

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

6 APPLICATION OF EOG RESOURCES,
7 INC. FOR A NONSTANDARD SPACING
8 AND PRORATION UNIT AND COMPULSORY
9 POOLING, EDDY COUNTY, NEW MEXICO.

CASE NO. 15025

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 11, 2013

Santa Fe, New Mexico

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
15 PHILLIP GOETZE, TECHNICAL EXAMINER

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17 This matter came on for hearing before the
18 New Mexico Oil Conservation Division, Richard Ezeanyim,
19 Chief Examiner, and Phillip Goetze, Technical Examiner,
20 on Thursday, July 11, 2013, at the New Mexico Energy,
21 Minerals and Natural Resources Department, 1220 South
22 St. Francis Drive, Porter Hall, Room 102, Santa Fe, New
23 Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR
25 New Mexico CCR #20
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500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

1 APPEARANCES

2 FOR APPLICANT EOG RESOURCES, INC.:

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1 (4:54 p.m.)

2 EXAMINER EZEANYIM: At this point, I call
3 Case Number 15025, application of EOG Resources, Inc.
4 for a nonstandard spacing and proration unit and
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. RANKIN: Thank you, Mr. Examiner. I
8 very much appreciate it. Adam Rankin, Hollard & Hart of
9 Santa Fe, on behalf of EOG Resources.

10 EXAMINER EZEANYIM: Any other appearances?
11 Will the witnesses stand and state your
12 names, please?

13 MR. McCRIGHT: Dan McCright.

14 MR. GARRISON: Matthew Garrison.

15 MR. RANKIN: Mr. Examiner, I'd call my
16 first witness, Mr. Dan McCright.

17 DANIEL H. McCRIGHT,
18 after having been first duly sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. RANKIN:

22 Q. Mr. McCright, for the record, could you please
23 state your name and indicate by whom you're employed and
24 in what capacity?

25 A. My name is Daniel H. McCright. I'm employed by

1 EOG Resources, Inc. in the Midland, Texas office, as a
2 petroleum landman.

3 Q. Mr. McCright, have you previously testified
4 before the Division and had your expertise as a
5 petroleum landman accepted as a matter of record?

6 A. Yes, I have.

7 Q. Are you familiar with today's application,
8 Mr. McCright?

9 A. I am.

10 Q. Are you familiar with the lands that are
11 subject to this application?

12 A. Yes, I am.

13 MR. RANKIN: Mr. Examiner, I would tender
14 Mr. McCright as an expert in petroleum land matters.

15 EXAMINER EZEANYIM: He is so qualified.

16 Q. (BY MR. RANKIN) Mr. McCright, can you please
17 turn to what's been marked as Exhibit Number 1 in the
18 exhibit packet? Identify for the Examiners what this
19 exhibit shows, and please briefly state what it is that
20 EOG is seeking with this application?

21 A. Exhibit 1 is a land plat showing a proposed
22 proration spacing unit consisting of the east half of
23 the southeast quarter of Section 22 and the east half of
24 the northeast quarter of Section 27, in Township 26
25 South, Range 33 East, Lea County, New Mexico. EOG is

1 seeking to pool certain unleased mineral interests.

2 Q. Mr. McCright, are you also seeking to have EOG
3 designated as the operator of the well and of the
4 proration unit?

5 A. Yes, we are.

6 Q. And are you seeking to pool all the interests
7 within the Red Hills Bone Spring Upper Shale pool; is
8 that correct?

9 A. That's correct.

10 Q. Is that pool Number 97900?

11 A. I believe that's right.

12 Q. Are there any special pool rules that apply or
13 applicable to that pool?

14 A. Not that I'm aware of.

15 EXAMINER EZEANYIM: What's the name of that
16 pool? Oh, Red Hills.

17 MR. RANKIN: Red Hills Bone Spring Upper
18 Shale pool.

19 EXAMINER EZEANYIM: What is the code?

20 MR. RANKIN: The code is 97900.

21 EXAMINER EZEANYIM: Okay.

22 MR. RANKIN: And as Mr. McCright testified,
23 there are no special pool rules applicable.

24 EXAMINER EZEANYIM: It's on statewide
25 rules.

1 MR. RANKIN: Statewide rules.

2 Q. (BY MR. RANKIN) Mr. McCright, are the subject
3 lands all fee lands in this case?

4 A. Yes, they are.

5 Q. Mr. McCright, will you turn to what's been
6 marked as Exhibit Number 2? And identify for the
7 Examiners what this shows.

8 A. Exhibit Number 2 shows three unleased mineral
9 interest owners that own the undivided interest showing
10 in that column to the right of their respective names.
11 We have been unable to reach an agreement at all on this
12 proration unit.

13 Q. Mr. McCright, this is the best [sic]
14 interest --

15 A. That's correct.

16 Q. Now, EOG has 100 percent of the working
17 interest in this well; is that correct?

18 A. With the exception of the unleased mineral
19 owners, yes, we do.

20 Q. So you're only seeking to pool the unleased
21 mineral interest owners; is that correct?

22 A. That's correct.

23 Q. Mr. McCright, did you send a well proposal and
24 offer to lease to these individuals?

25 A. I did. A sample of what we're submitting is

1 Exhibit 3. It was sent on May the 1st to Mr. Raindl, in
2 which we expressed an interest in taking a relatively
3 short-term lease, or, in the alternative, an AFE was
4 attached to that giving him the opportunity to
5 participate in the well for his proportionate interest.

6 Q. Mr. McCright, the AFE that you reference in
7 Exhibit Number 3, does this AFE represent the costs in
8 concert with what EOG has charged for other wells in the
9 area for a horizontal well?

10 A. In that vicinity, for horizontal wells of that
11 approximate depth, as well as the length of the
12 treatable lateral.

13 Q. Mr. McCright, let me just back up one moment.
14 You indicated that you had sent this sample letter --
15 this letter to the unleased mineral interests. Did you
16 also send a follow-up letter as well advising them that
17 you had not received any follow-up from them?

18 A. That's correct, we did. We had to re-stake the
19 surface location to avoid a lease issue, and followed up
20 by noticing the unleased mineral owners of the change in
21 surface-hole location.

22 Q. That's Exhibit 4, is that correct,
23 Mr. McCright?

24 A. Yes. That's an example of one of the letters
25 that was sent to all three parties.

1 Q. Mr. McCright, in your opinion, has EOG made a
2 good-faith effort to reach agreement with these three
3 mineral interest owners?

4 A. I believe we have. I've contacted them, spoken
5 on the phone to them. We've exchanged e-mails, various
6 things. We still continued to do so as late as this
7 morning, and hope to eventually come to some kind of
8 agreement with them.

9 Q. Mr. McCright, you indicated that the costs
10 identified in the AFE attached to Exhibit Number 3 are
11 commensurate with costs that EOG has otherwise charged
12 in previous wells?

13 A. Yes.

14 Q. Has EOG also made an estimate of the overhead
15 rates that would be applicable while drilling and while
16 producing this well?

17 A. We request a \$6,000 drilling rate and an
18 associated \$600 producing rate.

19 Q. Does EOG also request these figures -- these
20 charges be incorporated into any order that the Division
21 issues with respect to any uncommitted interests?

22 A. Yes, we do.

23 Q. Does EOG also request that the typical
24 200-percent risk charge also be included in any order
25 with respect to any of the uncommitted interests as

1 well?

2 A. Yes.

3 Q. Mr. McCright, with respect to the formation of
4 the nonstandard proration unit, have you brought a
5 geologist today to testify regarding formation of that
6 unit?

7 A. Yes, I have.

8 Q. Did you also identify in the surrounding 40
9 acres all the leased minerals owners, the operator in
10 the offsetting 40s?

important

11 A. Yes, we did. ConocoPhillips was the only
12 offset operator to EOG's leasehold surrounding this
13 proposed proration unit.

14 Q. Did you send them notice indicating that you're
15 proposing this well?

16 A. Yes, we did.

17 Q. Mr. McCright, in Exhibit Number 5, is that an
18 affidavit prepared by my office indicating that notice
19 was served and provided to all the affected parties,
20 including the mineral interest owners and the offsetting
21 interests?

3 Is it OK is it not?

22 A. It appears to be so, yes.

23 Q. Mr. McCright, were the exhibits we just went
24 through, Exhibits 1 through 4, either prepared by you or
25 under your direct supervision?

1 A. Yes, they were.

2 MR. RANKIN: Mr. Examiner, I would move to
3 admit into the record Exhibits 1 through 5.

4 EXAMINER EZEANYIM: Exhibits 1 through 5
5 will be admitted.

6 (EOG Resources Exhibit Numbers 1 through 5,
7 were offered and admitted into evidence.)

8 MR. RANKIN: Mr. Examiner, I have no
9 further questions of the witness.

10 EXAMINER EZEANYIM: Any questions?

11 EXAMINER GOETZE: No questions.

12 CROSS-EXAMINATION

13 BY EXAMINER EZEANYIM:

14 Q. The overhead rates are 6,000 and 600, right?

15 A. Yes, sir.

16 Q. How did you come out with those numbers, since
17 Ernst & Young no longer -- how did you come up with
18 those numbers?

19 A. Those are consistent with what we've charged in
20 other joint operating agreements, wells, in the vicinity
21 within the recent past.

22 Q. Now that you are -- I should ask the geologist.
23 Why are you -- why are you doing this? Why do you want
24 to do this, get 80 acre from here, go toward the
25 boundary and get 80 acres, if you look at your land

1 plat. Is it because you don't have an interest above
2 and below? Why are you doing this?

3 A. You mean across the section line, sir?

4 Q. Yes. Yes. 80 acres on that Section 22, and
5 then you jump to Section 27. What happens with the
6 northeast quarter of Section 22 and then the northeast
7 quarter of 27? Do you have any interest in Section 22?
8 It says the "northeast-northeast quarter."

9 A. Of 22, sir?

10 Q. Yeah.

11 A. No. I believe ConocoPhillips owns that
12 leasehold in the northeast-northeast of 22.

13 Q. Who owns the southeast -- southeast quarter --
14 I mean the south half of the southeast quarter in 7
15 [sic]? I mean, I just want to know why you want those
16 two 40 acres and then jump across the --

17 A. Okay.

18 Q. Because, you know, the neat [sic] thing to
19 do -- when you set that precedent there and you want to
20 line it out, everybody has to be taking one 80 acre from
21 between -- and going to 27.

22 A. Yes, sir. *indeed*

23 Q. And that's not a very good way to develop
24 those --

25 MR. RANKIN: Mr. Examiner, if I might just

1 interject one point here. I would just point out that
2 the formation of this unit conforms with the Horizontal
3 Well Rule in the formation of the project area.

4 EXAMINER EZEANYIM: It's a non-project
5 area.

6 MR. RANKIN: It's a standard project area.,

7 EXAMINER EZEANYIM: It's not.

8 MR. RANKIN: My interpretation of the
9 rules, Mr. Ezeanyim, is that that would comport with the
10 Horizontal Well Rule for a standard project area,
11 because it's the equivalent of a half -- of a half of a
12 quarter section.

13 EXAMINER EZEANYIM: Oh, yeah, I know it's a
14 quarter of a half quarter section, but we going to leave
15 some of those --

16 MR. RANKIN: The three 40s within one
17 section would strand the one 40, is my interpretation of
18 the rule. In other words, if there were three 40s in
19 one section, you'd be stranding only one quarter-quarter
20 section. That would be a nonstandard project area. But
21 because there are two quarter-quarter sections
22 remaining, it falls within, my interpretation, what
23 would be a standard project area.

24 EXAMINER EZEANYIM: Yeah, your
25 interpretation. I think you may be right. But this

1 standard -- this project area, I don't think, is a
2 standard project area, is it?

3 MR. RANKIN: My interpretation is that it
4 is because it's not stranding a single 40 in the
5 section. And when I read the rule -- I can pull the
6 rule book out.

7 EXAMINER EZEANYIM: You don't have to do
8 that. But if we -- we can't drill the well on Eddy
9 [sic]. You can't drill a vertical well -- I mean a
10 horizontal well on the Eddy [sic] but that's going to
11 be -- if you want to go to that orientation, not south.

12 MR. RANKIN: That, my understanding,
13 Mr. Examiner, is the purpose for noticing all the
14 offsetting interest owners, to give them an opportunity
15 to object if they have any issues with the formation of
16 the unit as proposed. And that notice was given, and
17 that's the purpose of that procedure.

18 EXAMINER EZEANYIM: You know -- you know,
19 given the procedure -- then I guess it don't really
20 impair it when you come to here then we look at it.
21 Regardless do anything or not trying to see efficiently
22 we can develop those units surrounding your projects
23 area. My understanding is that there is no ownership
24 above and below; is that right?

25 THE WITNESS: Sir?

Not Really?

1 EXAMINER EZEANYIM: You don't have any
2 ownership above and below that horizontal well? You
3 don't have any --

4 THE WITNESS: North and south of the
5 proposed proration unit?

6 EXAMINER EZEANYIM: Yeah.

7 THE WITNESS: Well, as we said, Conoco owns
8 the quarter section northeast of 22. We own the half
9 section, being the south half of 27, under a federal
10 lease. ConocoPhillips owns the half -- or Section 34,
11 below that, and below that is the state line. As you
12 can see, there is a four quarter section potential
13 proration unit available below there, assuming that we
14 could come up with some agreement -- come to some
15 agreement to drill a well in there with ConocoPhillips.

16 The mineral interests that we are applying
17 to pool in this case are undivided across the entire 160
18 proposed spacing unit. They are part of a 960-acre
19 block of fee minerals that EOG has leased except for the
20 three interests in question.

21 EXAMINER EZEANYIM: You guys are creating a
22 lot of problems for me. Anyway, go ahead. We have to
23 continue the hearing.

24 MR. RANKIN: Thank you, Mr. Examiner. I
25 don't believe I have any other questions.

1 I believe we've already moved to admit
2 Exhibits 1 through 5; is that correct? So I pass the
3 witness. I have no further questions.

4 EXAMINER EZEANYIM: So I'm going to take it
5 from you that why you want to fund that project area is
6 because of land issues.

7 THE WITNESS: Yes, sir, that's correct.

8 EXAMINER EZEANYIM: It's not geology or
9 anything like that?

10 THE WITNESS: No, sir, I don't believe so.

11 EXAMINER EZEANYIM: Did you give notice to
12 everybody?

13 THE WITNESS: Yes, sir.

14 EXAMINER EZEANYIM: Do you have any
15 questions?

16 EXAMINER GOETZE: No questions.

17 EXAMINER EZEANYIM: You may be excused.

18 MR. RANKIN: I'd like to call my next
19 witness, Matt Garrison.

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

23

24

25

1 DIRECT EXAMINATION

2 BY MR. RANKIN:

3 Q. Mr. Garrison, why don't you get yourself
4 situated?

5 A. Yes, sir.

6 Q. Would you please state your name and indicate
7 by whom you are employed and in what capacity?

8 A. My name is Matthew Garrison. I'm employed by
9 EOG Resources in our Midland division, and I'm employed
10 as a senior geologist.

11 Q. Mr. Garrison, can you please indicate whether
12 or not you've been certified as a petroleum expert in
13 petroleum geology before the Division?

14 A. I have not been.

15 Q. Mr. Garrison, could you please review briefly
16 for the Examiners your background, your education in
17 petroleum geology?

18 A. Yes. I graduated from Texas A & M University,
19 in College Station, in 2005 with a bachelor of science
20 degree in geology, and I graduated from Oklahoma State
21 University with a master of science degree in 2007.

22 Upon graduation, I was employed immediately
23 by EOG Resources in the Fort Worth office, where I
24 worked the Barnett Shale, from 2007 to 2011, all through
25 Johnson County and on into Montague and Cook Counties.

1 And in 2011, I took a transfer from the
2 Fort Worth office to the Midland office, and I have been
3 working the Leonard-Avalon Shale in southeast New Mexico
4 from 2011 until the present. So all totaled, six years
5 in unconventional shale resource plays.

6 Q. Mr. Garrison, are you familiar with the
7 application that's filed in this case?

8 A. Yes.

9 Q. Have you conducted a study of the geology of
10 the lands that are the subject to this application?

11 A. Yes.

12 MR. RANKIN: Mr. Examiner, I'd tender
13 Mr. Garrison as an expert in petroleum geology.

14 EXAMINER EZEANYIM: Why did you have to go
15 to University of Oklahoma to do your master's? We have
16 a master's at A & M.

17 THE WITNESS: Yeah. They had a professor
18 that I was wanting to study under for structural
19 geology.

20 EXAMINER EZEANYIM: So you abandoned us and
21 went over there?

22 THE WITNESS: Uh-huh.

23 EXAMINER EZEANYIM: Well, you are still
24 qualified, but you would be more qualified if you had
25 stayed at A & M. I'm just joking with you.

1 MR. RANKIN: Mr. Examiner is a little
2 biased towards the A & M goal system.

3 THE WITNESS: I am, too.

4 EXAMINER EZEANYIM: Go ahead.

5 MR. RANKIN: Thank you, Mr. Examiner.

6 Q. (BY MR. RANKIN) Mr. Garrison, if you would,
7 please, turn to what's been marked as Exhibit Number 6.
8 Could you identify for the Examiners what that exhibit
9 depicts?

10 A. Yes. Today, for the purposes of this hearing,
11 I've prepared two structure maps. Exhibit 6 is a
12 structure map on the top of the Bone Spring Lime. And
13 what you'll see on both maps -- and I'll just kind of
14 point out to you some of the common features between
15 them. It's color-coded where the reds and the yellows
16 are a little shallower, and the blues and the purples
17 indicate deeper depths of the horizon of interest. So
18 all told, a gradual dipping to the east where the
19 deepest portion of the Basin kind of sits right around
20 that enclosed circle in the purples.

21 The red-highlighted wells that you see are
22 wells that have logs across the complete Leonard Shale
23 section, for the purposes of this mapping. So they were
24 the ones that were used to control everything for the
25 structure maps. The contour interval of all these maps

1 is 50 feet.

2 And you can see our Ophelia 27 #1 well is
3 situated kind of in the center of the map. It has a
4 white text box there, with a black arrow, and the
5 160-acre proposed proration unit is highlighted there.

6 Below that, you'll see two wells connected
7 with a blue line. That blue line is a cross-section
8 line that you'll see in Exhibit 9, I believe.

9 Q. Thank you, Mr. Garrison.

10 So in summary, this is a general dip
11 trending from the west to the east --

12 A. Yes, that's correct.

13 Q. And Exhibit Number 7, as you indicated, is a
14 structure map. It's just marked or targeted on a
15 different interval formation; is that right?

16 A. Yes. This one was done on the base of the
17 Leonard Shale mainly to highlight that both the top and
18 the base are mappable throughout the area of interest
19 and easily correlative.

20 Q. And turning to your Exhibit Number 8,
21 Mr. Garrison, this is the cross section that you
22 reference. Can you please review for the Examiners this
23 cross section and reference for them and their
24 information the structure maps that you just went
25 through?

1 A. Sure. So the cross section that we see in
2 Exhibit -- I'm sorry. It was Exhibit 8. The
3 Rattlesnake Well Fed #1 and the Endurance 25 Fed 2, the
4 two maps that you see, the first formation top on both
5 wells is the BSGL. That's Bone Spring Lime. That's the
6 first structure map, was mapped at the top of that
7 particular horizon. And the second structure map was
8 mapped on the 1st Bone Spring Sand, which is typically
9 indicated with a dip in the resistivity curve and pretty
10 correlatable using just gamma ray along this well.

11 The average formation thickness of the
12 Avalon across this particular area is about 900 feet
13 thick, and you can see our proposed target interval in
14 this shale package as indicated in kind of the pink box
15 as it's correlated between the two wells of interest.

16 Also to be noted on the structure maps,
17 since people were kind of flipping back and forth
18 between them, I wanted to note the similarity in style
19 of the two structure maps, also kind of suggesting that
20 there is not any major faults, any major tectonic events
21 that would inhibit us from drilling this well as
22 planned. We expect to see a very gradual dip, slightly
23 up, you know, towards the toe as we drill the well, but
24 nothing significant that would change our proposed area
25 or plan for the well.

1 Q. Mr. Garrison, based on your analysis and your
2 review of the geology and the lands within the proration
3 unit area as proposed, have you reached any conclusions
4 with respect to the suitability for the proposed well to
5 effectively drain this proposed unit?

6 A. Yes. As I just mentioned, no significant
7 tectonic event, no faults or anything that would change
8 our plan on the well, as noted. Also, with no
9 significant change in stratigraphic thickness of the
10 unit, I expect that a horizontal well drilled, as we had
11 planned here, would efficiently and economically drain
12 the proposed area that we're looking for. And I believe
13 all the proposed acreage within the proration unit will
14 be drained efficiently and equally.

15 And finally, I think -- also, based on what
16 our results have been to the north -- as you can see in
17 2533 and 2534, that's our Red Hills acreage up there --
18 we've pretty well established the proper orientation to
19 drill the wells is a north-south direction, and it's not
20 just our company that feels that way. Other operators
21 out here are doing the same as well. So the north-south
22 orientation is probably the proper way to develop the
23 Leonard, as far as I'm concerned.

24 Q. In your opinion, the proposed horizontal well
25 will produce from each of the 40s, 40-acre units, that

1 are comprised in the nonstandard unit roughly equally?

2 A. I see no reason to think they wouldn't.

3 Q. And then finally, Mr. Garrison, looking at
4 Exhibit 9, a copy of the C-102 that was filed with the
5 Division. Does this indicate to you that the completed
6 wellbore for this proposed well will be within the
7 setbacks required by the Division rules?

8 A. Yes.

9 Q. Mr. Garrison, based on your analysis and your
10 review, is it your opinion that the granting of EOG's
11 application will be in the best interest of
12 conservation, the protection of correlative rights and
13 the prevention of waste?

14 A. Yes.

15 Q. Mr. Garrison, were Exhibits 6, 7, 8 and 9
16 prepared by you or under your direct supervision?

17 A. Yes, they were, 6, 7, 8. This C-102 form was
18 done under my guidance through the land department.

19 Q. Thank you, Mr. Garrison.

20 MR. RANKIN: Mr. Examiner, I would move to
21 admit Exhibits 6, 7, 8 and 9 into the record.

22 EXAMINER EZEANYIM: Exhibits 6, 7, 8 and 9
23 will be admitted.

24 (EOG Resources Exhibit Numbers 6 through 9
25 were offered and admitted into evidence.)

1 MR. RANKIN: No further questions of the
2 witness. Pass the witness.

3 EXAMINER EZEANYIM: Okay. Thank you.

4 Any questions, Mr. Goetze?

5 EXAMINER GOETZE: Yes.

6 CROSS-EXAMINATION

7 BY EXAMINER GOETZE:

8 Q. On your Exhibit Number 8, what's west and
9 what's east?

10 A. Oh. The Rattlesnake Fed #1 is the western
11 well, and the eastern well is the Endurance 25 Fed 2,
12 which is our most recent well that we just drilled.

13 Q. Very good. No other questions.

14 CROSS-EXAMINATION

15 BY EXAMINER EZEANYIM:

16 Q. You have these two structure maps here. What
17 is the intent of showing me those two structure maps? I
18 was thinking that maybe one was the net isopach map, but
19 they're both structural. What are you trying to show me
20 there?

21 A. I wanted to show mainly that there is nothing
22 significantly different about the top and the base of
23 the formation. Oftentimes, faults can exhibit and cut
24 through the lower portions of the formation and may not
25 traverse the entire section, and so I wanted to, you

1 know, illustrate that both the base and the top show a
2 similar structural style, with a general overall dip to
3 the east, and nothing -- nothing markedly different
4 about either map; thus suggesting that the isopach
5 thickness itself isn't going to change that much based
6 on a fault or anything that would cut a section out or
7 add a section potentially.

8 Q. Yeah, but, you know, when you were asked
9 about -- whether this 40 will contribute equally, if I
10 look at the net isopach map, I would be able to tell
11 whether that's true, you know. I know sometimes it
12 might be a conventional formation. If it's
13 conventional, that's okay. But you were asked that
14 question, whether the 40 would contribute equally. I
15 could begin to look at the net isopach map and see if
16 there is a pinch-out zone, but I don't know whether you
17 conducted that. If you have it, is it conventional? If
18 it's conventional, I don't want it. Can you do a net
19 isopach map to solidly confirm that the 40 will
20 contribute equally?

21 A. I can ask. I don't think that would be a
22 problem.

23 Q. No other questions for you.

24 MR. RANKIN: I can ask the question.

25 REDIRECT EXAMINATION

1 BY MR. RANKIN:

2 A. When you conduct your net isopachs, do they
3 involve an interpretive --

4 EXAMINER EZEANYIM: Yeah, that's my
5 question.

6 Q. (BY MR. RANKIN) -- interpretive -- an
7 interpretation on your part that would be of competitive
8 interest to others -- other operators in the surrounding
9 area?

10 A. Yeah. These maps -- these maps were done on
11 public top information -- public formation tops, so GDS
12 tops. So I could provide an isopach map from that
13 particular data, and it would be okay.

14 EXAMINER EZEANYIM: Is it confidential?

15 THE WITNESS: Public tops are not
16 confidential. If it was an EOG employee top that was
17 mapped through there, then it is my understanding that
18 that would be confidential information.

19 EXAMINER EZEANYIM: Well, yeah, because I
20 don't want to reveal my strategy to somebody else after
21 I've done all the work. But, anyway, I don't think I
22 really need it, so don't worry about it.

23 THE WITNESS: Okay. Yeah. I mean, I
24 provided that cross section just mainly because there's
25 not a very significant change at all in thickness. It's

1 flattened on top of the Leonard Shale, and you can see
2 just the minor change in the Bone Spring, sand top at
3 the base suggesting just a minor fluctuation in
4 thickness. But we're talking on the order of maybe ten
5 feet or so, 10 or 20 feet, so very slight. And across
6 the area of interest in the target zone, the target
7 appears to be intact.

8 EXAMINER EZEANYIM: And in your notice, did
9 you look at everybody?

10 MR. RANKIN: Yes.

11 EXAMINER EZEANYIM: You looked at everybody
12 that is supposed to get notice?

13 MR. RANKIN: Yeah. The three entities
14 being pooled received notice, and you'll note on Exhibit
15 5 that they all received green cards, as well as
16 ConocoPhillips for the offsetting interest.

17 EXAMINER EZEANYIM: Anything further?

18 MR. RANKIN: Nothing further from me, Your
19 Honor -- Mr. Examiner.

20 EXAMINER GOETZE: He called you "Your
21 Honor" (laughter).

22 No more questions from me.

23 EXAMINER EZEANYIM: At this point, Case
24 Number 15025 will be taken under advisement.

25 MR. RANKIN: Mr. Examiner, one of the last

1 things that I failed to ask during the testimony, there
2 is a spud date -- there is a lease-expiration date of
3 October 9th of 2013.

4 EXAMINER EZEANYIM: October 9th? Okay.

5 MR. RANKIN: There is a scheduled spud date
6 the first week of September. And so I don't think that
7 would be an issue for an order, but I wanted to just
8 point that out. If at all possible, we would like to
9 request an order be available within the time spud of
10 the well.

11 EXAMINER EZEANYIM: Draw up the order,
12 then.

13 MR. RANKIN: I'll be happy to do that.

14 EXAMINER EZEANYIM: Draft it and send it to
15 me. We can take a look.

16 (Case Number 15025 concludes, 5:24 p.m.)

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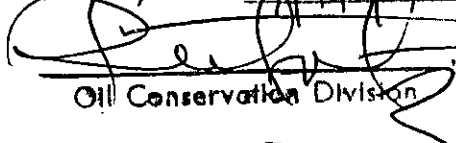
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15025
heard by me on 7/11/13


Oil Conservation Division Examiner

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19

Mary Hankins

20

21

MARY C. HANKINS, CCR, RPR
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