

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

6 APPLICATION OF NEARBURG EXPLORATION  
7 COMPANY, L.L.C. FOR A NONSTANDARD  
8 OIL SPACING AND PRORATION UNIT,  
9 UNORTHODOX OIL WELL LOCATION, AND  
10 COMPULSORY POOLING, LEA COUNTY,  
11 NEW MEXICO.

CASE NO. 14996

ORIGINAL

12 REPORTER'S TRANSCRIPT OF PROCEEDINGS

13 EXAMINER HEARING

14 BEFORE: DAVID K. BROOKS, CHIEF EXAMINER  
15 RICHARD EZEANYIM, TECHNICAL EXAMINER  
16 PHILLIP GOETZE, TECHNICAL EXAMINER

17 July 12, 2013

18 Santa Fe, New Mexico

19 This matter came on for hearing before the  
20 New Mexico Oil Conservation Division, David K. Brooks,  
21 Chief Examiner, Richard Ezeanyim, Technical Examiner,  
22 and Phillip Goetze, Technical Examiner, on Friday, July  
23 12, 2013, at the New Mexico Energy, Minerals and Natural  
24 Resources Department, 1220 South St. Francis Drive,  
25 Porter Hall, Room 102, Santa Fe, New Mexico.

26 REPORTED BY: Mary C. Hankins, CCR, RPR  
27 New Mexico CCR #20  
28 Paul Baca Professional Court Reporters  
29 500 4th Street, Northwest, Suite 105  
30 Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT NEARBURG EXPLORATION COMPANY, L.L.C.:

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Case Number 14996 Called

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Nearburg Exploration Company, L.L.C.'s Case-in-Chief:

Witnesses:

Tim Speer:

Direct Examination by Mr. Bruce

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Cross-Examination by Ms. Chappelle

17

Cross-Examination by Examiner Ezeanyim

22

Redirect Examination by Mr. Bruce

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## EXHIBITS OFFERED AND ADMITTED

Nearburg Exhibit Numbers 6 through 10

(Attached)

Nearburg Exhibit Numbers 11 through 14

16

Nearburg Exhibit Number 15

(Attached)

1 (11:22 a.m.)

2 EXAMINER EZEANYIM: Now, let's go back and  
3 call the last case. This last case is Case Number  
4 14996, application of Nearburg Exploration Company, LLC  
5 for a nonstandard oil spacing and proration unit,  
6 unorthodox oil well location and compulsory pooling, Lea  
7 County, New Mexico.

8 Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of  
10 Santa Fe representing the Applicant. I have one  
11 witness.

12 EXAMINER EZEANYIM: Any other appearances?

13 MS. CHAPPELLE: Germaine Chappelle,  
14 Gallagher & Kenney, representing OXY. Yes, I really am  
15 representing OXY still.

16 And we don't have a witness today. As we  
17 previously discussed, we're going to continue -- we  
18 requested to continue the case, so we could bring our  
19 expert at a future date.

20 EXAMINER EZEANYIM: Okay. May the witness  
21 today stand up, state your name and be sworn, please?

22 THE WITNESS: Tim Speer.

23 TIM SPEER,  
24 after having been first duly sworn under oath, was  
25 questioned and testified as follows:

1 DIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Mr. Speer, where do you reside?

4 A. Midland, Texas.

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

6 A. Nearburg Producing. I'm a reservoir engineer.

7 Q. Have you previously testified before the  
8 Division?

9 A. Yes, I have.

10 Q. And were your credentials as an expert  
11 reservoir engineer accepted as a matter of record?

12 A. Yes, they were.

13 Q. And are you familiar with the engineering  
14 matters related to this particular application?

15 A. Yes, I am.

16 MR. BRUCE: Mr. Examiner, again, this  
17 matter was heard two weeks ago, and both OXY and  
18 Nearburg presented testimony and geologic testimony.  
19 The hearing was continued at OXY's -- at OXY's request,  
20 although I believe, Mr. Examiner, you did request some  
21 engineering, so we thought we'd bring some in.

22 With that, I'll get going on the  
23 questioning of Mr. Speer.

24 Q. (BY MR. BRUCE) Mr. Speer, we probably want to  
25 discuss several of these in a row.

1 MR. BRUCE: And I've numbered these from  
2 the cessation of the last exhibits, Mr. Examiner.

3 Q. (BY MR. BRUCE) Start with Exhibit 11,  
4 Mr. Speer, and describe the reservoir qualities in this  
5 area and the type of drainage you see in the Strawn  
6 reservoir feature in this area.

7 A. Yes. This sheet just provides general  
8 reservoir characteristics. The depth generally runs  
9 10,800 to 11,000 feet; sweet oil, 43 gravity; solution  
10 gas drive, initial GOR is usually about 1,000 to 1;  
11 generally about 3800 pounds initial bottom-hole point  
12 pressure; generally pretty good porosities, running 6 to  
13 20 percent; and 10 to 40 millidarcies.

14 Q. And Nearburg has drilled wells in this area,  
15 right?

16 A. Yes, we have.

17 Q. And what is Exhibit 12?

18 A. Okay. 12 is a calculation really of drainage  
19 area. This is a well that's about a mile south of our  
20 proposed location.

21 Q. In what section?

22 A. In Section 20.

23 And it shows calculated drainage area of 75  
24 acres for that well. That well is located on somewhat  
25 of an isolated Strawn buildup. It shows that it pretty

1 much drained that entire buildup.

2 Q. Now, you have different -- you have a drainage  
3 area of approximately 75 acres, correct?

4 A. Correct.

5 Q. What is your note at the bottom of this  
6 exhibit?

7 A. The note shows that the estimated actual areal  
8 extent of the reservoir is 50 acres.

9 Q. Based on your seismic?

10 A. Right. The discrepancy -- you know, obviously,  
11 there is some error of margin in your calculation of  
12 drainage area, but it shows the high likelihood that  
13 this will drain the entire feature.

14 Q. Is Exhibit 10 simply the geologist exhibit from  
15 the last hearing showing that feature that you're  
16 talking about for the Kimbrough state well?

17 A. Yes, it is.

18 Q. Kimbrough 20 #1 well. Excuse me.

19 A. Correct.

20 Q. And is Exhibit 9 the geologist exhibit from the  
21 last hearing?

22 A. Yes, it is.

23 Q. This one is also in the same township that  
24 we're involved in today; is it not?

25 A. Yes, it is.

1 Q. Over in Section 14?

2 A. Correct.

3 Q. What comments do you have -- and there is a  
4 well mark there, the New York #1. Was that Nearburg's  
5 well?

6 A. Yes, it was.

7 Q. And could you comment about drilling that well  
8 and the results of these other wells?

9 A. Okay. The New York #1 was basically an 80-acre  
10 offset to an existing well. The well was a dry hole.  
11 It encountered very good Strawn alga-mound development,  
12 very good porosity. A drill stem test was run and  
13 showed a bottom-hole pressure of 287 pounds, showing  
14 that basically that well had been completely drained by  
15 the offset to the east.

16 Q. And, actually, in this feature, there were  
17 several quite good wells; were there not?

18 A. Yes, there were. And the indication is, there  
19 was pretty good communication between those wells.

20 Q. Now, you said -- what pressure did you say you  
21 found in Nearburg's New York #1?

22 A. 287 pounds.

23 Q. What was the initial pressure, to your  
24 knowledge, in this area?

25 A. The initial pressure would have been in the



1 3800 psi range.

2 Q. So it was completely depleted?

3 A. Yes.

4 Q. What is Exhibit 13?

5 A. Exhibit 13 is basically a two-well -- oh, 13.

6 Sorry. I'm getting ahead.

7 13 shows a location map just to show where  
8 some of these wells are. It shows most of the township.  
9 It shows the well, the New York #1 and 14, which I  
10 mentioned, showing 287 pounds bottom-hole pressure.  
11 Drainage -- the arrow indicates drainage was from the  
12 east.

13 Another couple wells I'm prepared to  
14 discuss are in Section 12, in the southeast quarter,  
15 where we show communication between the wells. Also in  
16 Section 12, in the northeast quarter, is a well that we  
17 drilled as a dry hole a little over a year ago. It had  
18 significant drainage, as well as, basically, migration,  
19 oil-water contact migration. It was lower pressure.  
20 The drainage there is to the northwest, and as you can  
21 see, the well that's barely on the edge of the map is  
22 the -- from where it was drained, and that's actually  
23 well over an 80-acre distance away.

24 Q. What about the wells in Section 11?

25 A. Section 11 is another case -- and I don't think

1 I put down specific data, but it's another specific case  
2 of two wells. Those are a little closer together, but  
3 there is definite communication with those two wells,  
4 with the second well, being drilled shortly after,  
5 already showing significant depletion.

6 Q. And over in Section 17, although the well unit  
7 isn't marked, the well that Nearburg is seeking approval  
8 for is the Sapient well, and that's the south half-  
9 northeast of Section 17?

10 A. Correct.

11 Q. And the Kimbrough well you talked about is  
12 roughly a mile to the south, in the southeast quarter of  
13 Section 20?

14 A. Correct.

15 Q. Based on this data, would you recommend to  
16 Nearburg management that they drill two wells in the  
17 south half-northeast quarter of Section 17?

18 A. No.

19 Q. Would that cause -- what is the cost of the  
20 proposed well, about \$3.8 million?

21 A. Correct.

22 Q. Is there any need to drill two wells and spend  
23 double that amount of money?

24 A. No, although one well will drain the entire  
25 feature.

1           Q.    You could drill two wells and not increase  
2   recovery?

3           A.    Right.

4           Q.    Let's go to Exhibit 14.  What does that  
5   reflect?

6           A.    Exhibit 14 is basically a two-well cross  
7   section.  It's the wells that are circled in red on the  
8   map for Exhibit 13 in the southeast quarter of Section  
9   12.

10                   And here what we're showing is -- it shows  
11   the top of the Strawn and then the top of the Strawn  
12   sandstone, which is actually the base of the productive  
13   unit.  The porosity in these wells -- in the case of the  
14   right number two, the porosity was encountered right  
15   here at the top of the Strawn.  In the case of the right  
16   number one, the porosity was encountered at the very  
17   base of the Strawn, yet the wells were approved to be in  
18   communication.  So this is a representation of the  
19   geology showing that as is the case with most of these,  
20   you have basically -- and a lot of these are isolated  
21   mounds, which is what we're currently targeting.

22                   And within these isolated mounds, they are  
23   a single generic unit.  You may have fingering going out  
24   from them.  So your porosity may appear to be in  
25   different intervals, but it is actually connected

1 together, as was the case with these two wells.

2 Q. So looking at this cross section, the right  
3 number one, you show it to be -- it was perforated at  
4 the bottom of the zone?

5 A. Correct.

6 Q. And the right number two was perforated at the  
7 top of the zone?

8 A. Correct.

9 Q. Based upon what you've seen with either one of  
10 these wells, will that completely drain that feature?

11 A. Very likely, yes.

12 Q. So it doesn't matter -- because of the good  
13 porosity, et cetera, because of the good communication,  
14 you can complete at the top or at the bottom, and  
15 chances are you're going to drill the entire mound -- or  
16 drain --

17 A. Correct. Your porosity in that wellbore is --  
18 basically you're halfway into the reservoir as a whole.

19 Q. And next you have Exhibits 6, 7 and 8. Again,  
20 were these presented by Nearburg's geologist at the  
21 prior hearing?

22 A. Yes.

23 Q. What do you wish to discuss on these?

24 A. Basically, Exhibit 6 just shows the location of  
25 our proposed unit in Section 17.

1                   Exhibit 17 -- I mean, Exhibit 7 shows an  
2   isopach map of the Strawn in that area. The maximum  
3   calculated drain area for that feature is about 45  
4   acres. It shows the feature is pretty much centered  
5   within the 80 acres that it straddles. If you were to  
6   divide it into 40, it basically straddles the 40-acre  
7   unit.

8                   And Exhibit 8 is a type log of the Strawn  
9   section in the area.

10          Q.   And, again, looking at Exhibit 7, from the data  
11   that you reviewed -- first of all, you said this is  
12   about 40 acres. Did Nearburg planimeter the reservoir  
13   to determine if the reservoir was substantially more on  
14   one quarter-quarter section than the other?

15          A.   Yes. And we found that it's pretty much equal  
16   between the quarter-quarter sections.

17          Q.   And based on your Exhibit 12, although it looks  
18   to be about a 40-acre reservoir, there is a possibility  
19   that the reservoir might be slightly larger and would  
20   contribute to additional production?

21          A.   That's possible.

22          Q.   But even then, would you recommend two wells in  
23   this 80 acres?

24          A.   No. The likelihood -- two reasons. The  
25   likelihood is, as we've seen, your drainage area can

1 easily reach 80 acres.

2 Two, these are somewhat still exploratory  
3 wells. You don't know with certainty that we're going  
4 to drill this and find porosity, so you generally want  
5 to drill the center of the feature to maximize your odds  
6 that you actually will encounter good reservoir, that  
7 you will hit that buildup. If you try to edge shoot it,  
8 you're significantly increasing your odds of a dry hole.

9 Q. Drilling in Strawn wells is significantly  
10 different than the horizontal, Bone Spring and Yeso  
11 wells that people are drilling these days?

12 A. Yes.

13 Q. Is that correct?

14 A. That's correct.

15 Q. And those wells are pretty much guaranteed to  
16 find the productive interval?

17 A. Correct. In those wells, you are pretty much  
18 guaranteed to produce some oil and find a productive  
19 reservoir. In these, there is significant risk of --  
20 that you'll encounter dry holes.

21 MR. BRUCE: Mr. Examiner, Exhibit 15 is  
22 just from the Division's records. And, Mr. Ezeanyim, I  
23 think you have the only real good copy of this. I'll  
24 try to get a better copy to Ms. Chappelle, but what it  
25 shows is, basically, there are four other pools, the

1 Shipp Strawn and three other -- three of the Humble City  
2 Strawn pools.

3 EXAMINER EZEANYIM: Is it Exhibit 16?

4 MR. BRUCE: 15.

5 EXAMINER EZEANYIM: 15?

6 MR. BRUCE: 15.

7 EXAMINER EZEANYIM: Okay. Do you want me  
8 to give it to him or --

9 MR. BRUCE: I'm just stating that this is  
10 from Division records, and it does show that most of the  
11 adjacent pools are developed on 80-acre spacing at this  
12 point. You'll see the second and third pages giving the  
13 pools -- their pool codes and setting forth the spacing  
14 in three of the Humble City pools and in the Shipp  
15 Strawn pool, which are the bulk of the pools near the  
16 proposed well.

17 EXAMINER EZEANYIM: Are there any orders  
18 associated with that 80-acre unit?

19 MR. BRUCE: I can get you the orders for --  
20 I can get the order numbers.

21 EXAMINER EZEANYIM: That would be nice.

22 MS. CHAPPELLE: Are you making that part of  
23 the record, because it's a public document, or are you  
24 making it an exhibit?

25 MR. BRUCE: Well, I could --

1 MS. CHAPPELLE: I'm just clarifying.

2 MR. BRUCE: I can make it an exhibit, but  
3 it is in the Division's regulations, so --

4 MS. CHAPPELLE: So you're just seeking for  
5 them to take, essentially, judicial notice?

6 MR. BRUCE: Take notice.

7 Q. (BY MR. BRUCE) Mr. Speer, were Exhibits 11, 12,  
8 13 and 14 prepared by you or compiled from company  
9 business records?

10 A. Yes.

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

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I'd move the  
16 admission of Exhibits 11 through 14.

17 EXAMINER EZEANYIM: Any objection?

18 MS. CHAPPELLE: No.

19 EXAMINER EZEANYIM: Exhibits 11 through 14  
20 will be admitted.

21 (Nearburg Exhibit Numbers 11 through 14  
22 were offered and admitted into evidence.)

23 MR. BRUCE: And I pass the witness.

24 EXAMINER EZEANYIM: Ms. Chappelle?

25



## CROSS-EXAMINATION

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BY MS. CHAPPELLE:

Q. I still get to say good morning. Good morning,  
Mr. Speer. How are you?

A. Just fine. Thank you.

Q. How was your travel to Santa Fe?

A. It was very nice.

Q. Well, you're lucky, because two weeks ago, it  
was extremely hot, and now at least we've got our rains  
in. So it's a little nicer. And we don't have fires,  
you know, in the triangle around us, so you can actually  
breathe.

So what I'm going to do is just ask you a  
few general questions, and because my expert's not here,  
it's kind of difficult for me to develop, you know, some  
of those questions to pose to you. So we're going to  
answer questions we have, essentially, through our own  
testimony. So I just wanted to kind of make that point  
of clarification.

What I was hoping you could do for me,  
though, is just walk me through Exhibit 13 and orient me  
to the wells that you did detail, I believe, in Exhibits  
12, 9 and 14. So that's the New York --

A. Yes. The New York is actually a directionally  
drilled well. You'll see it in the southeast quarter of

1 Section 20.

2 Q. Right. And that's --

3 A. I'm sorry.

4 Q. 14?

5 A. I'm misidentifying. The Kimbrough is the one  
6 in Section 20, which is the directionally drilled well.  
7 The New York is in Section 14. It's circled in red.

8 Q. And just to clarify, the Kimbrough is in the  
9 southeast quarter?

10 A. Of Section 20, correct.

11 Q. And then New York's in 14. And then the other  
12 well that you did a detail on --

13 A. Is in Section 12. The cross section is the two  
14 wells circled in the southeast of Section 12.

15 Q. So that just kind of helps me orient wells  
16 you've detailed on the map. Thank you.

17 Now, in the previous case -- and you  
18 weren't here, so what was discussed and what was put  
19 into the record was that in negotiations regarding  
20 whether we were going to be forced pooled or whether we  
21 were going to come to an agreement, what was disclosed  
22 by Nearburg was that they were going to wait to drill  
23 the Sapient well until they found out how the first well  
24 was going to do.

25 MS. CHAPPELLE: What's that one called,

1 Jim? I forgot.

2 MR. BRUCE: The West Lovington 20 #1.

3 MS. CHAPPELLE: Thank you.

4 Q. (BY MS. CHAPPELLE) So I just wanted to know  
5 from your perspective, as Nearburg's expert, why that  
6 is.

7 A. It's basically to confirm the seismic  
8 interpretation. These are separate wells as far as, you  
9 know, location. They're not -- they're separate  
10 features. So in that sense, they're not dependent on  
11 each other, but we do want to kind of look at our  
12 seismic interpretation and confirm whether we're correct  
13 or incorrect.

14 Q. And does that also tie into your earlier  
15 testimony on direct about the complexities of the Strawn  
16 Formation?

17 A. Yes.

18 Q. And with respect to the first well, where is  
19 that on the map depicted in Exhibit 13?

20 A. I believe it's the -- let's see. I'm trying to  
21 see if this is correct. Yeah. I believe it's the --  
22 well, I don't think that is. Yeah. I believe it's the  
23 northwest of the northwest of Section 20.

24 MR. BRUCE: That little blue hole  
25 (indicating).

1 MS. CHAPPELLE: Okay. Thank you.

2 Q. (BY MS. CHAPPELLE) And with respect to the  
3 Sapient well, is it possible for there to be different  
4 pay zones in addition to the one you've described?

5 A. It's possible, not likely. You could encounter  
6 pay in the Atoka. It's some slim chance you could  
7 encounter production in the Wolfcamp area.

8 MR. BRUCE: Just to clarify. I think  
9 Ms. Chappelle is asking about different pay zones in the  
10 Strawn Formation.

11 A. Within the --

12 Q. (BY MS. CHAPPELLE) No. Within the wellbore  
13 potential itself.

14 MR. BRUCE: Oh, within the wellbore zone.

15 MS. CHAPPELLE: Within that area.

16 A. I mean, these would both be what would be  
17 considered bailout zones. In the case of Wolfcamp, it  
18 proved nonproductive -- I mean the Strawn.

19 Q. (BY MS. CHAPPELLE) Now, with respect to Exhibit  
20 12, you indicated there was a discrepancy with respect  
21 to the drainage area. I was just hoping you could  
22 explain that to me in a little more detail, please.

23 A. Okay. You know, when you calculate a drainage  
24 area -- and in this case, we have one well data point  
25 supplemented by some other, you know, seismic, but

1     you're using average porosities, average thickness. So  
2     that obviously can vary.

3                     In this case, what we show is, the  
4     calculated drainage area is larger than the drainage  
5     area that we know to be available to that well. The  
6     result being or the conclusion being is that the very  
7     high likelihood is that well drains the entire feature.

8             Q.     However, there is quite a bit of interpretation  
9     in coming to that conclusion; is that correct?

10            A.     The high probability, given -- you know, if I  
11     calculated a 40-acre for the feature and I calculated a  
12     40-acre drainage area, you could say there is some  
13     uncertainty since I calculate the drainage area that is  
14     significantly larger than the feature is known to be.  
15     Then the very high likelihood is that well has drained  
16     the entire feature.

17                   MS. CHAPPELLE: And so at this point, given  
18     that I don't have my expert here to help -- to actually  
19     put on right after Mr. Speer, I will close my questions  
20     for now. I mean, not for now, because you've already  
21     ruled that my cross has to be done today. So what I  
22     will do, though, is address any concerns or differences  
23     of opinion that we have with our expert.

24                   EXAMINER EZEANYIM: Are you done now?

25                   MS. CHAPPELLE: Yes, sir.

1 EXAMINER EZEANYIM: Do you have any  
2 questions?

3 EXAMINER BROOKS: No questions.

4 EXAMINER GOETZE: No questions.

5 CROSS-EXAMINATION

6 BY EXAMINER EZEANYIM:

7 Q. Maybe we'll start with -- Mr. Speer, Exhibit  
8 Number 10, the Strawn area wells with documented  
9 acreage, are those the -- I can't read the number of  
10 drainage area for these wells. This is Exhibit Number  
11 10?

12 A. Yes.

13 Q. Okay. Now, you said the wells were documented  
14 acreage. So I'm trying to see for these wells listed.  
15 Do they have the acreage that they drain included with  
16 the wells?

17 A. No. But what this shows is, for instance, the  
18 New York well in Section 14 is offset only to the east  
19 by production. That was the well that the drill stem  
20 test showed to be completely drained. And so we know  
21 that those wells that are over to the east are spaced  
22 on, essentially, 80-acre spacings, so we know that there  
23 they drained in excess of 80 acres.

24 Q. Oh, okay. What you are saying is that the  
25 drainage is maybe from where we pointed out -- I'm going

1 to look at some of these orders that establish 80 acres,  
2 and we assume --

3 A. Right.

4 Q. -- that the wells are draining?

5 A. Okay. What I'm saying is, I'm not documenting  
6 the drainage area here.

7 Q. Oh, I thought that's what you said.

8 A. Okay. Maybe I mistitled it. What I'm  
9 documenting is wells where there was preexisting  
10 drainage and/or significant communication between wells,  
11 where we're showing wells are cross-draining each other.  
12 And in the case of the rights, they were cross-draining  
13 each other. In the case of the wells in Section 11,  
14 they were cross-draining each other. In the case of the  
15 New York well, in Section 14, it was drained by the  
16 wells to the east. So that's what I'm inferring by the  
17 documented drainage.

18 Q. Okay. When you said that, I was trying to find  
19 it.

20 A. Okay.

21 Q. Exhibit Number 12. Do you know the initial  
22 information -- I know, with this information, you can  
23 calculate it. I wanted to put the calculated area -- I  
24 mean, the drainage area and use that. Do you have an  
25 idea what the initial information is, so I can -- that's

1 the only thing I don't have here to calculate your 75.

2 Your 75 is calculated, right?

3 A. Yes. And the --

4 Q. I need -- I need the DOI. If I get DOI, I  
5 think we can better -- and then come out with your area,  
6 and then we compile with your seismic area.

7 A. Right. The GOR shown here is 1,000 to 1. The  
8 gas gravity is shown. The reservoir temperature is  
9 shown.

10 Q. Now I have to go and calculate that parameter  
11 [sic] using your information, but, I mean, I don't have  
12 time to do that. But if I have DOI -- DOI is something  
13 that you know.

14 A. Oh, yes.

15 Q. DOI is something I need to know before -- of  
16 course, the 492,000 [sic] is not -- is just the current  
17 production, not the oil that's produced here, right?  
18 That is the current cumulative production, right?

19 A. Yeah. The --

20 Q. It's not cumulative -- it's not the -- it's not  
21 the estimated ultimate recovery?

22 A. This well has been abandoned.

23 Q. Oh, it is? So this formula is the estimated  
24 ultimate recovery?

25 A. Yes.



1 Q. Oh, okay. So in that case, we can't really  
2 know exactly how many acres this well has drained?

3 A. Correct.

4 Q. And you calculated 75?

5 A. Correct.

6 Q. Do you know the DOI? You know what I mean by  
7 DOI?

8 A. Right. Right. Not right offhand.

9 Q. So that is the unknown here, unless I want to  
10 do it -- I wanted just to point you to your 75.

11 A. Right.

12 Q. I can ask you when I get the offset, but I  
13 don't have the information.

14 Okay. So, now, you calculate -- but when  
15 you put the DOI, you calculated the 75, right?

16 A. Right.

17 Q. Okay. Now, when you say productive area [sic]  
18 based on seismic is 50 acres, what is that? Your  
19 seismic survey of the well -- you think that well is  
20 under the seismic survey with 50 acres? What are you  
21 saying?

22 A. We have 3D seismic of the area. It's showing  
23 that that -- actually, I believe it's about 45 acres.  
24 We actually have it somewhat supplemented by well  
25 control. This was a directional well. The original

1 vertical well was a dry hole, and subsequent to the  
2 acquisition of the seismic, it was sidetracked over to  
3 where the seismic showed that the reservoir existed.  
4 But the surface location where it was originally -- the  
5 well was originally drilled as a vertical well also  
6 helps to define the reservoir limits in that direction.

7 Q. So the seismic, and you calculated more than  
8 40. And we didn't do this for 80. We're draining  
9 somebody, right?

10 A. Correct.

11 Q. Now, let's go back to that plat on Section 17.  
12 You wanted the -- this is the south half of the  
13 northeast quarter that you wanted -- is that what you  
14 wanted to get for this well?

15 A. Correct.

16 Q. Would you advise -- which company is this --  
17 Nearburg to drill a well in the south half of the  
18 northwest quarter on 17?

19 A. No.

20 Q. Why?

21 A. Our seismic shows you would not encounter  
22 reservoir there.

23 Q. But you will encounter it in the south half,  
24 right?

25 A. Yes. Yes. We show that the reservoir -- and I

1 believe Exhibit 7 is the isopach, which is kind of a  
2 blowup showing just the northeast quarter of Section 17,  
3 again. And as you can see, we show that that feature  
4 occupies only the south half of the northeast quarter.

5 Q. So in 17, south half of the northwest, you  
6 wouldn't advise anybody to drill the 80 acres, right?

7 A. Correct.

8 Q. Okay. I see what -- you want just -- you want  
9 to get all your assets to dedicate the 80-acre to this  
10 well?

11 A. Correct.

12 Q. Despite [sic] your well?

13 A. Correct.

14 Q. Makes sense now with the information I have  
15 here, and I like the answer you gave me, that you  
16 wouldn't advise Nearburg to drill that well in the south  
17 half of the northwest quarter just for this particular  
18 well. And based on your calculations, which I'm going  
19 to take, that that's a new well you wanted and through  
20 your isopach map and that's where you're only going to  
21 drill that well. It makes perfect sense.

22 A. Yes.

23 Q. But I need to get that DOI. You know, you can  
24 calculate it, but I think it's -- you don't have that  
25 number?

1           A.    Not off the top of my head.  It's calculated  
2    within the spreadsheet that I use.

3           Q.    I don't really need it.  It's okay.  I trust  
4    that -- calculated the well?

5           A.    Yes.

6           Q.    You came to 75 acres, right?

7           A.    Yes.

8           Q.    I'm assuming that all your assumptions in the  
9    planimeters [sic] are correct, you know, because most of  
10   them made the assumptions.  Your net pay -- net pay is  
11   54 feet.

12          A.    Yes.

13          Q.    That's good.  Because if I said net pay -- let  
14   me see how.  The net pay is less proportionate to the  
15   acreage.  If that net pay is about, you know, 20 [sic],  
16   I would get a lot of acreage in there.  But now you have  
17   54, and that will work with me.  And you are seeking 75.

18          A.    Right.

19          Q.    Based on your -- your porosity is good, and  
20   your permeability [sic] is good, and your water  
21   saturation is nice.

22                   How do you determine the ultimate recovery?  
23   Is that by decline cost?

24          A.    Yes.  Most of that was actually recovered.  
25   That well was lost due to a casing leak, but it had

1 actually produced over 400,000 of that. So that's  
2 calculated EUR if the well hadn't been lost, but it has  
3 significant production history.

4 Q. Okay. And the location is -- did we talk about  
5 unorthodox location?

6 MR. BRUCE: Yeah, we talked about that the  
7 last go-around. We did request an unorthodox location.  
8 And Mr. Speer can probably answer it, but the  
9 geologist testified that it's simply to try and hit the  
10 top of that feature -- the thickness part of the  
11 feature. Excuse me.

12 Q. (BY EXAMINER EZEANYIM) But you have the API  
13 number?

14 MR. BRUCE: I will check for that,  
15 Mr. Examiner.

16 EXAMINER EZEANYIM: Okay. What is the pool  
17 name? Pool name is what?

18 MR. BRUCE: It's the South Midway Strawn  
19 pool.

20 EXAMINER EZEANYIM: We're doing some  
21 compulsory pooling, right?

22 MR. BRUCE: Yes.

23 EXAMINER EZEANYIM: We're doing some  
24 compulsory pooling, right?

25 MR. BRUCE: Correct, Mr. Examiner.

1 EXAMINER EZEANYIM: Did you talk about  
2 overhead rates?

3 MR. BRUCE: At the last hearing. It's on  
4 the record.

5 EXAMINER EZEANYIM: Did we do that?

6 MR. BRUCE: Yes.

7 EXAMINER EZEANYIM: Was that in 1995 [sic]?

8 MR. BRUCE: 19 --

9 EXAMINER EZEANYIM: This is 1992 [sic].

10 MR. BRUCE: This case was also heard two  
11 weeks ago.

12 MS. CHAPPELLE: Yes, right after --

13 EXAMINER EZEANYIM: Do you remember that?  
14 (Discussion off the record.)

15 MR. BRUCE: The overhead rates were 7,000  
16 and 700.

17 EXAMINER EZEANYIM: I'm sorry. It wasn't  
18 my docket, so I don't remember.

19 EXAMINER BROOKS: Well, it wasn't my  
20 docket. I got it from Richard (laughter). It's great  
21 that we have transcripts.

22 EXAMINER EZEANYIM: Yeah.

23 Okay. Do you have anything further?

24 MS. CHAPPELLE: We'll address our questions  
25 through our witness when we resume.

1 EXAMINER EZEANYIM: Okay. Before we do  
2 anything, I need to know the consensus. When do you  
3 want to continue the case so your witness is here?

4 MS. CHAPPELLE: So I believe you indicated  
5 your witness isn't available in two weeks.

6 MR. BRUCE: I'm not presenting anything  
7 else.

8 MS. CHAPPELLE: And I recall Mr. Brooks  
9 saying that he was gone in two weeks.

10 EXAMINER BROOKS: I will be gone in two  
11 weeks.

12 MS. CHAPPELLE: And so my preference would  
13 be -- to have some consistency with respect to the folks  
14 at the table, my preference would be to reconvene when  
15 you're back.

16 EXAMINER BROOKS: Well, I will be back in  
17 four weeks.

18 MR. BRUCE: Mr. Examiner, I've stated this  
19 before. Of course, Nearburg prefers that the case be  
20 taken under advisement, but since OXY was gracious  
21 enough to allow Mr. Speer to testify --

22 EXAMINER BROOKS: Well, I would say that  
23 given the way things are here -- of course, we're  
24 seriously backlogged, as I mentioned. I'm not sure --  
25 since I presided over the first hearing, it probably

1 remains my case. I was going to say, I'm probably not  
2 as backlogged as Richard is, but that's as of today, and  
3 after two weeks' vacation, I think the reverse may be  
4 true (laughter).

5 EXAMINER EZEANYIM: That's true.

6 EXAMINER BROOKS: So I can't make any  
7 predictions which one of us will be able to dispose of  
8 it. And since -- you know, he's the technical examiner  
9 and I'm the legal examiner. We have to work together on  
10 these things anyway. Whatever you-all want to do.

11 (Discussion off the record.)

12 EXAMINER EZEANYIM: Is that agreeable with  
13 you, August 8th?

14 MR. BRUCE: Yes.

15 EXAMINER BROOKS: Okay.

16 MR. BRUCE: Mr. Examiner, I did have one  
17 follow-up question, only one follow-up for Mr. Speer.

18 EXAMINER EZEANYIM: Okay.

19 REDIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. In selecting locations for Strawn wells in Lea  
22 County, is it quite common to use seismic to  
23 determine --

24 A. Yes, it is.

25 Q. Pretty much every well is an individual



1 experiment, isn't it?

2 A. Yes, they are. And as you can see, some of  
3 these features are fairly small, so they're hard to ID  
4 from the subsurface.

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

6 EXAMINER EZEANYIM: Thank you very much.  
7 Nothing further?

8 MS. CHAPPELLE: No, sir. Thank you for  
9 accommodating me today. I really appreciate it.

10 EXAMINER EZEANYIM: Okay. Thank you.

11 So at this point -- let's see what happened  
12 with this case. Case Number 14996 will be continued to  
13 August 8th, 2013. And this concludes the hearing today.

14 (The proceedings conclude, 12:04 p.m.)

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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. 14996  
heard by me on 7-12-13.  
David R. Brown Examiner  
Oil Conservation Division


1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

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