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2	FOR APPLICANT DEVON ENERGY PRODUCTION COMPANY, L.P.	:
3	JAMES G. BRUCE, ESQ.	
4	Post Office Box 1056 Santa Fe, New Mexico 87504 (505) 982-2043	
5	jamesbruc@aol.com	
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- 1 (8:22 a.m.)
- 2 EXAMINER EZEANYIM: On page 1, we are going
- 3 to consolidate those two cases, and I'll read them into
- 4 the record. Case Number 15085, the application of Devon
- 5 Energy Production Company, L.P. for a nonstandard oil
- 6 spacing and proration unit and compulsory pooling, Eddy
- 7 County will be consolidated with Case Number 15086,
- 8 application of Devon Energy Production Company, L.P. for
- 9 a nonstandard oil spacing and proration unit and
- 10 compulsory pooling.
- 11 Call for appearances.
- MR. BRUCE: Mr. Examiner, Jim Bruce of
- 13 Santa Fe representing the Applicant. I have two
- 14 witnesses.
- 15 EXAMINER EZEANYIM: Any other appearances
- 16 in this case?
- 17 Very good. The witnesses will stand up,
- 18 state your names and be sworn in.
- 19 Witnesses, stand up, state your names.
- 20 MS. KLINGLER: Shelley Klingler.
- MR. BLUMSTEIN: Raleigh Blumstein.
- 22 EXAMINER EZEANYIM: And they may be sworn
- 23 in.
- 24 (Witnesses sworn.)
- 25 EXAMINER EZEANYIM: Before you start,

- 1 Counsel, this is a 160-acre unit that is -- that is how
- 2 we need to call it. If I look at what you did, you have
- 3 driven a -- one mile into a 40-acre unit. If you look
- 4 at that, I think it's a typo. I want you to correct me
- 5 if I'm wrong. The surface is in the same unit, and the
- 6 bottom hole is in the same unit. But I know it's just a
- 7 typo.
- MR. BRUCE: Oh, okay. We'll point out --
- 9 we'll get to that in a second.
- 10 EXAMINER EZEANYIM: You see what I mean? I
- 11 wanted to make sure we correct that information. It's
- 12 also in the application, and it's also in the docket.
- 13 So I wanted to make sure we are really asking for a
- 14 160-acre --
- MR. BRUCE: I know what you're asking for.
- 16 EXAMINER EZEANYIM: Good. Okay. You may
- 17 proceed then.
- 18 SHELLEY KLINGLER,
- 19 after having been previously sworn under oath, was
- 20 questioned and testified as follows:
- 21 DIRECT EXAMINATION
- 22 BY MR. BRUCE:
- Q. For the record, please state your name and city
- 24 of residence.
- 25 A. Shelley Klingler from Moore, Oklahoma.

- 1 Q. Okay. For the Examiner, could you spell your
- 2 last name?
- 3 A. K-L-I-N-G-L-E-R.
- Q. Who do you work for and in what capacity?
- 5 A. I work for Devon Energy Production Company in
- 6 Oklahoma City as a landman.
- 7 Q. Have you previously testified before the
- 8 Division?
- 9 A. No.
- 10 Q. Could you summarize your educational and
- 11 employment background?
- 12 A. Yes. I was Naval intelligence for seven years
- 13 and then received a bachelor's degree in petroleum land
- 14 management. I've been a landman for eight years.
- Q. And does your area of responsibility with Devon
- 16 include this area of southeast New Mexico?
- 17 A. Yes.
- 18 Q. And are you familiar with the land matters
- 19 involved in these applications?
- 20 A. Yes.
- MR. BRUCE: Mr. Examiner, I tender
- 22 Ms. Klingler as an expert petroleum landman.
- 23 EXAMINER EZEANYIM: Qualification is
- 24 accepted.
- Q. (BY MR. BRUCE) Ms. Klingler, could you identify

- 1 Exhibit 1 for the Examiner?
- 2 A. It is the Midland Map Company land plat
- 3 highlighting the east half-east half and the west
- 4 half-east half of Section 14, Township 21 South, Range
- 5 27 East.
- Q. And the next two pages are simply the C-102s
- 7 for the two wells; are they not?
- 8 A. Yes, sir.
- 9 Q. Getting to what the Examiner was mentioning at
- 10 the beginning of the hearing, could you identify the
- 11 surface location of the 1H well?
- 12 A. The surface location is going to be coming out
- of Section 11, 21 South, 27 East, 335 feet from the
- 14 south line and 1,110 feet from the east line.
- 15 EXAMINER EZEANYIM: Is that from the south
- 16 line, the surface location? Are you drilling -- I mean,
- 17 you just repeated what I said. If it's from the south
- 18 line -- the north line.
- MR. BRUCE: No, Mr. Examiner. It's from
- 20 the section to the north. If you look at page 2, that
- 21 one right there --
- 22 EXAMINER EZEANYIM: Yeah.
- 23 MR. BRUCE: -- the surface location is in
- 24 the adjoining section.
- 25 EXAMINER EZEANYIM: Oh, okay. And then

- 1 you -- okay. I see.
- Q. (BY MR. BRUCE) Ms. Klingler, will the
- 3 productive interval be solely within Section 14?
- 4 A. Yes, sir.
- 5 EXAMINER EZEANYIM: Okay. The surface is
- 6 in a different section. Is that what -- okay.
- 7 MR. BRUCE: There were some surface issues,
- 8 and I think the geologist can address those,
- 9 Mr. Examiner.
- 10 EXAMINER EZEANYIM: Oh, okay. Go ahead.
- 11 Q. (BY MR. BRUCE) And what does Devon seek in
- 12 these two cases?
- 13 A. In Case Number 15085, Devon seeks an order
- 14 approving a 160-acre nonstandard oil spacing and
- 15 proration unit in the Bone Spring Formation comprised of
- 16 the east half of the east half of Section 15 and the
- 17 pooling of interests in the Bone Spring Formation. The
- 18 unit will be dedicated to the Lone Tree Draw 14 State
- 19 Com Well 1H. A horizontal well will be drilled at a
- 20 surface location 335 feet from the south line and 1,100
- 21 feet from the east line of the adjoining Section 11,
- 22 with a terminus 330 feet from the south line and 810
- 23 feet from the east line of Section 14.
- In Case 15086, Devon seeks an order
- 25 approving a 160-acre nonstandard oil spacing and

- 1 proration unit in the Bone Spring Formation comprised of
- 2 the west half of the east half of Section 14 and the
- 3 pooling of interests in the Bone Spring Formation. The
- 4 unit will be dedicated to the Lone Tree Draw 14 State
- 5 Com Well 2H. A horizontal well is being drilled at a
- 6 surface location 150 feet from the north line and 1,875
- 7 feet from the east line, with a terminus of 330 feet
- 8 from the south line and 2,200 feet from the east line of
- 9 Section 14.
- 10 EXAMINER EZEANYIM: Let me get those points
- 11 now. I need the penetration points and the bottom-hole
- 12 locations for the two wells, so we can take that out of
- 13 the way. Since you are talking about it now, what is
- 14 the penetration point for the first well; do you know?
- THE WITNESS: Mr. Examiner, I'm going to
- 16 have to ask my geologist.
- 17 EXAMINER EZEANYIM: Okay. Okay. Let's
- 18 proceed. The geologist will tell me when he comes to
- 19 testify. Go ahead. I'm sorry.
- 20 Q. (BY MR. BRUCE) And who do you seek to pool?
- 21 And I refer you to Exhibits 2A and 2B.
- 22 A. Exhibit 2A lists the working interest owners we
- 23 seek to pool in the east half-east half of Section 14,
- 24 and Exhibit 2B lists the working interest owners we seek
- 25 to pool on the west half-east half of Section 14.

- 1 O. What are Exhibits 3A and 3B?
- 2 A. Exhibit 3A contains copies of our proposal
- 3 letters to the working interest owners in the east
- 4 half-east half of Section 14, and Exhibit B lists the --
- 5 contains copies of our proposal letters to the working
- 6 interest owners in the west half-east half of Section
- 7 14.
- Q. In addition to these proposal letters, have you
- 9 had other contacts with at least some of these working
- 10 interest owners?
- 11 A. Yes, sir. I've made phone calls, e-mails and,
- 12 of course, other mailings, and I've had a broker contact
- 13 several of them.
- Q. Now, I believe that you have at least made some
- 15 preliminary agreements with a couple of interest owners
- 16 in these wells; is that correct?
- 17 A. Yes, sir. We have made an agreement; we have
- 18 an attempt to purchase the interests from EnerVest.
- 19 O. And if any of these interest owners
- 20 subsequently join in the wells, will you notify the
- 21 Division?
- 22 A. Yes.
- Q. And in your opinion, has Devon made a
- 24 good-faith effort to obtain the voluntary joinder of the
- 25 interest owners in the two wells?

- 1 A. Yes.
- O. Would you identify Exhibits 4A and 4B and
- 3 discuss the cost of the proposed wells?
- 4 A. Exhibit 4A is the AFE for the Lone Tree Draw 14
- 5 State Com Well #1H in the east half-east half of Section
- 6 14. And the total cost -- total estimated cost is
- 7 \$5,541,285.
- 8 O. And are these costs in line with the costs of
- 9 other wells built to this depth in this area of
- 10 New Mexico?
- 11 A. Yes.
- 12 Q. And do you request that Devon be appointed
- 13 operator of the wells?
- 14 A. Yes.
- 15 Q. Do you have a recommendation for the
- 16 supervision and administrative expenses which should be
- 17 allowed for Devon operating these wells?
- 18 A. Yes. 7,000 a month for drilling and 700 a
- 19 month for producing.
- 20 O. And are these rates fair and reasonable?
- 21 A. Yes.
- Q. And are they in line with the rates in your JOA
- 23 with other working interest owners?
- 24 A. Yes.
- 25 Q. Do you request that these rates be adjusted

- 1 periodically as provided by the COPAS accounting
- 2 procedure?
- 3 A. Yes.
- 4 O. And were the interest owners notified of this
- 5 hearing?
- 6 A. Yes.
- 7 Q. In going through Exhibits 5A and 5B,
- 8 Ms. Klingler, there are certain letters that were
- 9 returned or we just haven't gotten the green cards back
- 10 yet, but to the best of your knowledge, are all of these
- 11 addresses sent to the interest owners valid addresses?
- 12 A. Yes.
- 13 Q. And you made an extensive search of the records
- 14 to locate these addresses?
- 15 A. Yes. We did all three sites and several pay
- 16 sites and through the brokerage doing searches.
- 17 O. And what is Exhibit 6?
- 18 A. Exhibit 6 lists the offsets.
- 19 Q. And were they given notice of this hearing?
- 20 A. Yes, sir.
- 21 Q. And is that reflected in my Affidavit of Notice
- 22 marked Exhibit 7?
- 23 A. Yes, sir.
- MR. BRUCE: And, Mr. Examiner, Exhibits 8A
- 25 and 8B are simply affidavits of publication in the

- 1 Carlsbad newspaper regarding a couple of the interest
- 2 owners.
- 3 Q. (BY MR. BRUCE) The main person notified here,
- 4 Ms. Klingler, is Isaac Kawasaki. What can you tell us
- 5 about his status or nonstatus?
- 6 A. We believe that Mr. Kawasaki is deceased, and
- 7 we have done an extensive search for his heirs. And any
- 8 addresses we could find that may be linked to a possible
- 9 relative, we have mailed items to.
- 10 Q. And you have received no response?
- 11 A. No response.
- 12 Q. Were Exhibits 1 through 8B either prepared by
- 13 you or under your supervision or compiled from company
- 14 business records?
- 15 A. Yes.
- 16 Q. And in your opinion, is the approval of these
- 17 applications in the interest of conservation and in the
- 18 prevention of waste?
- 19 A. Yes.
- MR. BRUCE: Mr. Examiner, I approve the
- 21 admission of Exhibits 1 through 8B.
- 22 EXAMINER EZEANYIM: Exhibits 1 through 8 B
- 23 will be admitted.
- 24 (Devon Energy Production Company, L.P.
- Exhibits Numbers 1 through 8B were offered

1	and admitted into evidence.)
2	MR. BRUCE: Mr. Examiner, I have no further
3	questions of the witness, but I am going to ask at this
4	point, at the end of this hearing, if the case would be
5	continued for two weeks because some of the green cards
6	haven't been returned. And because of some late notices
7	that went out, there are a couple of additional notice
8	materials I'll need to submit in a couple of weeks.
9	EXAMINER EZEANYIM: So you would request a
10	two-week continuance?
1.1	MR. BRUCE: Two weeks.
12	EXAMINER EZEANYIM: We are going to
13	complete the case today?
14	MR. BRUCE: Yes.
15	EXAMINER EZEANYIM: Would be, as I
16	understand it, the continuance is for you submitting the
17	information that
18	MR. BRUCE: It'll just be a few notices.
19	EXAMINER EZEANYIM: You are making due
20	process.
21	MR. BRUCE: And I have no further questions
22	of the witness.
23	EXAMINER EZEANYIM: Thank you.
24	

2 BY EXAMINER EZEANYIM:

- 3 Q. Ms. Klingler, could you tell me the name of the
- 4 pool in the Bone Spring?
- 5 A. I'm sorry, sir?
- 6 Q. Could you tell me the name of the pool this
- 7 well is going to be producing from in the Bone Spring?
- 8 The name of the pool?
- 9 A. The name of the pool?
- 10 Q. Yes. Do you have it or --
- 11 MR. BRUCE: Mr. Examiner, I wrote it down.
- 12 I will e-mail that to you today. I've forgotten what it
- is. It's either Fenton or Magruder, I believe.
- 14 EXAMINER EZEANYIM: Yeah. We can't guess.
- 15 Tell me where it is going to --
- MR. BRUCE: Yeah. It is based on statewide
- 17 rules.
- 18 Q. (BY EXAMINER EZEANYIM) Of course, from the name
- 19 of the well, this is state land?
- MR. BRUCE: Yes.
- 21 Q. (BY EXAMINER EZEANYIM) You are a land person,
- 22 right? State land, right?
- 23 A. Yes, state.
- Q. Do you know the API number for these wells?
- 25 A. There is an API for the Lone Tree Draw 14 State

- 1 Com 1H, and that is API 30-015-42070. We have not been
- 2 assigned an API number for the 2H at this time.
- Q. And you are talking about 15085 is the 1H,
- 4 right?
- 5 A. Yes.
- 6 Q. And the API number is 30-015-42 what? What are
- 7 the last three digits?
- 8 A. 070.
- 9 Q. Okay. And I assume there are overhead rates
- 10 for the two wells. The overhead rates for --
- 11 A. The overhead rates?
- 12 Q. Yes. They are for the two wells, right?
- 13 A. Yes.
- Q. On the AFE, the AFE is the same, right?
- 15 A. The AFEs are not exactly the same.
- 16 Q. They are not exactly. Why the difference?
- 17 Those wells are drilled side by side. Why is one higher
- 18 than the other?
- 19 A. The 1H has to come out of a further surface
- 20 location than the 2H. The 2H is completely compliant to
- 21 Section 14. The 1H, because of surface restriction, has
- 22 to start in the 11.
- 23 EXAMINER EZEANYIM: Okay. We talked about
- 24 notice. You still have to give notice, right?
- MR. BRUCE: That is correct.

- 1 Q. (BY EXAMINER EZEANYIM) Before you step down,
- 2 the way you did your notifications and due process, in
- 3 both wells -- the people who you are pooling are the
- 4 same people in both wells?
- 5 A. There are more working interest owners in the
- 6 1H, in the east half-east half, than there are in the
- 7 2H, west half-east half.
- 8 Q. But there are still working interests that have
- 9 not joined, right?
- 10 A. Correct.
- 11 Q. You may step down.
- 12 A. Thank you.
- 13 RALEIGH BLUMSTEIN,
- 14 after having been previously sworn under oath, was
- 15 questioned and testified as follows:
- 16 DIRECT EXAMINATION
- 17 BY MR. BRUCE:
- 18 Q. Mr. Blumstein, where do you reside?
- 19 A. I reside in Oklahoma City, Oklahoma.
- Q. And what is your occupation?
- 21 A. I'm a geologist for Devon Energy.
- 22 Q. Have you previously testified before the
- 23 Division?
- 24 A. I have.
- Q. And were your credentials as an expert as a

- 1 petroleum geologist accepted as a matter of record?
- 2 A. They were.
- 3 Q. And are you familiar with the geological
- 4 matters involved in these two cases?
- 5 A. I am.
- 6 MR. BRUCE: Mr. Examiner, I tender
- 7 Mr. Blumstein as an expert petroleum geologist.
- 8 EXAMINER EZEANYIM: So qualified.
- 9 O. (BY MR. BRUCE) Mr. Blumstein, could you
- 10 identify Exhibit 9 for the Examiner?
- 11 A. Sure. Exhibit 9 is a structure map at the top
- 12 of the 3rd Bone Spring lime, just used to show
- 13 conformance, a general dip from the west to the east,
- 14 and you'll see a similar dip in the a 2nd Bone Spring
- 15 Sand, which is a plan to productive unit.
- 16 O. And what is Exhibit 10?
- 17 A. Exhibit 10 is a gross isopach of the 2nd Bone
- 18 Spring Sand interval also highlighting the east
- 19 half-east half and west half-east half.
- 20 Q. Does it give the approximate directions of the
- 21 two horizontal wells?
- 22 A. It does.
- 23 Q. And could you move on to your cross section,
- 24 Exhibit 11, and discuss its contents?
- 25 A. Exhibit 11 is a north-to-south cross section

- 1 I've identified on Exhibits 9 and 10. And it's just
- 2 shown that the top of the 2nd Bone Spring Sand is
- 3 identified by the blue correlation line, and the top of
- 4 the 3rd Bone Spring lime is identified by the red,
- 5 showing a general conformance of the sand packages
- 6 across the section in question.
- 7 Q. And the 2nd Bone Spring is continuous, you
- 8 believe, across both well units?
- 9 A. It is.
- 10 Q. When you're looking at Exhibit 11, the cross
- 11 section, what is the approximate target depth of the two
- 12 wells?
- 13 A. The approximate target depth is the lower-most
- 14 sand, at approximately 7,720 TVD.
- Q. And from a geologic standpoint, will each
- 16 quarter-quarter section in each well unit contribute
- 17 more or less equally to the production?
- 18 A. They will.
- 19 Q. And what are Exhibits 12A and 12B?
- 20 A. 12A and 12B are the directional plans for the
- 21 two wells in question as designed by staff within Devon
- 22 Energy.
- Q. On the first page of each exhibit, does it give
- 24 the landing point of each well?
- 25 A. It does.

- 1 Q. And how many completion stages does Devon use
- 2 for these wells?
- 3 A. Typically, we use ten stages for the
- 4 completion, and pump about two-and-a-half million pounds
- 5 of sand and 70,000 barrels of fluid.
- Q. And were Exhibits 9, 10 and 11 prepared by you?
- 7 A. Yes, they were.
- Q. And were Exhibits 12A and 12B compiled from
- 9 Devon's company business records?
- 10 A. They were.
- 11 Q. And in your opinion, is the granting of the
- 12 these applications in the interest of conservation and
- 13 the prevention of waste?
- 14 A. Yes.
- 15 MR. BRUCE: Mr. Examiner, I'd move the
- 16 admission of Exhibits 9 through 12B.
- 17 EXAMINER EZEANYIM: Exhibits 9 through 12B
- 18 will be admitted.
- 19 (Devon Energy Production Company, L.P.
- 20 Exhibits Numbers 9 through 12B were offered
- and admitted into evidence.)
- 22 MR. BRUCE: And I have no further questions
- 23 for the witness.
- 24 EXAMINER EZEANYIM: Thank you.

## CROSS-EXAMINATION

- 2 BY EXAMINER EZEANYIM:
- 3 Q. Okay. What's your name again?
- 4 A. Raleigh Blumstein.
- 5 Q. Raleigh, can you please give me the penetration
- 6 points and the bottom-hole locations for each of the
- 7 wells?

- 8 A. Like the penetration point of the Bone Spring
- 9 Formation?
- 10 Q. Yeah, for both wells.
- 11 A. For the Bone Spring Formation --
- 12 Q. I mean, both of them are in the Bone Spring
- 13 Formation. I'm talking about the two wells, the 1H and
- 14 2H, as to 15085 and 15086. I know they're in the Bone
- 15 Spring, but I want to know where -- you know, where
- 16 you're going to have to contend with the completed
- 17 interval.
- 18 A. So you want to know where the top of the
- 19 completion is planned?
- 20 Q. Yes. On the 1H, what is that?
- 21 A. The 1H, the top of the completion will be
- 22 approximately 330 from the north line and 900 from the
- 23 east line of Section 14.
- 24 Q. 900?
- 25 A. Yes.

- 1 Q. 990?
- 2 A. 900.
- Q. Is it in any of the Form C-102?
- 4 A. No.
- 5 Q. In Form C-102, can I -- I think I can find it
- 6 there.
- 7 A. The completion?
- 8 Q. Yeah. You say 300 from the north and 900 from
- 9 the east?
- 10 A. 330 from the north.
- 11 Q. And then 900 from the east?
- 12 A. Yes.
- Q. Okay. What about 2H?
- A. The 2H will be approximately 330 -- or 400 from
- 15 the north and about 1,980 from the east of Section 14.
- 16 Q. Section 14, both of them, right?
- 17 A. Yes.
- 18 Q. Okay. I have a gross isopach map. Do you have
- 19 any isopach map?
- 20 A. No.
- Q. You don't. So how do we know if you're
- 22 drilling a north-south or south-north orientation? Is
- 23 that an issue of development in that area? How do we
- 24 know that is the best way to recover hydrocarbons?
- 25 A. We have drilled a well in Section 13 targeting

- 1 the same interval in the east half of the west half of
- 2 Section 13, and it has been completed and is commercial.
- 3 Q. We hope wells will be commercial, but some may
- 4 be commercial being oriented in one direction than the
- 5 other, but that's okay.
- 6 So what is the problem with giving me an
- 7 isopach? I know it costs money, but why is that
- 8 operator --
- 9 A. Just --
- 10 Q. Did you think about -- because you gave me the
- 11 gross. I see gross.
- 12 A. Yes. I did not provide one.
- 13 Q. Okay. And then how did you design your stages?
- 14 I know you said ten stages under one mile. I'm very
- 15 particular about stages. How did you get ten stages?
- 16 A. That would be our completion engineer who would
- 17 be the expert on that.
- 18 Q. He told you it would take ten stages?
- 19 A. Yes. I asked him, and that's what he said.
- 20 Q. I was wondering why it's not 20 stages. I
- 21 mean, I'm not working for Devon.
- What is the TVD? Is it 7,720?
- A. 7,720, approximately.
- Q. And then you said that all the sections will be
- 25 productive, but we don't have the net isopach map that

	Page 24
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	h. 1/
20	Mary C. Hankins, CCR, RPR
21	Paul Baca Court Reporters, Inc. New Mexico CCR No. 20
22	Date of CCR Expiration: 12/31/2014
23	
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