBBS

22 Having been first duly sworn, testified as follows:

23 DIRECT EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Please state your name for the record identify

1 by whom you're employed and in what capacity.

2 A. Kevin Stubbs. I'm employed as a landman for
3 Chevron USA, Inc.

4 Q. Have you previously testified before this
5 Division?

6 A. I have not.

7 Q. Summarize your educational background, please,
8 for the Examiners.

9 A. I graduated from Texas A&M University in 2004
10 with a BBA in Management, and I graduated in 2007 from
11 South Texas College of Law.

12 Q. Would you identify your -- go through your
13 work history since you graduated from law school in 2007?

14 A. I worked in civil litigation for a few months
15 and then started working as an independent landman in
16 June of 2008. In September of 2008, I began working as a
17 landman for Chevron.

18 Q. What have been your areas of responsibility
19 since you started working with Chevron as landman in
20 September of 2008?

21 A. Initially, I worked acids in South Texas for
22 about a year. And then beginning in January of 2010, I
23 started working in the Permian Basin, specifically the
24 Delaware Basin, and I've been working that area ever
25 since.

1 Q. Are you a member of any professional
2 organizations?

3 A. I'm a member of the State Bar of Texas, AAPL
4 and PBLA.

5 Q. How long have you been a member of the AAPL?

6 A. 2008.

7 Q. And the PBLA, the Permian Basin Landman
8 Association, how long have you been a member of that
9 organization?

10 A. 2010.

11 Q. Are you familiar with the application that's
12 been filed in this matter?

13 A. I am.

14 Q. Are you familiar with the status of the lands
15 in the subject area?

16 A. I am.

17 MR. FELDEWERT: Mr. Examiner, I would
18 tender Mr. Stubbs as an expert witness in petroleum land
19 matters.

20 EXAMINER EZEANYIM: Did you say you went
21 to A&M?

22 THE WITNESS: I went to Texas A&M.

23 EXAMINER EZEANYIM: That's a good school.
24 You are so qualified.

25 MR. FELDEWERT: Texas A&M grads are

1 automatically qualified.

2 EXAMINER EZEANYIM: That's not what I
3 said. Go ahead.

4 Q. (By Mr. Feldewert) Mr. Stubbs, would you turn
5 to what's been marked as Chevron Exhibit Number 1,
6 identify it, orient the Examiner, and identify what the
7 company seeks under this application?

8 A. This is a map showing the lands subject to
9 Chevron's application. And in this application, we are
10 seeking to form a 160-acre nonstandard spacing and
11 proration unit comprised of the west half/west half of
12 Section 15. And additionally, we are seeking to pool all
13 mineral interests as to the Bone Spring in that spacing
14 unit.

15 Q. Is your west half/west half nonstandard
16 spacing unit outlined in blue?

17 A. Yes.

18 Q. Then there is an outline of the west half of
19 that section in -- what color is that?

20 A. Pink.

21 Q. What is that?

22 A. That is the contract area for the joint
23 operating agreement that we are drilling this well in.

24 Q. There's an area that's circled in brown. What
25 does that represent?

1 A. That is the approximate location of BNSF
2 Railway Company's .71-acre triangular tract which we are
3 attempting to pool today.

4 Q. And then finally, do you show your proposed
5 well on this west half/west half unit?

6 A. Yes.

7 Q. It's in red?

8 A. Yes.

9 Q. What will be the initial well that's dedicated
10 to this west half/west half spacing unit?

11 A. The Heritage 2-15H. The surface hole location
12 is located in unit letter M, and the bottomhole location
13 in unit letter D.

14 Q. Is this west half/west half all fee lands?

15 A. Yes.

16 Q. And what pool is involved with this
17 application?

18 A. The South Culebra Bluff Bone Spring Pool.

19 Q. If we turn to what's been marked as Chevron
20 Exhibit Number 2, is that the order from the Commission
21 that first established this pool and then created special
22 pool rules for this particular pool?

23 A. Yes.

24 Q. It was entered in 1979; correct?

25 A. That's correct.

1 Q. Under this particular order, which has been
2 marked as Chevron Exhibit 2, what are the spacing
3 requirements and the well location requirements?

4 A. The requirement for spacing is 80 acres. And
5 the requirement for well location, Rule 4 states that
6 each well shall be located within 150 feet of the
7 centerline of a quarter/quarter section.

8 Q. The well that you are proposing to drill here
9 in the west half of the section, is that going to be a
10 nonstandard location under these special pool rules?

11 A. Yes.

12 Q. So Chevron is also seeking approval of that
13 nonstandard location; is that correct?

14 A. That's correct.

15 Q. First turn to your request to pool the BNSF
16 interest, the railroad interest, which is depicted in the
17 brown circle on Exhibit Number 1; correct?

18 A. That's correct.

19 Q. What percentage interest does the railway hold
20 here?

21 A. Less than one-half percent.

22 Q. Have you reached a voluntary agreement with
23 the remaining 99-and-a-half percent working interest
24 owners in this acreage?

25 A. I have.

1 Q. If I turn to what's marked Chevron Exhibit 3,
2 is that a copy of the well proposal letter for this
3 project?

4 A. Yes, it is.

5 Q. And at the time that you sent this well
6 proposal letter, did you also include an AFE?

7 A. Yes, we did.

8 Q. Is that marked as Chevron Exhibit Number 4?

9 A. Yes.

10 Q. Now, looking at Chevron Exhibit Number 3, I
11 note that it's addressed to the Farmers National Company.
12 What is that company?

13 A. Farmers National Company manages BNSF's
14 mineral interests in Eddy County, New Mexico.

15 Q. It's addressed to a woman by the name of
16 Jennifer Kindred. Who is Ms. Kindred?

17 A. Ms. Kindred is a minerals manager for Farmers
18 National.

19 Q. Prior to sending this letter, did you have
20 discussions with Ms. Kindred about your development
21 project?

22 A. I did.

23 Q. Would you outline the nature of those
24 discussions?

25 A. I initiated contact with Ms. Kindred in April

1 of 2012 and submitted a formal offer to lease in May of
2 2012. Over several months following that, we continued
3 negotiations of that lease with numerous phone calls,
4 voicemails, emails.

5 As of today, we are very close to reaching an
6 agreement with BNSF. However, we still wish to proceed
7 with pooling.

8 Q. So you don't have a deal done yet?

9 A. Not yet.

10 Q. And in the midst of those conversations, you
11 then submitted this well proposal letter in October?

12 A. Yes.

13 Q. And you've had subsequent discussions since
14 that time?

15 A. That's correct.

16 Q. If I then turn to what's marked Exhibit 4, the
17 AFE that was submitted with this letter, are the costs
18 that are reflected on this AFE consistent with what the
19 company has incurred for drilling similar horizontal
20 wells at this depth?

21 A. Yes.

22 Q. And in addition to this AFE, has the company
23 made estimates of the overhead and administrative costs
24 while drilling this well and also while producing if you
25 are successful?

1 A. Yes.

2 Q. What are those costs?

3 A. The drilling overhead costs are \$6,887 per
4 month while drilling, and the producing costs are \$731
5 per month while drilling.

6 Q. Those are down to the dollar. Are those costs
7 that are in effect under the current JOA executed by all
8 the working interest owners in this acreage?

9 A. Yes.

10 Q. So those have been adjusted in accordance with
11 the COPAS guidelines to the dollar figures that you've
12 just testified to?

13 A. Yes.

14 Q. Do you request that these overhead and
15 administrative costs likewise be included in the order
16 from this Division?

17 A. Yes, we do.

18 Q. And similarly, be adjusted in accordance with
19 the COPAS guidelines?

20 A. Yes.

21 Q. All right. And does the company request that
22 the Division include the customary 200 percent risk
23 penalty in the event that you are unable to reach an
24 agreement with BNSF and they choose not to participate in
25 the well?

1 A. Yes.

2 Q. I want to turn now to the nonstandard west
3 half/west half spacing unit. Did the company identify
4 the operators and the leased mineral owners in the
5 40-acre tracts surrounding the proposed nonstandard
6 spacing unit?

7 A. Yes.

8 Q. Did you include these known leased mineral
9 interest owners in the notice of hearing?

10 A. Yes.

11 Q. Has the company brought geologist to provide
12 technical support in support of the nonstandard spacing
13 and proration unit?

14 A. Yes.

15 Q. With respect to the unorthodox well location,
16 you mentioned that the special pool rules that were in
17 effect under Exhibit 2 require the wells to be located
18 within 150 feet of the center of each quarter/quarter
19 section; correct?

20 A. That's correct.

21 Q. So essentially, they need to be 510 feet, if
22 my math is correct, from the outer boundary of each
23 40-acre tract?

24 A. That's correct.

25 Q. Where will your well be in relation to the

1 outer boundary of the west half/west half spacing unit?

2 A. Chevron's proposed surface hole location for
3 this well is 330 feet from the west line and 330 feet
4 from the south line.

5 Q. Where is your bottomhole location?

6 A. The proposed bottomhole location is 330 feet
7 from the west line and 330 feet from the north line.

8 Q. Based on your drilling plan, where will the
9 well be -- with respect to the adjoining spacing units,
10 where will you be encroaching?

11 A. We will be encroaching on units to the west,
12 northwest and north.

13 Q. And why will you not be encroaching onto the
14 adjoining spacing units to the south or the southwest?

15 A. The producing portion of the wellbore will be
16 more than 510 feet from the south line.

17 Q. Because you're building your curve, and then
18 you have your perforations that will start more than 510
19 feet from the south line?

20 A. Correct.

21 Q. Did you undertake an effort to identify the
22 operators and lessees in the offsetting spacing units
23 upon which you are encroaching?

24 A. I did.

25 Q. Did Chevron include them in the notice of this

1 hearing?

2 A. Yes.

3 Q. Is there a surface reason for the nonstandard
4 location for this horizontal well?

5 A. If you look on Exhibit 2, there's a small
6 tract just to the east of the proposed surface hole
7 location. There's a residence on that small tract. It's
8 hard to see. It's about a five-acre tract just to the
9 east of the surface hole location. There's a residence.

10 So if we propose the well with a surface hole
11 location of 510 from the west end of the south lines, the
12 well will be nearly 150 feet or so from that residence.

13 Q. Are there also general development reasons for
14 your well locations that the next witness will testify
15 about?

16 A. Yes, there are.

17 Q. Is Chevron Exhibit Number 5 an affidavit, with
18 attached letters, providing notice of this hearing to all
19 of the affected parties?

20 A. Yes, it is.

21 Q. Were Exhibits 1 through 5 prepared by you or
22 compiled under your direction and supervision?

23 A. Yes.

24 MR. FELDEWERT: Mr. Examiner, I would move
25 the admission into evidence of Chevron Exhibits 1 through

1 5.

2 EXAMINER EZEANYIM: Exhibits 1 through 5
3 will be admitted.

4 (Exhibits 1 through 5 were admitted.)

5 MR. FELDEWERT: Finally, Mr. Examiner, we
6 have an additional request.

7 Q. (By Mr. Feldewert) Mr. Stubbs, did Chevron
8 file this pooling application in time to be heard at the
9 normal November 15th Examiner hearing?

10 A. Yes.

11 Q. But that docket was cancelled; correct?

12 A. That's correct.

13 Q. Which brings us then to today?

14 A. That's correct.

15 Q. Has this event created a problem for Chevron
16 in terms of the timing of any pooling order arising out
17 of this hearing?

18 A. It has.

19 Q. Explain that to the Examiners, please.

20 A. The expected spud date for this well is
21 January 6th.

22 Q. That rig is scheduled. And is that a schedule
23 that the company needs to maintain?

24 A. It is.

25 Q. So if the order would happen to take 60 days,

1 rather than 30 days, that would present a problem for the
2 company; right?

3 A. It would.

4 Q. So do you request that, if at all possible,
5 the Examiners expedite the order in this matter so that
6 we have an order sometime by the end of December? Will
7 that work?

8 A. Yes.

9 EXAMINER EZEANYIM: That you have an order
10 when?

11 THE WITNESS: By the end of December.

12 MR. FELDEWERT: If at all possible.

13 EXAMINER EZEANYIM: I will be on vacation
14 tomorrow.

15 THE WITNESS: Tomorrow will work.

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

18 EXAMINER EZEANYIM: Do you have any
19 questions?

20 EXAMINER BROOKS: Yes.

21 EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. If I understand this correctly, the only thing
24 you're pooling is this BNSF tract?

25 A. That's correct.

1 Q. They own this divided tract? They don't own
2 an undivided interest in the unit as of now?

3 A. Correct.

4 Q. So the wellbore is not going to penetrate that
5 BNSF tract?

6 A. That's correct.

7 EXAMINER BROOKS: So while we recognize
8 your need for -- your desire for comfort in this, we'll
9 do what we can to expedite it. The fact of the matter
10 is, under our rules, you can obtain an AFE and proceed to
11 drill this well even if this case were still under
12 advisement. But you would have to, of course, have the
13 approval prior to the C-104.

14 And I can certainly understand that you might
15 be reluctant to take that risk, although the history
16 would tend to indicate that it's very, very rare that
17 uncontested compulsory pooling applications are denied.

18 MR. FELDEWERT: The only caveat is that I
19 believe the unorthodox well location could present a
20 problem, which is why I think we --

21 EXAMINER BROOKS: The same thing would
22 apply to the unorthodox well location, I believe. But
23 you have given notice to all the offsets; right?

24 MR. FELDEWERT: Yes.

25 EXAMINER BROOKS: Have you received any

1 objections?

2 MR. FELDEWERT: No.

3 EXAMINER BROOKS: We generally get our
4 orders done in about 30 days. But of course it's good
5 for you to let us know, because this is not a normal
6 time. This is a holiday period. But I just wanted to
7 bring those matters up. Thank you.

8 EXAMINER EZEANYIM: So we are short
9 Sunday, too. So you recognize it's very difficult to get
10 it filed?

11 EXAMINER BROOKS: Yes. And Mr. Ezeanyim
12 and I both have vacation time in the next 30 days.

13 MR. FELDEWERT: I understand. And if
14 you'd like us to take a shot at drafting a draft order,
15 we'd be happy to do that.

16 EXAMINER BROOKS: That would be very
17 helpful.

18 EXAMINER EZEANYIM: Send a draft order. I
19 don't want that rig to go. We need you to have that rig

20 EXAMINER BROOKS: Holland & Hart is
21 familiar enough with the forms of orders that we normally
22 use in these types of cases, a draft order that would be
23 very close to what we can --

24 MR. FELDEWERT: I think I can get
25 something to you shortly.

1 EXAMINER EZEANYIM: Whatever you write
2 doesn't mean I'm going to agree to it.

3 MR. FELDEWERT: I understand.

4 EXAMINER BROOKS: No further questions.

5 EXAMINER EZEANYIM: You are going to write
6 an order? Maybe I will get the name of the pool. What
7 is the name of the pool, Culebra Bluff Bone Springs?

8 MR. FELDEWERT: It's actually on Exhibit
9 2.

10 EXAMINER EZEANYIM: The well, do you have
11 any API number? No API number yet?

12 THE WITNESS: I believe we might. I just
13 don't know what it is.

14 EXAMINER EZEANYIM: Those are what I look
15 at when an order is drafted. I get the API number, get
16 the overhead rates and get the name of the pool. Then I
17 can do whatever I want with the order. Okay, that's all.

18 MR. FELDEWERT: We will call our next
19 witness.

20 EXAMINER EZEANYIM: Sure.

21 GREG MINNERY

22 Having been first duly sworn, testified as follows:

23 DIRECT EXAMINATION

24 BY MR. FELDEWERT:

25 Q. Would you please state your name, identify by

1 whom your employed and in what capacity?

2 A. Greg Minnery. I'm a senior geologist with
3 Chevron.

4 Q. Have you previously testified before this
5 Division as an expert witness in petroleum geology?

6 A. No, I have not.

7 Q. Would you please summarize your educational
8 background?

9 A. I have a Bachelor's degree in Biology from the
10 University of Cincinnati. I have a Master's in Geology
11 also from the University of Cincinnati, and I have my
12 Doctorate in Oceanography from Texas A&M University.

13 Q. Where did you get your Doctorate in
14 Oceanography?

15 A. When?

16 Q. Yes.

17 A. 1983.

18 Q. What has been your work history since 1983?

19 A. I came to work straight from school to
20 Chevron. I've been employed by Chevron for 29 years in
21 various capacities of earth science, as well as
22 environmental work.

23 Regarding the Permian Basin, I've been working
24 in the Permian Basin, specifically the Delaware Basin,
25 for about seven of those years.

1 Q. Have you been involved specifically with
2 horizontal drilling in the Permian Basin for a period of
3 time?

4 A. Since February of this year.

5 Q. Are you a member of any professional
6 organizations?

7 A. I'm a member of the American Association of
8 Petroleum Geologists.

9 Q. How long have you been a member of that
10 organization?

11 A. Since 1983.

12 Q. Are you familiar with the application that's
13 been filed in this matter?

14 A. Yes.

15 Q. Have you conducted a geologic study of the
16 lands that are the subject of this application?

17 A. I have.

18 MR. FELDEWERT: Mr. Examiner, I would
19 tender Mr. Minnery as an expert witness in petroleum
20 geology and note specifically that he graduated from
21 Texas A&M.

22 EXAMINER EZEANYIM: He's so qualified.

23 Q. (By Mr. Feldewert) Would you turn to what's
24 been marked Chevron Exhibit Number 6, identify that for
25 the Examiners and walk us through what it shows?

1 A. What it shows is the same section that you
2 looked at before. This is in the subsurface. It shows a
3 structural cross-section. In this particular case, the
4 contours are at 10-foot spacing. You can see, as you go
5 to the right, it gets deeper. So it's a structural map.
6 The mapping horizon here is the base of the target
7 formation, which in this case is the Second Bone Springs
8 sand.

9 As you can see, there's a gradual dip to the
10 east/southeast of about one degree. It's a very
11 uncomplicated structure. So there's nothing of concern
12 from our standpoint, with regard to geologic obstacles,
13 that may be a problem with this horizontal well.

14 Q. Your proposed well is shown in red on this
15 Exhibit 6; correct?

16 A. Correct.

17 Q. And the bottomhole is down in Unit M?

18 A. That's correct.

19 Q. Is there a reason why you're going south to
20 north?

21 A. Whenever we can, we certainly like to drill
22 these horizontals with a toe-up design in order to use
23 gravity to help drainage flow. So when we can take
24 advantage of that, we do. We're not always in a position
25 to do that. But when we can, we like to try and do that.

1 It adds significantly -- it tends to add to
2 production after several years of the well being online,
3 so we try to do that as often as we can.

4 Q. Is this the second well the company will drill
5 in this half section?

6 A. Right.

7 Q. Is the first well shown on this particular
8 map?

9 A. It is. It is shown as a blue line.

10 Q. Likewise, did you drill that with a toe-up
11 from south to north?

12 A. We did.

13 Q. Have you been successful with that well?

14 A. The well came in at around 480 barrels a day,
15 and it has been a producing well for the past three
16 months. Current flow is around 220 barrels a day.

17 Q. Now, you also show on your map an A to A prime
18 for a cross-section?

19 A. Yes.

20 Q. Is one of the wells that you're using in your
21 cross-section the first well that the company drilled in
22 this half section?

23 A. That's right. That's identified as the
24 Chevron Heritage 2 15-1H.

25 Q. Turn to what's been marked as Chevron Exhibit

1 Number 7. Is this a cross-section that corresponds to
2 the previous exhibit?

3 A. Correct.

4 Q. Would you orient the Examiners, please, and
5 walk us through this exhibit?

6 A. What this is is just a simple structural
7 cross-section, A to A prime. So the south is to your
8 left, and north is to your right, toward A prime. It
9 shows a toe-up design. The yellow horizon that we will
10 be drilling horizontal through is shown in yellow.

11 Again, you can see the toe-up plan that we
12 have for this well. The logs here are the standard gamma
13 ray. Of the three wells here, the gamma ray is on the
14 left. And on right, we see a neutron density log. And
15 we do have porosity in that sandstone, so that is what we
16 try to target and stay into.

17 We also use mud logs to maintain our control,
18 too, when we get in the horizontal portion, mud gas
19 shows, for example. But that is our intended target,
20 shown as a green line.

21 Q. What conclusions have you drawn as a result of
22 your study?

23 A. The conclusions are that we're excited about
24 this well. We think it's going to be a mirror to the
25 first well we drilled in this section. And again, like I

1 said, it's a mirror. It's drilled with a hole-up design.
 2 And it appears from a structural standpoint, from offset
 3 wells, that there is no geologic obstruction that we need
 4 to be concerned about.

5 Q. And would you expect the proposed project area
 6 to contribute to the well's production in a generally
 7 consistent fashion?

8 A. Yes.

9 Q. If I then turn to what's been marked Chevron
 10 Exhibit Number 8, is this a diagram of your proposed
 11 well?

12 A. That's correct.

13 Q. It demonstrates that the planned well will be
 14 drilled 330 feet from -- or end up being drilled 330 feet
 15 from the west line, and the bottomhole will end up at 330
 16 feet from the north line?

17 A. That's correct.

18 Q. Which is unorthodox under the current pool
 19 rules; correct?

20 A. Yes.

21 Q. What are some additional relevant reasons for
 22 this unorthodox location?

23 A. From a production standpoint, we like to drill
 24 the wells as straight as possible. Meaning once we start
 25 a curve, we want to drill it straight down.

1 Now, if we're required to maintain a 510
2 offset, we have to put a little bit of a spiral in there
3 from the surface location. The surface location, just
4 from the residence being right there, we are required to
5 stay away from that house.

6 We could start the surface location at 330
7 from the section lines. But if we have to put an
8 additional corkscrew design and try to get 510, that's
9 one more thing that could increase the risk, because we
10 put these wells on subpump. They're on pump for about
11 five, six months, and we don't want to put those pumps
12 into the curve. And we do want to put them as deep as
13 possible because that increases the flow.

14 So you try to get the pump in as deep as
15 possible, but you don't want to risk ruining the
16 equipment. And after five or six months of these being
17 on submersible pump, then we go to rod pump style. And
18 again, that's something that, in a curved hole, can be
19 very difficult to do because you don't want the rods
20 running up against the sides of the casing.

21 So when we drill these, we like to have these
22 wells as uncomplicated as possible. If we don't have to
23 put a spiral curve, we would like not to do that. So in
24 this particular case, having a straight shot right up the
25 330 line would be advantageous and I think would improve

1 our drainage.

2 Q. If I look at Exhibit 6, is there also a
3 general development reason that would support this
4 unorthodox well location?

5 A. There is. We've looked in other areas where
6 we're active and tried to maintain what kind of spacing
7 strategy would be the most advantageous. And rather than
8 trying to put these wells on 80 acres, which would
9 actually give you eight horizontals per section, we think
10 that may not be economic to do that. So we're looking at
11 putting these wells at six wells per section.

12 So in that particular case, this type of
13 design would be advantageous by having our first well
14 over on the far east side and the second well that we're
15 talking about today on the far western side, it would
16 allow for a third well to go up the middle in the future.
17 And that would match what we're trying to do elsewhere,
18 in terms of maximizing recovery.

19 Q. The unorthodox well location for the initial
20 well that is shown in blue, that was likewise approved by
21 the Division?

22 A. That's correct.

23 EXAMINER EZEANYIM: It has been approved?

24 MR. FELDEWERT: Yes.

25 EXAMINER EZEANYIM: I thought you were

1 asking us to approve that, too.

2 MR. FELDEWERT: No. It's been approved.

3 EXAMINER EZEANYIM: It says standard. But
4 when you go to that special pool rule, it's nonstandard.
5 I didn't know you got approval for the unorthodox. So we
6 don't have to worry about that.

7 MR. FELDEWERT: We do for this well. For
8 the proposed well, we still need approval of the
9 unorthodox location.

10 EXAMINER EZEANYIM: I thought you said you
11 got approval.

12 MR. FELDEWERT: The existing well out
13 there has already been --

14 EXAMINER EZEANYIM: But this well, you
15 haven't? Okay.

16 Q. (By Mr. Feldewert) In your opinion,
17 Mr. Minnery, would approval of the unorthodox location
18 provide the company with the opportunity to implement
19 what you consider to be the optimal drainage pattern for
20 this area?

21 A. Yes, it would.

22 Q. In your opinion, will the granting of this
23 application be in the best interest of conservation and
24 prevention of waste and protection of correlative rights?

25 A. Yes.

1 Q. Were Chevron Exhibits 6 through 8 prepared by
2 you or compiled under your direction and supervision?

3 A. Yes.

4 MR. FELDEWERT: Mr. Examiner, I move
5 admission into evidence of Chevron Exhibits 6 through 8.

6 EXAMINER EZEANYIM: Exhibits 6 through 8
7 will be admitted.

8 (Exhibits 6 through 8 were admitted.)

9 MR. FELDEWERT: That concludes my
10 examination of this witness.

11 EXAMINER EZEANYIM: Do you have any
12 questions?

13 EXAMINER BROOKS: No questions.

14 EXAMINER EZEANYIM: No questions.

15 At this point, we will take Case 14929 under
16 advisement.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____.

_____, Examiner
Oil Conservation Division

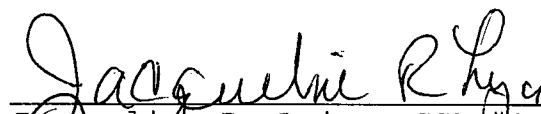
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on November 29, 2012, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 11th day of December,
2012.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2012