

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 NADEL AND GUSSMAN PERMIAN, Case 14883  
LLC, FOR APPROVAL OF A NONSTANDARD OIL  
SPACING AND PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

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BEFORE: DAVID K. BROOKS, Presiding Examiner  
WILLIAM V. JONES, Technical Examiner

November 1, 2012

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, DAVID K. BROOKS,  
Presiding Examiner, and WILLIAM V. JONES, Technical  
Examiner, on Thursday, November 1, 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  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

1 A P P E A R A N C E S

2 FOR THE APPLICANT:

3 JAMES BRUCE, ATTORNEY AT LAW  
 4 P.O. Box 1056  
 5 Santa Fe, New Mexico 87501  
 6 (505)982-2043

7 FOR DHA, LLC, ET AL.:

8 HOLLAND & HART, LLP  
 9 MICHAEL H. FELDEWERT, ESQ.  
 10 110 North Guadalupe, Suite 1  
 11 Santa Fe, New Mexico 87501  
 12 (505)988-4421

13 FOR COG OPERATING, LLC:

14 CAROL LEACH, Esq.  
 15 1048 Paseo de Peralta  
 16 Santa Fe, New Mexico 87501  
 17 (505)780-8000

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1 EXAMINER BROOKS: I'll call Case 14883,  
2 application of Nadel and Gussman Permian, LLC, for  
3 approval of a nonstandard oil spacing and proration unit  
4 and compulsory pooling, Eddy County, New Mexico.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce, of  
7 Santa Fe, representing the applicant. I have two  
8 witnesses.

9 EXAMINER BROOKS: And you're appearing?

10 MS. LEACH: I'm Carol Leach, and I'm  
11 appearing for COG Operating, LLC.

12 MR. FELDEWERT: Mr. Examiner, Michael  
13 Feldewert, of the Santa Fe office of Holland & Hart. We  
14 have entered a written appearance on behalf of a number  
15 of entities, and you don't need to write these down, but  
16 it would be for Yates Petroleum Corporation; Yates  
17 Industries, LLC; Yates Brothers; John A. Yates Trust for  
18 Peggy A. Yates, Martin Yates; Charborough Holdings, LLC;  
19 Charborough Energy, LLC; and Legacy Royalty, LLC. I'm  
20 also here entering an appearance on behalf of DHA, LLC.

21 And out of an abundance of caution, since  
22 there are some title issues, I'm also entering an  
23 appearance on behalf of Arrington Oil & Gas Operating,  
24 LLC.

25 We have -- on behalf of DHA, LLC, there appear

1 to be some questions with respect to the title here,  
2 particularly with respect to the ownership interests.  
3 And there are, according to my client, substantial  
4 variations in the Exhibit A to the operating agreement  
5 that has been proposed.

6 DHA, LLC, therefore asks that this -- I know  
7 that Mr. Bruce has his witnesses here today. We don't  
8 mind if that goes forward. But we do ask that the matter  
9 be continued until the next docket, which I think would  
10 be November 29th, for purposes of allowing DHA, LLC, and  
11 the applicant here to work through some of these title  
12 issues and hopefully come to an agreement on the joint  
13 operating agreement.

14 EXAMINER BROOKS: Do you have any  
15 witnesses?

16 MR. FELDEWERT: I do not have any  
17 witnesses.

18 EXAMINER BROOKS: And you don't, either,  
19 Ms. Leach?

20 MS. LEACH: No.

21 MR. BRUCE: Mr. Examiner, we do not object  
22 to a continuance, and I'll explain more at the end of my  
23 landman's testimony why.

24 The landman will testify that there are  
25 several parties they are still working with that they

1 expect to get JOAs signed with, and one of them is DLH.  
2 So we do not object to a continuance to continue to work  
3 with them.

4 The only reason -- and I would consent to a  
5 continuance. I've already used up my third continuance,  
6 although I don't think that is a problem, as such --

7 EXAMINER BROOKS: My understanding of the  
8 way we do these things is that the other party also has  
9 three continuances. So if it's DHA's motion, then we can  
10 go ahead.

11 MR. BRUCE: Then we do not object.

12 EXAMINER BROOKS: Let's get the witnesses  
13 sworn, please.

14 Will the witnesses please stand and state your  
15 names for the record?

16 MS. MCGINNIS: Crystal Emerald McGinnis.

17 MR. MATTEUCCI: Michael Matteucci.

18 (Two witnesses were sworn.)

19 CRYSTAL EMERALD MCGINNIS

20 Having been first duly sworn, testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Please state your name and city of residence,  
24 please.

25 A. Crystal Emerald McGinnis, Midland, Texas.

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

2 A. Nadel and Gussman Permian, as a land manager.

3 Q. Have you previously testified before the  
4 Division?

5 A. Yes.

6 Q. And were your credentials as an expert  
7 petroleum landman accepted as a matter of record?

8 A. Yes.

9 Q. Does your area of responsibility at Nadel and  
10 Gussman include this area of Southeast New Mexico?

11 A. Yes, it does.

12 Q. Are you familiar with the land matters  
13 involved in this case?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I tender  
16 Ms. McGinnis as an expert petroleum landman.

17 EXAMINER BROOKS: So qualified.

18 Q. (By Mr. Bruce) Could you identify Exhibit 1  
19 and describe what Nadel and Gussman seeks in this case?

20 A. Exhibit 1 highlights the 160-acre proration  
21 unit that we intend to designate for Super Chief Number  
22 1H well. And we seek an approval for a nonstandard well  
23 unit in the Glorieta-Yeso formation, and it would  
24 comprise the east half of west half of Section 24.

25 Q. And what is the name of the proposed well?

1 A. Super Chief Number 1H.

2 Q. And do we have a geologist here today to  
3 testify more about the --

4 A. Yes, we do.

5 Q. Could you identify Exhibit 2 for the Examiner?

6 A. Yes. Exhibit 2 lists the working interest  
7 owners in the well unit, together with their percentage  
8 of mineral interests.

9 Q. And the people who are highlighted are the  
10 ones who are not being pooled?

11 A. Yes. And during my travel time here, we  
12 managed to work something out with Cimarex and Nuevo  
13 Seis, so they're also waived.

14 Q. Let's go down this a little bit. I believe  
15 that Cirrus Exploration entered an appearance in this  
16 case, but they have joined in the well; correct?

17 A. Yes, sir, they have.

18 Q. And one of the highlighted parties is Yates  
19 Brothers, which Mr. Feldewert represents. They have  
20 joined in the well; correct?

21 A. They have indicated that they intend to.

22 Q. But you're not seeking to force pool them?

23 A. No, sir.

24 Q. What about -- you said, "Nuevo Seis"?

25 A. Nuevo Seis is right under Artesia Oil & Gas.

1 I was informed that they returned their JOA this morning  
2 since I've been here.

3 Q. So they signed?

4 EXAMINER BROOKS: Who is this?

5 THE WITNESS: Nuevo Seis, LP.

6 MR. BRUCE: If you go down to about the  
7 middle of the page, Mr. Examiner right under, the  
8 highlighted "Artesia Oil & Gas."

9 EXAMINER BROOKS: Okay.

10 Q. (By Mr. Bruce) Now, just for general  
11 information purposes, it looks like there's a lot of  
12 parties to force pool here. But has Nadel and Gussman  
13 already leased a substantial number of interest owners in  
14 this well?

15 A. Yes, we have. We began leasing efforts about  
16 two years ago, so we've continually leased since that  
17 time.

18 Q. So it's pretty ugly title up there?

19 A. It's very ugly.

20 Q. And what are exhibits -- without going into  
21 detail, what are Exhibits 3A and 3B?

22 A. 3A are the leasing offer letters that we  
23 started sending out in approximately August to September  
24 of 2010. We've continued through this time to try and  
25 work with mineral owners to lease their interests.



1           Exhibit 3B is the well proposals that we  
2   started sending out in approximately February of 2012,  
3   proposing the Super Chief Number 1 well. And in that  
4   letter we also offered to either lease or secure term  
5   assignment or farmout of people's mineral interests  
6   and/or leasehold interests.

7           Q.     So some parties being pooled had leasehold  
8   interests, and a lot of them are unleased mineral owners?

9           A.     Yes.

10          Q.     As you've said, you've been working on this  
11   prospect for, looking at August 2010, like 26 or 27  
12   months?

13          A.     Yes.

14          Q.     And there are unlocatable owners, are there  
15   not?

16          A.     Yes. The majority of the -- I would say the  
17   majority of the people we are seeking to force pool were  
18   unlocatable.

19          Q.     What did you do to locate those interest  
20   owners?

21          A.     We searched the county records, Internet  
22   research, and then also just the typical 411 telephone  
23   directory. We also tried to work with any family members  
24   that seemed to maybe be related to these members to try  
25   and track people down or seek them out.

1 Q. In your opinion, has Nadel and Gussman made a  
2 good-faith effort to obtain the voluntary joinder of the  
3 interest owners in the well?

4 A. Yes.

5 Q. Could you identify Exhibit 4 and discuss the  
6 cost of the proposed well?

7 A. Exhibit 4 is the AFE that we sent out in  
8 February. This is an updated version. I'm probably not  
9 an expert in discussing the cost of the well. That may  
10 be more of a geologist/engineer question.

11 Q. But what is the total well cost?

12 A. The total well cost is 2.96059 million.

13 Q. And what is the recommendation for the amounts  
14 which Nadel and Gussman should be paid for supervision  
15 and administrative expenses?

16 A. 6,000 a month for drilling costs and 600 a  
17 month for producing wells.

18 Q. Are these amounts equivalent to those normally  
19 charged by Nadel and Gussman and other operators in this  
20 area for wells of this depth?

21 A. Yes, very typical.

22 Q. Do you request that these rates be adjusted  
23 periodically under the COPAS accounting procedures?

24 A. Yes.

25 Q. Do you request a maximum cost plus 200 percent

1 risk charge if any interest owner goes nonconsent in the  
2 well?

3 A. Yes, sir.

4 Q. And was notice sent out to the various  
5 interest owners, written notice?

6 A. Yes.

7 Q. Is that reflected in Exhibit 5?

8 A. Yes.

9 Q. Was notice published as to the unlocatable  
10 parties?

11 A. Yes.

12 Q. Is that reflected in Exhibit 6, the Affidavit  
13 of Publication?

14 A. Yes.

15 Q. Were Exhibits 1 through 6 prepared by you or  
16 under your supervision?

17 A. Yes, sir.

18 Q. And in your opinion, is the granting of this  
19 application in the interest of conservation and the  
20 prevention of waste?

21 A. Yes.

22 MR. BRUCE: Mr. Examiner, one reason I do  
23 not object to a continuance is because, for the first  
24 time in my life, I forgot to send out notice to the  
25 offsets of this well. I have a letter on my computer,

1 but I can't find a signed letter, nor can I find green  
2 cards to the people I notified -- that I was supposed to  
3 notify.

4 But with that, Mr. Examiner, I would move the  
5 admission of Exhibits 1 through 6.

6 EXAMINER BROOKS: Exhibits 1 through 6 are  
7 admitted.

8 (Exhibits 1 through 6 were admitted.)

9 MR. BRUCE: And I pass the witness.

10 EXAMINER BROOKS: Very good.

11 Mr. Feldewert?

12 MR. FELDEWERT: I just have a couple of  
13 questions. I just wanted to clarify a few things.

14 CROSS-EXAMINATION

15 BY MR. FELDEWERT:

16 Q. If I look at Exhibit Number 2, that contains  
17 at this point the list of parties that you seek to pool,  
18 with the exception of those that are highlighted?

19 A. Yes, and those that I mentioned.

20 Q. Okay. It may not show up on any copy, but I  
21 just want to make sure. With respect to the Yates  
22 Brothers, which is about a third of the way down --

23 A. Yes.

24 Q. -- you show them as being highlighted, which  
25 means you don't seek to pool them; correct?

1           A.     Correct. I think there's a notation to the  
2 right where I've indicated I'd like to dismiss them.

3           Q.     I went through the list, and I don't see any.  
4 I just want to make sure whether you're aware of any.  
5 Are there any other Yates entities on this list?

6           A.     None that I'm aware of. I've been working  
7 with Chuck extensively. I think we've tied them all up.  
8 I think that's all the Yates entities wrapped up in the  
9 Yates Brothers.

10          Q.     With respect to DHA, LLC, I see that they show  
11 up twice here. I guess they have an interest in both  
12 parcels?

13          A.     Based on the public records, yes, they do.

14          Q.     And at this point, you're still working with  
15 DHA to address the title concerns that they have?

16          A.     I honestly wasn't aware that there were title  
17 concerns until this morning. Since I've been here, I  
18 haven't had a chance to visit with Calina. I intend to  
19 when I get back.

20                 But I was under the impression it was just a  
21 formality of signing the JOA, and I actually received a  
22 signed AFE this morning. So I'll address those when I  
23 get back to Midland.

24          Q.     At this point in time, at least with respect  
25 to them, we will be continuing the matter to address

1     whether there's actually a need to pool?

2           A.     Yes.

3           Q.     Do you know when you plan to drill this well?

4           A.     It's obviously fluid. Due to the land issues  
5     involved, we would like to drill it before the end of the  
6     year. That's probably not going to happen. So my guess  
7     is it's going to happen as soon as we sort out all the  
8     land issues and we can slide it into the drill schedule,  
9     which is pretty fluid. It could be early first quarter.

10          Q.     But at this point, it's not on any drilling  
11     schedule?

12          A.     It has been on our drilling schedule  
13     continually. It's been pushed due to the hearing. Mike  
14     is probably much more knowledgeable than I am of the  
15     drilling schedule.

16                 I think the emails that I was sending to  
17     Calina at DHA and probably COG, as well, indicated -- the  
18     ones I sent back in September said we'd like to drill  
19     late fall. But forced pooling hearings get pushed, and  
20     there's a lot going on. So I guess it's really a land  
21     issue.

22                     MR. FELDEWERT: That's all the questions I  
23     have. Thank you.

24                     EXAMINER BROOKS: Ms. Leach?

25

## CROSS-EXAMINATION

1

2 BY MS. LEACH:

3 Q. You're also working with COG to work out a  
4 joint operating agreement?

5 A. Yes, ma'am.

6 Q. We don't have that yet, do we?

7 A. It's not executed yet.

8 Q. And they've expressed some concerns about the  
9 property ownership?

10 A. They have. I made some notes. They have. I  
11 just don't -- I think this is an interest that originated  
12 from Pitch, and it's a mineral interest that's owned  
13 outright. So I don't know if -- what more they need in  
14 order to be -- I'm relatively comfortable with their  
15 interest. I'll work with them as much as I can to make  
16 them comfortable, as well.

17 Q. You'll continue to work with them?

18 A. Yes. Katie and I have been working very  
19 closely.

20 MS. LEACH: Thank you.

21 EXAMINATION

22 BY EXAMINER BROOKS:

23 Q. So everybody on Exhibit 2, except the ones  
24 that are highlighted and the ones you mentioned, are, at  
25 this point, to be force pooled?

1           A.     Yes, sir.

2           Q.     But you said you've leased some of them?

3           A.     Actually, the parties that we have leased are  
4     not on here. That's how vast the ownership is in this  
5     area. This is simply the people we have not leased. But  
6     we have taken a significant amount of leases.

7           Q.     When I look at Exhibit 6, there are quite a  
8     lot of unlocated parties; correct?

9           A.     Yes, sir.

10          Q.     Are all these parties unlocated, or was this a  
11     preliminary list?

12          A.     I actually have a separate list, and I can  
13     submit the details, of the parties that were unlocatable  
14     and the ones that we actually received a green card back  
15     from, but just never were able to contact them in any  
16     way. So not all of these were unlocatable. Most of them  
17     were, but some were locatable. We just never were able  
18     to correspond verbally or by mail or anything.

19          Q.     Although we usually don't put that information  
20     in the order, it would be helpful to have that in the  
21     record.

22          A.     I have that list.

23          Q.     Would you review for us the diligence that you  
24     used to locate the addresses of the parties who  
25     ultimately were unlocatable?



1           A.     Sure. My memory may be a little foggy. We  
2 started this about two years ago.

3                     Starting about two years ago, we did what  
4 everybody does and ordered a takeoff and just started  
5 checking -- you know, searching every Internet database  
6 that we could think of. Tax records sometimes can help  
7 you get there, Eddy County records, looking at old  
8 assignments with addresses, and tried to reverse engineer  
9 that.

10                    There's a lot of Muncys in here. So anybody  
11 with the name Muncy, we would talk to and say, "Do you  
12 know so-and-so?" There was actually a lot of Canadians,  
13 so we were going through Canadian records, as well, phone  
14 records. And then just simply 411, which works  
15 sometimes, too.

16                    So I think we did everything that I know to do  
17 to locate these people.

18                    EXAMINER BROOKS: Okay. Thank you.

19                    Mr. Jones?

20                                     EXAMINATION

21 BY EXAMINER JONES:

22           Q.     About how much percent is nonlocated?

23           A.     Well, it looks here like our force pooled  
24 interest is 24 percent. I would say three-quarters of  
25 that is unlocated. There was also quite a few strangers

1 in the titles in this deal, so some of these people we  
2 don't know where their interest was derived from. It's a  
3 very complicated area.

4 EXAMINER JONES: I had a question about  
5 the pool, but we could probably wait until the next  
6 witness.

7 EXAMINER BROOKS: That might be more  
8 appropriate for the next witness.

9 Okay. Well, I have nothing further. Any  
10 follow-up by anybody?

11 MR. BRUCE: Not by me.

12 MR. FELDEWERT: No, Mr. Examiner.

13 EXAMINER BROOKS: Very good. The witness  
14 may step down. You may call your next witness.

15 MR. BRUCE: I call Mr. Matteucci.

16 MICHAEL MATTEUCCI

17 Having been first duly sworn, testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

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

22 A. Michael Nicholas Matteucci.

23 Q. Where do you reside?

24 A. Midland, Texas.

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

1 A. Nadel and Gussman Permian, as lead geologist.

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

4 A. I have.

5 Q. And were your credentials as an expert  
6 petroleum geologist accepted as a matter of record?

7 A. Yes.

8 Q. Are you familiar with the geology involved in  
9 this case?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I tender  
12 Mr. Matteucci as an expert petroleum geologist.

13 EXAMINER BROOKS: So qualified.

14 Q. (By Mr. Bruce) Could you identify Exhibit 7  
15 for the Examiner and discuss the geology in this area?

16 A. Exhibit 7 is a 3-by-3 section structure map on  
17 the top of the Glorieta Sand that we used to control the  
18 Yeso subsurface geology.

19 The blue circles indicate Yeso production.

20 The few orange circles here indicate San Andres  
21 production. The field that is offsetting Section 24 is  
22 the Atoka-Yeso field. The field that is being depth  
23 severed at 2,700 feet to the northwest is the Atoka-San  
24 Andres field.

25 Regional dip is northwest to southeast. You

1 can see on the bottom right-hand corner there that the  
2 Yeso section and the top of the Glorieta actually cease  
3 to exist as you go basinward. And these are hundred-foot  
4 contour intervals in here.

5 Q. In this area -- I think on your plat you have  
6 three proposed wells in this section; correct?

7 A. We do, yes, sir.

8 Q. Those are Nadel and Gussman Permian proposed  
9 wells?

10 A. Yes.

11 Q. Is structure important in this area?

12 A. Structure is the -- in terms of a regional  
13 sense, is the primary factor that we're concerned about.  
14 We believe, as you go down into the basin, that there is  
15 a regional increase of water risk. And as such, we  
16 prefer north/south orientations to regulate the risk per  
17 wellbore, instead of exposing an east/west wellbore to  
18 the overall risk of water being downdip.

19 Q. What is Exhibit 8?

20 A. Exhibit 8 is a cross-section, a southwest to  
21 northeast cross-section, that was marked previously on  
22 Exhibit 7, showing the two wells that we are using for  
23 horizontal control in our project area.

24 Q. And is the -- you indicate your plan to  
25 target. Is it continuous across the proposed well unit?

1           A.     Yes. These are older logs, but we believe  
2     that the section is relatively continuous over the  
3     project area.

4           Q.     In your opinion, will each quarter/quarter  
5     section contribute more or less equally to production?

6           A.     Yes.

7           Q.     And in your opinion, will this well  
8     efficiently and economically drain this portion of the  
9     Yeso reservoir?

10          A.     Yes, sir.

11          Q.     Could you identify Exhibit 9 for the Examiners  
12     and discuss briefly how the well will be drilled and  
13     completed?

14          A.     Yes. Exhibit 9 is a third-party well plan for  
15     the Super Chief Number 1H well. We are planning a  
16     10-degree per hundred feet curve landing, and a TVD of  
17     3,100 feet, in which we will then climb approximately 70  
18     feet to the bottomhole location at the termination of the  
19     wellbore.

20          Q.     And approximately how many completion stages?

21          A.     Based on our previous work in the area, we're  
22     planning about 20 stages. This is going to be open-hole  
23     completion.

24          Q.     And regarding the estimated just under 3  
25     million cost of the wellbore, are you familiar with well

1 costs in this area?

2 A. I am familiar, and that is in line with  
3 previous well costs in this area.

4 Q. That is a fair and reasonable well cost?

5 A. Yes.

6 Q. Were Exhibits 7 and 8 compiled by you?

7 A. Yes, they were.

8 Q. Was Exhibit 9 compiled from company business  
9 records?

10 A. Yes, under my supervision.

11 Q. In your opinion, is the granting of this  
12 application in the interest of conservation and the  
13 prevention of waste?

14 A. It is.

15 MR. BRUCE: Mr. Examiner, I move the  
16 admission of Exhibits 7, 8 and 9.

17 EXAMINER BROOKS: Seven, 8 and 9 are  
18 admitted.

19 (Exhibits 7, 8 and 9 were admitted.)

20 MR. BRUCE: I have no further questions of  
21 the witness.

22 CROSS-EXAMINATION

23 BY MR. FELDEWERT:

24 Q. I'm looking at Exhibit Number 7.

25 A. Yes.

1 Q. You show a horizontal well up in Section 13?

2 A. Yes.

3 Q. It looks like it's oriented -- is that west to  
4 east?

5 A. That is a west-to-east well. Devon, in about  
6 2007, originally tried some very early attempts of a  
7 horizontal Yeso in this part of the trend. That well was  
8 not drilled, and that's, for all intents and purposes, a  
9 dead permit.

10 Q. So that well in Section 13 has not been  
11 drilled?

12 A. Correct. I should clarify. Orange horizontal  
13 indicators here are wells that have permits or some sort  
14 of plan to drill in the public record. You can see down  
15 there in Section 34, in the very southwest corner of the  
16 map, that's a Yates Petroleum well that is oriented  
17 north/south. And they've had some degree of success in  
18 that well.

19 EXAMINER BROOKS: Excuse me. Which  
20 exhibit -- are we looking at 7?

21 THE WITNESS: Yes, sir.

22 EXAMINER BROOKS: Go ahead.

23 Q. (By Mr. Feldewert) That well in Section 34,  
24 that's in the Glorieta-Yeso formation?

25 A. Yes, it is in the Yeso.

1 Q. Is that the only horizontal well in this area  
2 depicted on Exhibit 7 that's currently drilled in the  
3 Glorieta-Yeso formation?

4 A. Yes, sir, it is.

5 Q. And the wells then that you show in Sections  
6 24 and 19, those are planned wells by Nadel and Gussman?

7 A. Yes, they are.

8 Q. And the one we're dealing with now is the  
9 second -- in Section 24, it's the second from the left?

10 A. It's the furthest west well in Section 24. So  
11 it's in the east half of the west half.

12 MR. FELDEWERT: Okay. That's all the  
13 questions I have. Thank you.

14 MS. LEACH: No questions.

15 EXAMINER BROOKS: Very good.

16 I don't see in this drilling plan, Exhibit 9,  
17 a plat showing the completed interval in relation to the  
18 setbacks. We would appreciate being furnished with that.

19 THE WITNESS: I can provide that.

20 EXAMINER BROOKS: Okay. Good.

21 Mr. Jones, do you have questions?

22 EXAMINATION

23 BY EXAMINER JONES:

24 Q. The contour map, is it above sea level?

25 A. Yes. This is a -- I apologize for the



1 discrepancy here. If you look at the contour intervals,  
2 those are sub c value contours. And the actual numerics  
3 allocated to each one of those wells is not a sub c.  
4 That's the vertical depth of the Glorieta.

5 Q. So what's the elevation out here, about the  
6 elevation out here?

7 A. Off the top of my head, you know, these are --  
8 we're looking at positive 600 values in terms of the  
9 depth of the Yeso. So approximately 2,100 feet, I  
10 believe.

11 Q. So it's above sea level?

12 A. Yeah, the Yeso is above sea level.

13 Q. So this contour map shows that it's dipping  
14 toward the southeast?

15 A. Yes, that's correct.

16 Q. So strike is northeast --

17 A. Um-hum.

18 Q. -- dip is southeast?

19 And the purple means Glorieta-Yeso?

20 A. Yes, sir. Those are wells in some Yeso  
21 formations. In this case, the Atoka-Yeso and the  
22 Glorieta-Yeso fields.

23 Q. So it's mainly Yeso?

24 A. Yes, it's mainly Yeso. This was a Ralph Nix  
25 operated field originally. Some of the perforations

1 strayed down into the Tubb. Some of those perforations  
2 also strayed up into the Glorieta also.

3 Q. This is the Atoka-Glorieta Yeso pool?

4 A. Um-hum.

5 Q. And not the Dayton-Yeso pool?

6 A. Yeah. I would plan for this to be in the  
7 Atoka-Yeso field, due to the proximity.

8 Q. No special pool rules and no pilot hole?

9 A. We will be taking a pilot hole and the  
10 subsequent science involved with that.

11 Q. I think your AFE in the application had one  
12 for the pilot hole and one not for the pilot hole?

13 A. It may have. At this point, we are going to  
14 be drilling a pilot hole.

15 Q. So 3,200-foot pilot hole? So it will be a  
16 little more expensive. Does that reflect in Exhibit 4?

17 A. I don't have Exhibit 4 in front of me.

18 Okay, yeah. If you look at the top left-hand  
19 corner there, it gives the projected depth. I have a  
20 measured depth of the horizontal, a 3,000-foot TVD, which  
21 is more or less equivalent, as well as a 3,200-foot pilot  
22 hole. So this \$2.969 million AFE cost is reflective of  
23 the pilot hole.

24 Q. No API yet, because it's a fee well; right?

25 A. It is a fee well, so I don't have an API yet.

1 Q. Just for my personal question here, within the  
2 Yeso, your planned target, you've got a red arrow. Does  
3 that have a member of the Yeso?

4 A. At this point, we kind of distinguish between  
5 an upper Yeso porosity interval that you can see in the  
6 Depco well here at approximately 3,000 feet, and the  
7 lower Yeso target interval between 3,100 and 3,200 feet.  
8 You can see relative porosity increases for both of those  
9 members. It isn't something that we formally have  
10 isolated. You're going to -- we believe that stimulation  
11 is going to move up approximately 200 feet.

12 Q. But the pool is the Atoka-Glorieta-Yeso, so it  
13 you includes the entire Yeso?

14 EXAMINER JONES: I don't have anymore  
15 questions.

16 EXAMINER BROOKS: Okay. Any follow up  
17 from anyone?

18 MR. FELDEWERT: I just have one, out of  
19 curiosity.

20 FURTHER CROSS-EXAMINATION

21 BY MR. FELDEWERT:

22 Q. If I look at Exhibit 7, down there in Sections  
23 32 and 33, what are those squiggly lines?

24 A. Those are deep directionally-drilled  
25 horizontal wells. I believe those were Pennsylvanian

1 depth wells.

2 EXAMINER JONES: I'm sorry, what section  
3 was that?

4 THE WITNESS: 33 and 32. You can also see  
5 I've marked those with "NS." That's the Glorieta section  
6 is not present in those sections.

7 EXAMINER BROOKS: The only squiggly lines  
8 I saw were the contour lines. If those were horizontal  
9 wells, they were really long ones.

10 THE WITNESS: We're not quite there yet.

11 EXAMINER BROOKS: Okay. Anything further,  
12 Mr. Bruce?

13 MR. BRUCE: I have nothing further. I'd  
14 just request that it be continued for four weeks.

15 EXAMINER BROOKS: Okay. The witness may  
16 step down.

17 Mr. Feldewert, anything further?

18 MR. FELDEWERT: No, Mr. Examiner.

19 EXAMINER BROOKS: Ms. Leach?

20 MS. LEACH: No.

21 EXAMINER BROOKS: Very good. Case Number  
22 14883 will be continued to November 29th. And I'm going  
23 to put "for negotiations" here. Because if I put "for  
24 supplementation of the record," then I'll forget and I'll  
25 ask what was to be added to the record.

1 If there's nothing further, this docket will  
2 stand adjourned.

3 MR. BRUCE: I've got one more for Hunt Oil  
4 Company.

5 MR. FELDEWERT: Since we're on the record,  
6 I just wanted to clarify, Case 14913, which is on page 3  
7 of 4, that's been continued to November 29th; correct?

8 EXAMINER JONES: Yes.

9 MR. FELDEWERT: All right.

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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. 14983  
heard by me on 11-1-12  
*David K. Burt*, Examiner  
Oil Conservation Division

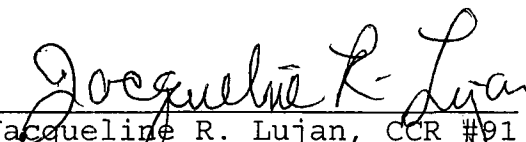
## REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on November 1, 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 12th day of November,  
2012.

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