

STATE OF NEW MEXICO
ENERGY, MINERAL AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

April 28, 2016
8:40 a.m.
Wendell Chino Building
Porter Hall
1220 S. St. Francis Drive
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

CASE NO. 15484

APPLICATION OF MATADOR PRODUCTION COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

BEFORE: WILLIAM JONES, Lead Examiner
SCOTT DAWSON, Examiner
DAVID K. BROOKS, Legal Examiner

REPORTED BY: DEBRA ANN FRIETZE
PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

For the Applicant:

JIM BRUCE, ESQ.
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WITNESSES	PAGE
Trey Goodwin	3
Clark Collier	19

EXHIBITS	ADMITTED
1 through 9	12
10 through 14	24

REPORTER'S CERTIFICATE	29
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1 EXAMINER JONES: Let's start now with the
2 third case on the docket, Case Number 15484, application
3 of Matador Production Company for compulsory pooling in
4 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 JONES: Any other appearances?
10 [At which time Trey Goodwin and Clark
11 Collier were sworn under oath.]

12 TREY GOODWIN
13 having been previously sworn under oath,
14 was questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

17 Q. Would you please state your name and city of
18 residence for the record?

19 A. My name is Trey Goodwin, and I live in Frisco,
20 Texas.

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

22 A. I'm employed by MRC Energy Company, an
23 affiliate of Matador Production Company, and I'm a
24 senior landman.

25 Q. Have you previously testified before the

1 Division?

2 A. Yes.

3 Q. And were you previously qualified as an expert
4 in petroleum land matters by the Division?

5 A. Yes.

6 Q. Are you familiar with the land matters involved
7 in this case?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I tender
10 Mr. Goodwin as an expert petroleum landman.

11 EXAMINER JONES: Mr. Goodwin is qualified
12 as an expert in petroleum land matters.

13 Q. (By Mr. Bruce) Could you please identify
14 Exhibit 1 for the Examiner and briefly describe what
15 Matador seeks in this case?

16 A. Yes. If you'll turn to Exhibit 1, this is the
17 C-102 for the well. This is the Jimmie Kone, 524 South,
18 28 East, 208H. This is a horizontal well with a surface
19 oil location 131 feet from the south line and 380 feet
20 from the west line of Section 4.

21 The producing interval will be orthodox.
22 The first penetration point is 330 feet from the south
23 line and 330 feet from the east line of Section 5, and
24 the last perforation point is 330 feet from the south
25 line and 240 feet from the west line of Section 5.

1 Matador wishes to form a gas spacing and
2 proration unit comprised of the south half of Section
3 5-24-28 in Eddy County, New Mexico, in order to drill
4 the horizontal well described here.

5 Q. And one correction. The last perforation is
6 330 feet from the west line; is it not?

7 A. I show 240 feet from the west line.

8 EXAMINER JONES: Is that the end of the
9 well or the --

10 MR. BRUCE: That's the end of the -- and
11 Mr. Examiner, if you'd go to Exhibit 5, that's an
12 Administrative NSL order.

13 THE WITNESS: And I apologize. Yes, the
14 bottom hole location is 240 feet from the west line. It
15 should be 330 feet.

16 MR. BRUCE: Yeah. The order approved
17 permanence 330 feet from this.

18 Q. (By Mr. Bruce) Could you identify -- well,
19 what pool is this well in?

20 A. This is the Culebra Bluff-Wolfcamp south gas
21 pool. It has a pool code of 75750.

22 Q. And the well spacing in that pool is 320 acres;
23 is that correct?

24 A. Yes, sir.

25 Q. What is the interest ownership in the well

1 unit, and who do you seek to pool when I refer you to
2 Exhibit 2?

3 A. If we turn to Exhibit 2, this is a list of the
4 working interests and unleased mineral interests in the
5 well, and Exhibit 3 is a list of the compulsory pooled
6 parties. And we're seeking to pool less than 1 percent
7 of the uncommitted working interest and unleased mineral
8 interest listed here in Exhibit 3.

9 Q. Now, let me -- well, what is the character of
10 the lands involved in this application?

11 A. If you'll turn to Exhibit 4, this is a copy of
12 a Midland map that shows the lands that were involved
13 were all fee.

14 Q. And in Exhibit 3, that simply shows that all of
15 the parties being pooled are unleased mineral waters; is
16 that correct?

17 A. Yes, sir.

18 Q. Now, let's just briefly -- the title in this
19 half-section is kind of complicated?

20 A. Yes. We had one issue where an individual with
21 less than 1 percent of the working interest in the unit
22 had passed away, and all her family had predeceased her.
23 So through New Mexico intestate law, we were able to run
24 the title out and work back up the family tree, and we
25 were able to identify, you know, somewhere between 80 to

1 90 family members spread out across the US.

2 We built a family tree that -- it's
3 actually plastered up on our hallway in our office.
4 That took up about half the hallway. But we were able
5 to locate and lease, so far, around 60 to 70 of those
6 individuals.

7 We're working with the family -- one of the
8 family genealogists that we've identified, and he's
9 helping us as we also continue our leasing efforts
10 there.

11 Q. And I believe that gentleman's name is Walt
12 Stuessi?

13 A. Yes, sir.

14 Q. In looking at Exhibit 3, Mr. Goodwin, there are
15 people with various names. But you can see
16 S-t-u-e-s-s-i, and then there's Stessie and Stacey. Are
17 they all members of the same family?

18 A. Yes, they are.

19 Q. Different spellings of the same original name?

20 A. Yes, sir.

21 Q. Moving on to Exhibit 5, what is that,
22 Mr. Goodwin?

23 A. Let's turn to Exhibit 5. This contains a copy
24 of our well proposal letter. We included a sample here,
25 but it's a letter that was sent to all partners.

1 Q. Okay. And did you have any -- with the persons
2 who were locatable, did you have any follow-up contacts
3 with them?

4 A. Yes, we did. We contacted them. And you know,
5 we've been able to reach voluntary joinders with several
6 of them.

7 Q. And is it your understanding that additional
8 people will be sending in leases as time goes by?

9 A. Yes, sir.

10 Q. And if that happens, will you notify the
11 Division so that they are not subject to a pooling
12 order?

13 A. Yes.

14 Q. Did you include a copy of the AFE with the well
15 proposal?

16 A. Yes. If you'll turn to Exhibit 6, this is a
17 copy of the AFE. It has an estimated dry hole cost of
18 \$3,091,054 and a completed well cost of \$6,519,239.

19 Q. And are these costs in line with the costs of
20 other horizontal wells drilled to this depth in this
21 area of New Mexico?

22 A. Yes.

23 Q. And with your efforts to get the people to join
24 in, in your opinion, has Matador made a good-faith
25 effort to obtain the voluntary joinder of the interest

1 owners of the well?

2 A. Yes.

3 Q. Who should be appointed operator the well?

4 A. Matador Production Company.

5 Q. And do you have recommendations for the amounts
6 which Matador should be paid for supervision and
7 administrative expenses?

8 A. Yes. \$7,000 a month for the drilling, and \$700
9 a month for the producing.

10 Q. And are these amounts equivalent to those
11 normally charged by Matador and other operators for
12 horizontal wells of this depth in this part of
13 New Mexico?

14 A. Yes.

15 Q. And do you request that the overhead rates be
16 adjusted periodically, per the COPAS Accounting
17 Procedure?

18 A. Yes.

19 Q. And do you request a maximum cost plus 200
20 percent risk charge if any working interest owner goes
21 nonconsent in the well?

22 A. Yes.

23 Q. And again, going back to Exhibit 6 -- or excuse
24 me, Exhibit 7, Matador did separately obtain approval
25 for the unorthodox location of this well; did it not?

1 A. Yes, sir. We applied for and received a
2 nonstandard location for this well, and Exhibit 7 shows
3 the NSL order that we received from the OCD.

4 Q. And were the parties being pooled notified of
5 this hearing?

6 A. Yes. And that is reflected also in Exhibit --
7 I guess it -- actually in Exhibit 8.

8 Q. Now, you spent quite a bit of effort trying to
9 determine who owned what in this well unit and where
10 they lived; is that correct?

11 A. Yes, we did.

12 Q. There were some who were unlocatable?

13 A. Yes, sir.

14 Q. What type of records did Matador search to try
15 to locate these spread-out family members?

16 A. We searched, you know, public records. We
17 searched probate records. We also searched, you know,
18 online -- you know, several online -- we used several
19 online database to help us get to where we were.

20 Q. And again, you think that search was reasonable
21 and thorough?

22 A. Yes.

23 MR. BRUCE: Mr. Examiner, you'll see that
24 most of the people were notified. Some green cards I
25 have not received back yet, but you will see the ones

1 who did not receive the actual notice. The most
2 interesting one is the final one where actual notice was
3 given. It was over in Germany, so we looked far and
4 wide for them.

5 And then, Mr. Examiner, Exhibit 9 is simply
6 the Affidavit of Publication as against all of these
7 people. We named everyone possible. So either through
8 Certified Mail or Publication Notice, everyone was given
9 notice.

10 Q. (By Mr. Bruce) Were Exhibits 1 through 9
11 prepared by you or under your supervision or compiled
12 from company business records?

13 A. Yes.

14 Q. And in your opinion, is the granting of this
15 application in the interest of conservation and the
16 prevention of waste?

17 A. Yes.

18 Q. One final question: Would you request an
19 expedited order in this matter?

20 A. Yes.

21 Q. And the reason for that being?

22 A. Well, we've actually drilled -- we've drilled
23 these wells. We drilled the 208 and 228, and we're
24 waiting on completion.

25 Q. Okay. So you'd like to get the order as soon

1 as possible?

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, I'd move the
4 admission of Exhibits 1 through 9.

5 EXAMINER JONES: Exhibits 1 through 9 are
6 admitted.

7 [Exhibits 1 through 9 admitted.]

8 EXAMINER JONES: Are you going to complete
9 both wells at once?

10 THE WITNESS: Yes, sir, we are.

11 EXAMINER JONES: Are they both in the
12 same --

13 THE WITNESS: Yes, sir. They're both 30
14 feet away from each other, so we're going to complete
15 the 208 first. That's this well.

16 EXAMINER JONES: Is it in the same pool?

17 THE WITNESS: Yes, sir.

18 EXAMINER JONES: You've got two wells in
19 the same spacing unit 30 feet away?

20 THE WITNESS: Yes, sir.

21 EXAMINER JONES: You're talking about
22 surface location?

23 THE WITNESS: Yes, sir. Surface location,
24 yes, sir.

25 EXAMINER JONES: And the AFE cost has come

1 down on these wells?

2 THE WITNESS: Yes, it has. It has.

3 EXAMINER JONES: So there's the lady in
4 Germany, and her middle name is Steussi. Is that the
5 family name that --

6 MR. BRUCE: Mr. Collier would know better,
7 but that would be the original grammatic spelling of
8 that name.

9 EXAMINER JONES: Mr. Brooks?

10 EXAMINER BROOKS: I don't have any
11 questions. I certainly can express my admiration to the
12 title examiner to successfully do all that genealogy.

13 THE WITNESS: Thank you.

14 EXAMINER JONES: Scott?

15 EXAMINER DAWSON: The one thing that I --
16 Mr. Goodwin, the one thing that I was wondering about is
17 your letter for the proposal for the drilling under
18 Exhibit 5.

19 Is that the proposed surface -- on like the
20 fifth paragraph, proposed surface locations, 804 from
21 the south?

22 THE WITNESS: Yeah. We had several
23 reiterations of the proposal letter. I think actually
24 our first proposal letter, I believe, went out -- you
25 know, our first contacts went out before Christmas of

1 2015.

2 We had originally planned for the surface
3 oil location to be in Section 5, and then we decided to
4 move the locations over to Section 4.

5 I know originally when we started the
6 permitting process, we started off in Section 5, and
7 then we ended up in Section 4 with the surface oil
8 locations.

9 EXAMINER DAWSON: So that was amended after
10 the letter was sent?

11 THE WITNESS: Yes, sir.

12 EXAMINER DAWSON: Okay.

13 EXAMINER JONES: So the actual surface oil
14 location is 131 from the south, 380 from the west of
15 Section 4?

16 THE WITNESS: Yes, sir, it is.

17 EXAMINER JONES: Okay.

18 EXAMINER DAWSON: As depicted on the
19 C-102 --

20 THE WITNESS: Yes, sir, that is correct.

21 EXAMINER DAWSON: -- in Exhibit 1?

22 THE WITNESS: Yes, sir. The exhibit -- the
23 C-102 in Exhibit 1 is correct, yes, sir.

24 EXAMINER DAWSON: All right. And the
25 other, it looks like -- I'm sorry, on Exhibit 3 -- or go

1 back to Exhibit 2. There was like 99.55 percent. And
2 that other 0.45 percent, roughly, are the ones that
3 you're having a very much more difficult time finding
4 those people?

5 THE WITNESS: Yes, sir. You know, we were
6 right at around 99 percent. So this woman who had
7 passed away, she had less than a percent. So every
8 single one of these individuals that we've gone out to
9 locate, you know, were entitled to an interest in that 1
10 percent.

11 So you know, we've probably leased up
12 about -- well, 80 percent of it, and we still have a
13 little bit left to go. So we're going to continue our
14 leasing efforts there and hopefully get to 100 percent
15 eventually.

16 EXAMINER DAWSON: Okay. And if the well
17 starts producing before you find that other 0.45 percent
18 of those people, do --

19 THE WITNESS: Yes, sir. You know, we'll
20 continue to work with them for an agreement, you know,
21 whether it be participation in a well or leasing them.
22 So we'll continue to do that, and we'll pool them off
23 the fourth pool.

24 EXAMINER DAWSON: Okay. That's all the
25 questions I have. You've pretty much explained it in

1 the hearing.

2 EXAMINER JONES: So this will be the first
3 well in the -- this is the subject well --

4 THE WITNESS: Yes, sir.

5 EXAMINER JONES: The other well, you'll AFE
6 them. In other words, you'll be carrying these
7 people --

8 THE WITNESS: Yes, sir.

9 EXAMINER JONES: -- for the other well
10 also, almost exactly at the same time?

11 THE WITNESS: Right. Yes, sir. And we
12 will send them an updated AFE, as well, for the second
13 well.

14 EXAMINER JONES: That's covered under our
15 rules on subsequent wells and the spacing unit that's
16 compulsory pooled.

17 EXAMINER BROOKS: Well, they would have to
18 comply with the rules on compulsory pooling on
19 subsequent wells and the spacing unit, or else file
20 another proceeding.

21 But if there's another well to be drilled
22 in this spacing unit -- because this is not a
23 nonstandard spacing unit. There's a 320, as I
24 understand it?

25 THE WITNESS: Yes, sir. It's a 320-acre

1 spacing unit.

2 EXAMINER BROOKS: So it's a standard
3 spacing?

4 THE WITNESS: Yes, sir.

5 EXAMINER BROOKS: And if you drill another
6 well on that, you'll have to give the -- propose it in
7 the way it's provided --

8 THE WITNESS: Yes, sir. And we have done
9 that, yes, sir.

10 EXAMINER JONES: Subject to that, it will
11 be under the same regulations as the first well?

12 THE WITNESS: Yes, sir. That's -- yeah, we
13 have proposed for that second well. And that was our
14 plan, was to complete these wells together.

15 EXAMINER BROOKS: Okay.

16 EXAMINER DAWSON: Is the second well in the
17 north half of the south half or --

18 THE WITNESS: No. The second well is 30
19 feet north of this well. So this one was 131 feet from
20 the south half, and the second well is 161 feet from the
21 south half, as well. And they've begun completion
22 operations on those wells.

23 EXAMINER DAWSON: Are they planning on
24 drilling two more wells in the north half of the south
25 half?

1 THE WITNESS: Yes, sir.

2 EXAMINER DAWSON: Okay.

3 THE WITNESS: Yeah. We have multiple wells
4 planned, you know, for the future in this section.

5 EXAMINER DAWSON: And that would be
6 identical ownership use --

7 THE WITNESS: Yes, sir, it would be
8 identical.

9 EXAMINER DAWSON: -- on the south half?

10 THE WITNESS: Yes, sir, it would be
11 identical. The whole south half would be the same
12 ownership throughout.

13 EXAMINER BROOKS: Of course, they would all
14 be pooled anyway because you're in a 320-acre spacing
15 unit?

16 THE WITNESS: Yes, sir.

17 EXAMINER JONES: So the same parties would
18 participate?

19 THE WITNESS: Yeah, the same parties.

20 EXAMINER JONES: The one well -- if they
21 participate in the first well and decide not to in the
22 subsequent wells, that would be a difference in
23 ownership?

24 THE WITNESS: Yes, sir, and it would be
25 captured if they participated in the first well. Then

1 it would be captured under the JOAL, and they'd be held
2 to the JOAL for the subsequent wells, yes, sir.

3 EXAMINER JONES: Okay. Thanks very much.

4 THE WITNESS: Yes, no problem. Thank you.

5 CLARK COLLIER

6 having been previously duly sworn under oath,
7 was questioned and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. BRUCE:

10 Q. Would you please state your name for the
11 record?

12 A. My name is Clark Collier.

13 Q. And where do you reside?

14 A. In Dallas, Texas.

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

16 A. I'm employed by MRC Energy Company, an
17 affiliate of Matador Production Company, as a geologist.

18 Q. Have you previously testified before the
19 Division?

20 A. No.

21 Q. What are your responsibilities as a geologist
22 for Matador?

23 A. As a geologist for Matador, I'm part of the
24 team responsible for well planning, geosteering, and
25 recommendations for asset acquisitions and development

1 in southern Eddy and Lea Counties, New Mexico.

2 Q. And could you describe your educational and
3 employment background for the Examiner?

4 A. I received a Bachelor of Science degree in
5 Geology from the University of Oklahoma, Norman,
6 Oklahoma, in 2014. I did multiple internships with
7 small operators in Kansas and Oklahoma from 2012 to
8 2014.

9 I worked for Harvey E. Yates Company, also
10 known as HEYCO, in Roswell, New Mexico, from July of
11 2014 to February 2015. At that time Matador and HEYCO
12 entered a merger, and I was hired by MRC Energy Company
13 as a geologist.

14 I'm also currently taking graduate-level
15 courses at Southern Methodist University in geology in
16 Dallas, Texas.

17 Q. Do you hold any certifications or belong to any
18 professional associations?

19 A. I'm a Member of the American Association of
20 Petroleum Geologists and the West Texas Geologic
21 Society.

22 Q. And are you familiar with the geologic matters
23 and the status of the application in the APD for this
24 case?

25 A. Yes.

1 Q. And have you conducted a geologic study of the
2 area embraced by the proposed spacing unit for the
3 subject well?

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I'd tender
6 Mr. Collier as an expert petroleum geologist.

7 EXAMINER JONES: He's qualified as an
8 expert in petroleum geology.

9 Q. (By Mr. Bruce) Would you please turn to
10 Exhibit Number 10 and explain what is shown on this map
11 to the Examiners?

12 A. This exhibit is a locator map that shows a
13 portion of the Delaware Basin area and illustrates where
14 the Jimmie Kone Well is located in Section 5, Township
15 24 South, Range 28 East.

16 Q. And moving on to Exhibit 11, what is showing
17 there?

18 A. This exhibit shows a structure map on the top
19 of the Wolfcamp formation in the Culebra Bluff-Wolfcamp
20 Pool. The Wolfcamp is dipping slightly to the east of 1
21 to 1 1/2 degrees.

22 There are no geological impediments to
23 drilling this well. The red outline describes the
24 project area. The map also contains a line of
25 cross-section from A to A prime, moving from west to

1 east. We've also highlighted the Wolfcamp producers in
2 the area with the red circles.

3 Q. And let's move on to your log marked Exhibit
4 12. Could you discuss that with the Examiner?

5 A. So this is the cross-section from A to A prime.
6 It shows three wells. The next Closeology F, Number 1
7 in Section 8, the Ogden 8 Com -- excuse me. The next
8 closeology is actually in Section 6. The Ogden 8 Com is
9 in Section 8, and the Vasquez 4 Com is in Section 4.

10 The section illustrates the Wolfcamp
11 thickness of greater than 1,925 feet, and we've
12 highlighted the porosity greater than 10 percent, and
13 that's shown in the fourth tract from the left.

14 The Jimmie Kone well will be drilled to
15 test the higher porosity sands of the Upper Wolfcamp as
16 depicted on the cross-section.

17 Q. And is the Wolfcamp continuous across this
18 area, in your opinion?

19 A. Yes, it is.

20 Q. And do you believe these wells are
21 representative of Wolfcamp wells in this area?

22 A. Yes.

23 Q. Finally, could you move on to Exhibit 13 and
24 explain to the Examiners what this is?

25 A. This is an ice pack map for the Wolfcamp

1 formation. This map shows the Wolfcamp to be quite
2 continuous at about 1,925 feet thick.

3 We expect the Wolfcamp to be productive
4 virtually uniformly across the acreage.

5 Q. And what conclusions have you drawn from your
6 geologic study?

7 A. We believe there will be no impediments to
8 drilling a horizontal well in this area, and we fully
9 expect each quarter section to be productive in the
10 Wolfcamp formation.

11 We expect horizontal drilling to be the
12 most efficient method to develop this acreage. It will
13 prevent the drilling of unnecessary wells and result in
14 the greatest EUR.

15 Q. And what does Exhibit 14 represent?

16 A. This exhibit shows a construction diagram of
17 the wellbore for the Jimmie Kone, Number 208.

18 Q. This is just kind of a -- what sometimes is
19 referred to as a cartoon of the well --

20 A. That's right.

21 Q. -- the wellbore?

22 Were Exhibits 10 through 14 either prepared
23 by you or compiled under your direction and supervision?

24 A. Yes.

25 Q. And in your opinion, is the granting of

1 Matador's application in the interest of conservation
2 and the prevention of waste?

3 A. Yes.

4 MR. BRUCE: Mr. Examiner, I move the
5 admission of Exhibits 10 through 14.

6 EXAMINER JONES: Exhibits 10 through 14 are
7 admitted.

8 [Exhibits 10 through 14 admitted.]

9 MR. BRUCE: And the only final thing I have
10 is I do have a draft order on my computer, which I will
11 email you later today.

12 EXAMINER JONES: Okay. Thank you.

13 MR. BRUCE: I have no further questions of
14 this witness.

15 EXAMINER JONES: Scott?

16 EXAMINER DAWSON: Mr. Collier, looking at
17 Exhibit 14 in your well-pack diagram?

18 THE WITNESS: Yes, sir.

19 EXAMINER DAWSON: Looking at this diagram,
20 it looks like that's a toe-down projected path. Should
21 that -- it's probably going to be toe up, isn't it --

22 A. Yes, sir. This well would be toe up, yes, sir.
23 We're drilling from the east to the west. That would be
24 up depth. So this diagram is not drawn to perfect
25 scale, as indicated in the upper left-hand corner, and

1 may not represent the actual inclination of the wellbore
2 itself.

3 EXAMINER DAWSON: But it would be toe up?

4 THE WITNESS: Yes, sir.

5 EXAMINER DAWSON: It kind of looks like
6 it's toe down a little bit in this diagram. I just
7 wanted to ask that one question.

8 That's all the questions I have. Thank
9 you, Mr. Collier.

10 EXAMINER JONES: Mr. Brooks?

11 EXAMINER BROOKS: No questions.

12 EXAMINER JONES: Did you have trouble
13 drilling this well, any trouble?

14 THE WITNESS: No, sir.

15 EXAMINER JONES: Is the other well okay,
16 also?

17 THE WITNESS: Both went according to plan.

18 EXAMINER JONES: Did you watch it get
19 drilled -- I mean mud logged the whole way?

20 THE WITNESS: Yes, sir. I was a part of
21 the geosteering team for this well, so I watched every
22 survey and was in contact with the mud loggers from spud
23 to TD?

24 EXAMINER JONES: Did the bit drift a lot?
25 Do you have to make a lot of adjustments --

1 THE WITNESS: No more than usual. The bit
2 does tend to drift while we're drilling, and we're
3 making constant adjustments for that. But we, you know,
4 are always within our dogleg severity thresholds. And
5 we, you know, look forward to completing the well
6 successfully and safely.

7 EXAMINER JONES: You were able to get the
8 casing down all the way?

9 THE WITNESS: Absolutely.

10 EXAMINER JONES: That upper zone, upper
11 Wolfcamp zone you're going for, why there, and not down
12 below, where it looks like you've got some porosity for
13 that also?

14 THE WITNESS: We're constantly evaluating
15 all of the Wolfcamp here, and we do have plans to
16 further develop deeper in the Wolfcamp.

17 EXAMINER JONES: This closeology well,
18 that's the best way I think to drill is closeology, but
19 why was it named that? Was there some really great well
20 in the area that --

21 THE WITNESS: That's a good question. I'm
22 not familiar with the history.

23 EXAMINER JONES: So what are your plans in
24 this spacing unit? How many wells are you going to
25 drill? You've got the two already.

1 THE WITNESS: That is the million-dollar
2 question, right?

3 EXAMINER JONES: Okay.

4 THE WITNESS: Depending on production
5 testing in the area, we'll get to the proper spacing in
6 time.

7 EXAMINER JONES: Okay. And you're going to
8 drill some deeper Wolfcamps, at least one, or are you
9 going to just go for this one zone?

10 THE WITNESS: Yes, sir. The other well
11 that we referred to earlier in this hearing is deeper in
12 the Wolfcamp formation.

13 EXAMINER JONES: Okay. So it is deeper?

14 THE WITNESS: Yes, sir.

15 EXAMINER JONES: But in the same -- it's in
16 the Wolfcamp. It's not considered Wolfbone, like --
17 it's the new -- kind of a new term that our geologist --
18 do you know our geologist, by the way, in Hobbs? Do you
19 talk to him?

20 THE WITNESS: I'm not sure if I've met him.

21 EXAMINER JONES: He's got lots of
22 experience. He's been there forever.

23 EXAMINER BROOKS: Paul Koutz.

24 EXAMINER JONES: Paul Koutz is his name.

25 THE WITNESS: Oh, Paul Koutz. Okay. Yes,

1 I have met him.

2 EXAMINER JONES: Do you know anything about
3 the API gravity and the GOR that you're expecting?

4 THE WITNESS: For the GOR, we see a wide
5 range of results in the Wolfcamp, anywhere from 3,000 to
6 15,000 SCF per barrel.

7 I'd have to go check some of the gravity
8 reports. I know we see another, you know, range
9 somewhere between 40 to 55 API gravity, somewhere in
10 that neighborhood.

11 EXAMINER JONES: Okay. This is Eddy
12 County. So is it -- I won't ask you any questions about
13 that.

14 Thanks very much.

15 THE WITNESS: Thank you.

16 MR. BRUCE: That's all we have, Mr. Bruce.

17 THE WITNESS: Thank you.

18 EXAMINER JONES: With that, we'll take care
19 15484 under advisement.

20 [The proceedings concluded at 9:11 a.m.]

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

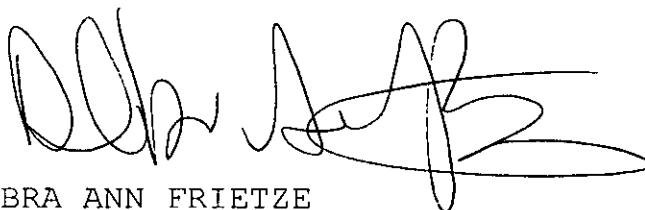
_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO.
2 COUNTY OF BERNALILLO
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9 REPORTER'S CERTIFICATE

10 I, DEBRA ANN FRIETZE, New Mexico Certified Court
11 Reporter No. 251, do hereby certify that I reported the
12 foregoing proceeding in stenographic shorthand and that
13 the foregoing pages are a true and correct transcript of
14 those proceedings and was reduced to printed form under
15 my direct supervision.

16 I FURTHER CERTIFY that I am neither employed by nor
17 related to any of the parties or attorneys in this case
18 and that I have no interest in the final disposition of
19 this case.
20
21



22 DEBRA ANN FRIETZE
23 Certified Court Reporter No. 251
24 License Expires: 12/31/16
25