

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

6 APPLICATION OF ROBERT L. BAYLESS,
7 PRODUCER LLC FOR APPROVAL OF THE
8 EAST HORSESHOE GALLUP UNIT,
9 CREATION OF A NEW POOL FOR
10 HORIZONTAL DEVELOPMENT WITHIN THE
UNIT AREA WITH NO ALLOWABLES, AND
FOR ALLOWANCE OF 330-FOOT SETBACKS
FROM THE EXTERIOR OF THE PROPOSED
UNIT, SAN JUAN COUNTY, NEW MEXICO
AND APPLICATION FOR AUTHORIZATION
TO INJECT.

CASE NO. 15622

COPY

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 January 19, 2017

14 Santa Fe, New Mexico

15 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
16 LEONARD LOWE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

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17 This matter came on for hearing before the
18 New Mexico Oil Conservation Division, William V. Jones,
19 Chief Examiner, Leonard Lowe, Technical Examiner, and
20 David K. Brooks, Legal Examiner, on Thursday, January
21 19, 2017, at the New Mexico Energy, Minerals and Natural
Resources Department, Wendell Chino Building, 1220 South
St. Francis Drive, Porter Hall, Room 102, Santa Fe, New
Mexico.

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APPEARANCES

FOR APPLICANT ROBERT L. BAYLESS, PRODUCER LLC:

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25

1	INDEX	
2		PAGE
3	Case Number 15622 Called	5
4	Robert L. Bayless, Producer LLC's Case-in-Chief:	
5	Witnesses:	
6	Cranford D. Newell, Jr.	
7	Direct Examination by Ms. Ryan	9
	Cross-Examination by Examiner Brooks	28
8	Cross-Examination by Examiner Jones	31
	Redirect Examination by Ms. Ryan	36
9	Recross Examination by Examiner Brooks	36
10	George Coryell:	
11	Direct Examination by Ms. Ryan	37
	Cross-Examination by Examiner Lowe	52
12	Cross-Examination by Examiner Jones	53
13	Public Comment:	
	Daniel Tso	63
14	Kendra Pinto	66
	Janene Yazzie	73
15	Chili Yazzie	76
	Robert Tohe	81
16	Donna House	85
	Hazel James	92
17	Donald Tso	96
18	Robert L. Bayless, Producer LLC's Case-in-Chief	
	(Cont'd):	
19	Witnesses:	
20	John Thomas:	
21	Direct Examination by Ms. Ryan	104, 114
22	Cross-Examination by Ms. House	110, 113
	Cross-Examination by Examiner Lowe	125
23	Cross-Examination by Examiner Brooks	128
	Cross-Examination by Examiner Jones	133
24	Recross Examination by Examiner Brooks	142
25	Certificate of Court Reporter	147

EXHIBITS OFFERED AND ADMITTED

2

PAGE

3

Robert L. Bayless, Producer LLC Exhibit
Numbers 1 through 7

28

4

5

Robert L. Bayless, Producer LLC Exhibit
Numbers 8 through 11

52

6

Robert L. Bayless, Producer LLC Exhibit
Numbers 12 and 13

125

7

8

Robert L. Bayless, Producer LLC Exhibit Number 14
(This exhibit was not provided to the court
reporter on 01/19/2017 and does not accompany this
record.)

128

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1 (9:45 a.m.)

2 EXAMINER JONES: Let's go back on the
3 record this morning and call Case Number 15622, which is
4 the application of Robert L. Bayless, Producer LLC for
5 approval of the East Horseshoe Gallup Unit, creation of
6 a new pool for horizontal development within the unit
7 area with no allowables, and for allowance of 330-foot
8 setbacks from the exterior of the proposed unit, San
9 Juan County, New Mexico and application for
10 authorization to inject.

11 Call for appearances.

12 MS. RYAN: Hi. Yes. Beth Ryan from the
13 Carson Ryan Law Firm in Roswell, New Mexico here on
14 behalf of Robert L. Bayless, Producer.

15 EXAMINER JONES: Any other appearances in
16 this case?

17 MR. DANIEL TSO: Daniel Tso.

18 EXAMINER JONES: And spell your last name.

19 MR. DANIEL TSO: T-S-O.

20 EXAMINER JONES: So, Daniel, you're
21 intending to enter an appearance in this case?

22 MR. DANIEL TSO: Yes.

23 EXAMINER JONES: Any other appearances?

24 MR. DONALD TSO: Right here (indicating).

25 My name is Donald, same last name.

1 EXAMINER JONES: Can you folks come up and
2 tell the court reporter your names?

3 Each of you is entering a separate
4 appearance; is that correct?

5 Let's make sure everyone knows what case
6 we're on here. We're on Case Number 15622, which is --
7 it's concerning the East Horseshoe Gallup Unit.

8 The parties that have verbally entered
9 appearances, are you considering yourselves affected
10 parties for the creation of this unit? Is anyone an
11 owner that has been noticed for ownership in this unit,
12 the East Horseshoe Gallup Unit?

13 MR. DANIEL TSO: This is Daniel Tso. I
14 have standing because I'm an enrolled member of the
15 Navajo Nation and the land is held in community
16 interest, so, therefore, I have standing in this case to
17 make a statement.

18 EXAMINER BROOKS: Any objection to these
19 appearances?

20 MS. RYAN: Yes. My objection is that they
21 aren't owners or interest owners within the proposed
22 unit area lands, and so we do object to their standing
23 to protest this particular formation on how they would
24 be affected should this the unit be approved.

25 EXAMINER JONES: Are there Navajo lands in

1 the unit?

2 MS. RYAN: No, there are not. And there
3 are not any allotted lands either. These are only
4 federal and several fee owners.

5 EXAMINER JONES: And some state lands, too?

6 MS. RYAN: No state lands.

7 EXAMINER JONES: No state lands.

8 MS. RYAN: Huh-uh.

9 MR. DANIEL TSO: But we have lands that
10 border this.

11 EXAMINER JONES: Okay. How far away? Do
12 you know how far away?

13 MR. DANIEL TSO: The exterior boundaries of
14 the unit being proposed. So it has community impact,
15 and it has environmental impact. So that's why we are
16 here.

17 EXAMINER JONES: I understand.

18 MS. RYAN: Mr. Examiner, the unit
19 boundaries -- we've done extensive research on the
20 ownership of the lands adjacent to the unit boundary,
21 and they are not Navajo or allotted Indian owners.

22 EXAMINER BROOKS: Well, I think we should
23 err on the side of allowing public comments. Since none
24 of these parties filed a pre-hearing statement in the
25 case, they are not allowed to present technical

1 testimony. So I think if they want to make public
2 comments on this case, it's our discretion to allow it
3 if they wish to do so at whatever juncture of the
4 proceedings you think --

5 EXAMINER JONES: Okay. That's what we're
6 going to do then. We're going to recognize your entry,
7 but because it was -- you know, you needed to make --
8 you had to show that you're an affected party, you had
9 to sign -- sign up a week before the hearing if you
10 wanted to participate in it. We are going to ask for
11 comments at the end of the -- let the Applicant present
12 their case. You listen to the case, and then we'll ask
13 for comments from everyone.

14 MR. DANIEL TSO: Okay.

15 EXAMINER JONES: Thank you, Mr. Tso.
16 Ms. Ryan, witnesses in this case?

17 MS. RYAN: Yes. We have three, and I'd
18 like to begin with our land witness, Mr. Cranford
19 Newell.

20 EXAMINER JONES: Will all three witnesses
21 stand?

22 And will the court reporter swear the
23 witnesses?

24 (Mr. Newell, Mr. Coryell and Mr. Thomas
25 sworn.)

1 CRANFORD D. NEWELL, JR.,
2 after having been first duly sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. RYAN:

6 Q. Good morning.

7 A. Morning.

8 Q. Would you please state your name for the
9 record?

10 A. Yes. It's Cranford Delano Newell, Jr.

11 Q. What's your position with the employer?

12 A. I'm employed at Robert L. Bayless, Producer as
13 the land manager.

14 Q. And how long have you been employed in that
15 position?

16 A. I've been employed at Bayless for five years
17 come this April and have been in the position of land
18 manager for three years.

19 Q. Would you briefly describe your role and
20 responsibilities in that position?

21 A. I'm responsible for the day-to-day maintenance,
22 administration and management of the land department,
23 including such issues as lease maintenance, acquisitions
24 and divestitures and other responsibilities that fall
25 under the land umbrella.

1 Q. And do your responsibilities include this area
2 in San Juan County, New Mexico?

3 A. Yes.

4 Q. And are you a member of any professional
5 organizations?

6 A. I'm a member of the AAPL, with a CPL license.

7 Q. How many years total experience do you have in
8 the oil and gas industry?

9 A. Eight-and-a-half years.

10 Q. Would you briefly discuss your education as
11 well?

12 A. Yes. I attended the University of Colorado at
13 Boulder, graduating in 2005 with a BS and major in
14 history and a minor in business and then attended
15 graduate school at the University of Denver receiving an
16 MBA.

17 Q. Have you ever testified in front of the
18 Division before?

19 A. No.

20 Q. And you are familiar with the land matters
21 involved in this case?

22 A. I am.

23 MS. RYAN: Mr. Examiner, I would request
24 Mr. Newell be admitted as an expert in land matters.

25 EXAMINER JONES: Mr. Newell, the University

1 of Denver is -- what year was that?

2 THE WITNESS: I graduated from the
3 University of Denver in 2008 with an MBA.

4 EXAMINER JONES: I lived in Denver with
5 Texaco for a while, and several of us went to the
6 University of Denver and got MBAs.

7 THE WITNESS: Good deal.

8 EXAMINER JONES: He is so qualified.

9 MS. RYAN: Thank you.

10 (Laughter.)

11 Q. (BY MS. RYAN) All right. Mr. Newell, I'd like
12 to turn your attention to what I've labeled as Exhibit
13 Number 1. Can you briefly describe that exhibit for the
14 Examiner today?

15 A. Yes. This is a map of the proposed East
16 Horseshoe Gallup Unit area.

17 Q. And does this exhibit reflect the outer
18 boundaries of the proposed unit?

19 A. Yes, it does.

20 Q. Is this also an exhibit to the proposed unit
21 agreement that's been proposed with the BLM?

22 A. Yes.

23 Q. And does this exhibit reflect the outer
24 boundaries of the unit?

25 A. Yes.

1 Q. What lands are involved in this unit?

2 A. Included within the unit boundary, there are
3 4,602.57 federal lands that are administered by the
4 Bureau of Land Management, and approximately 160 acres
5 of fee minerals.

6 Q. And what township and range specifically are
7 involved?

8 A. It is located in 30 North, 15 West, in San Juan
9 County, New Mexico.

10 Q. And are any of these lands owned by any Indian
11 allotment owners?

12 A. No. Within the unit boundary, there are no
13 tribal lands.

14 Q. And there are no tribal lands involved in the
15 unit?

16 A. No, there are not.

17 Q. Are there any tribal or Indian allotment lands
18 adjacent to the outer boundary of the unit?

19 A. There are tribal lands, I believe, to the
20 north, but those are Ute Mountain lands. I cannot speak
21 to anything other than that.

22 Q. And what is Bayless requesting today from the
23 Division?

24 A. We're requesting three items: First the
25 approval of the East Horseshoe Gallup Unit; second, we

1 are requesting the creation of a new pool for horizontal
2 wells within the unit area; and finally, the allowance
3 for a 330-foot setback from the exterior of the unit
4 line.

5 Q. Does Bayless produce primarily from this unit?

6 A. Yes, we do. The Horseshoe Gallup 18-8H, the
7 Horseshoe Gallup 18-16H and the Horseshoe Gallup 19-8H
8 currently produce oil in this --

9 Q. And those are existing horizontal wells within
10 the proposed unit?

11 A. That's correct.

12 Q. And is that why Bayless is asking for the
13 standard 330 setbacks as an exception in this case?

14 A. Correct. Bayless believes the standard
15 330-foot setback from the outer boundary will be
16 sufficient to prevent waste, protect correlative rights
17 and otherwise be in the best intention of conservation.

18 Q. Okay. I'd like to bring your attention to
19 Exhibit 2. Can you please identify and describe Exhibit
20 2 for the Division?

21 A. Yes. This is the proposed unit agreement for
22 the development and operations of the East Horseshoe
23 Gallup Unit area in San Juan County, New Mexico.

24 Q. Does it conform to the federal form?

25 A. It conforms to the format of an undivided

1 noncontracting unit agreement that has been utilized and
2 approved by the BLM and the Division for other operators
3 in San Juan County, New Mexico previously.

4 Q. Are there exceptions to the normal form in this
5 case, in this form of agreement?

6 A. Yes. The form differs from the format of the
7 divided federal unit in that it creates a single
8 participating area over the entire unit rather than
9 individual participating areas for each individual well
10 drilled within the unit boundary. The form also
11 provides for the drilling and development of horizontal
12 wells. And finally, the form is dated retroactively to
13 December 10th, 2012, which is when the Horseshoe Gallup
14 18-8H was first delivered. The unitized interval for
15 the operating agreement -- or for the unit agreement is
16 the base of the Point Lookout Formation to the base of
17 the Greenhorn Limestone member.

18 Q. And since it's a single -- there would be a
19 single participating area covering the entire unit,
20 there would be no contraction of that participating
21 area --

22 A. That's correct.

23 Q. -- as would be the case in a divided federal
24 unit?

25 A. That is correct.

1 Q. And will your geologist testify more about the
2 form- -- the unit formation and interval today?

3 A. Yes. George Coryell who is present today will
4 testify for that.

5 Q. Okay. We have discussed that Exhibit A to this
6 exhibit is the map, is our Exhibit 1 that we've
7 provided.

8 Would you please bring attention to Exhibit
9 B and identify the information on Exhibit B to the unit
10 agreement?

11 A. Yes. Exhibit B is the breakdown of the
12 leasehold of interest within the unit boundary.

13 Q. And is this breakdown of ownership and interest
14 what is reflected in the records -- the county records
15 and the records with the BLM currently?

16 A. Correct.

17 Q. And how many leases are involved?

18 A. There are six federal oil and gas leases
19 involved, along with 51 fee mineral owners.

20 Q. And is there any unleased acreage in the unit?

21 A. Yes, there are. Within the fee tract, there
22 are currently 34 minerals currently unleased.

23 Q. And if we could refer back to Exhibit 1, the
24 map --

25 A. Yes.

1 Q. -- would you please identify for the Examiner
2 the location of the fee -- of the fee acreage?

3 A. Yes. If you're looking at Exhibit 1, Tract 7
4 depicts the fee mineral tract.

5 Q. Is that area shaded in gray?

6 A. It is. It's in Tract 7, shaded in gray, right
7 on the eastern part of Section 8 and western part of
8 Section 9. That 160 right there --

9 EXAMINER BROOKS: Right in the middle?

10 THE WITNESS: -- yes, sir.

11 Q. (BY MS. RYAN) What has been your contact with
12 the unleased mineral owners to date?

13 A. We've received several phone calls with various
14 questions about the paperwork that was sent to their
15 attention of what a unit entails. Any fee owner that
16 has reached out to Bayless has been personally contacted
17 by a member of the Bayless staff or its legal counsel to
18 discuss those questions and also advise them of the
19 hearing date today in case they would like to protest.

20 Q. What total percentage of the unit area do the
21 unleased mineral owners make up?

22 A. The unleased tracts make up about 3 percent of
23 the unit.

24 Q. And how much committed interest does Bayless
25 have currently committed to this unit total?

1 A. Currently, Bayless owns approximately 89
2 percent and has committed that to the unit. That is all
3 that we have received to this point.

4 Q. Okay. And so Bayless doesn't hold all the
5 interest in the entire unit. You said 89 percent, and 3
6 percent is unleased owners?

7 A. Correct. Bayless owns approximately 89 percent
8 of the proposed unit. There are 3 percent that are
9 unleased federal -- or unleased fee, I should say. But
10 in addition, there are other working interest owners
11 that have portions of the federal leasehold involved in
12 the unit boundary.

13 Q. Okay. And will the BLM be a signatory for the
14 unit agreement?

15 A. Yes. We anticipate the BLM will approve based
16 on past discussions.

17 Q. And before we move on to the next exhibit,
18 would you identify Exhibit C of the unit agreement?

19 A. Exhibit C is a type log for the Ute Mountain
20 Tribal 35-C, located in 31 North, 15 West, Section 35,
21 San Juan County, New Mexico.

22 Q. And your geologist will discuss the
23 interpretation of this type log in more detail?

24 A. Yes. George Coryell will testify to that.

25 Q. And have you received preliminary approval from

1 the BLM?

2 A. Yes.

3 Q. I'd like to turn your attention to Exhibit 3.

4 Can you identify Exhibit 3 for the Examiner?

5 A. This is a preliminary approval letter from the
6 BLM.

7 Q. And is it your understanding that the BLM
8 understands the nature of the unitized area in your
9 development plans?

10 A. Yes. The BLM is aware of the nature of the
11 proposed unit and believes it will be the best interest
12 to prevent waste, protect correlative rights and be in
13 the best interest of conservation.

14 Additionally, because the unit is
15 noncontracting, the BLM be more efficiently able to
16 process and approve rights-of-way and other necessary
17 approvals to facilitate and orderly develop the oil and
18 gas resources located within the unit boundary.

19 Q. And because the participating area will cover
20 the entire unit area, has there been any discussion with
21 the BLM on their new policies concerning resource
22 developing units?

23 A. No, there is not because that policy pertains
24 to voluntary exploratory units with participating areas
25 that will be contracting in the future.

1 Q. And so just to recap, there will be only one
2 participating area that will be the same size and
3 boundaries as the unit area?

4 A. That's correct, yes.

5 Q. Now, if that's the case, what is the effect
6 with respect to the Division's rules and project area --
7 on project areas for horizontal wells?

8 A. Yes. Under the Division rules for horizontal
9 wells, the entire unit area, being a single
10 participating area, would create a single project area
11 as defined by those rules, and the Division's been
12 approving these types of units recently with other
13 operators, especially Encana and WPX, in San Juan
14 County, New Mexico.

15 Q. And do all the interest owners share in
16 production with any well drilled within the unit?

17 A. Yes.

18 Q. And have you been in discussion with the BLM,
19 as well as the OCD Aztec Office to obtain guidance in
20 development of these units?

21 A. Yes. We have received guidance from both the
22 BLM and the Aztec OCD Office to move forward in this
23 direction.

24 Q. Can you discuss the operational benefits that
25 Bayless has in developing and producing this type of

1 land for the unit?

2 A. Sure. John Thomas will go into this in greater
3 detail. But from a first-layer standpoint, it gives us
4 the flexibility in locating our own wells in any manner
5 that we need in order to logically maximize reservoir
6 drainage and potential recovery of the reserves within
7 the unit boundary.

8 Q. And was this -- was guidance in the
9 development -- this type of development given by the
10 BLM?

11 A. Yes.

12 Q. Will this type of development streamline
13 processing an approval of rights-of-way over federal
14 lands?

15 A. Yes, it will.

16 Q. Is that one of the reasons the BLM supports
17 this type of development?

18 A. It is.

19 Q. Can you describe the benefit to small working
20 interest owners such as in the fee lease?

21 A. Yes. By having a single participating area, it
22 reduces the geologic and operational risk by allowing
23 them to participate in many wells with a smaller
24 interest.

25 Q. Can you discuss the surface footprint in this

1 type of development?

2 A. This would reduce the surface footprint as well
3 and reduce surface disturbance.

4 Q. So you briefly mentioned before that Bayless
5 has already drilled the initial unit horizontal well?

6 A. Yes, that's correct.

7 Q. I'd like to turn your attention to Exhibit
8 Number 4.

9 A. Yes.

10 Q. Can you please identify for the Examiner
11 Exhibit 4?

12 A. Yes. Exhibit 4 is our preliminary plan of
13 development for the East Horseshoe Gallup Unit located
14 in Township 30 North, Range 15 West, in San Juan County,
15 New Mexico.

16 Q. And what is identified as the red-dotted line?

17 A. The red-dotted line is the unit boundary.

18 Q. And can you identify the initial well, the East
19 Horseshoe Gallup 18H well, for the Examiner?

20 A. Yes. If you're looking at Exhibit 4 of the
21 three green well paths that you see in the lower,
22 left-hand corner, the northernmost is the Bayless
23 Horseshoe Gallup 18-8H, which has a surface location in
24 the southeast-northeast of Section 18. It has an API
25 number of 30-045-35373.

1 Q. And it's my understanding that there are also
2 two other wells that have been drilled. Can you
3 identify those for the Examiner on the map?

4 A. Yes, I can. Moving from north to south, the
5 middle well is the Bayless Horseshoe 18-16H, which has a
6 surface location in the southeast-southeast of Section
7 18 and has an API number of 30-045-35300. And finally,
8 the southernmost well is the Bayless Horseshoe Gallup
9 19-8H, which has a surface location in the
10 southeast-northeast of Section 19. It has an API number
11 30-045-35376.

12 Q. And could you briefly identify what the green
13 dots stand for on the map?

14 A. The green dots, I believe, would be vertically
15 drilled wells that are producing from the Mancos
16 Formation. I think George Coryell would probably be the
17 best person to ask about that.

18 Q. Thank you.

19 And under the unit agreement, back to
20 discuss the initial well, the East Horseshoe Gallup
21 18-8H well, has the BLM agreed to treat that as the
22 initial development well?

23 A. Yes, it has.

24 Q. Can you explain again why the unit agreement
25 has an effective date that goes back to December 10th of

1 2012?

2 A. It is dated retroactive to December 10th, 2012
3 because that was when, quote, unquote, "the 18-8H was
4 first delivered and sundry was filed for that."

5 Q. And are you requesting that the -- all three of
6 these wells be contracted out of the Horseshoe Gallup
7 Pool into the new unit?

8 A. Yes.

9 Q. Does Bayless have permits approved already for
10 additional wells?

11 A. No, it does not.

12 Q. With that in mind, what is your current
13 drilling schedule for additional wells?

14 A. Our current hopes are to commence further
15 drilling in 2018.

16 Q. So today you're asking to form a single oil
17 pool to extend to the exterior boundaries of this unit
18 area to encompass one pool with 330-foot setbacks at the
19 exterior of the boundary of the pool?

20 A. Yes, that's correct.

21 Q. Are there any other limitations to that pool,
22 or is it limited only to horizontal wells?

23 A. It's just for horizontal wells.

24 Q. Okay. I'd like you to turn to Exhibit Number
25 5. Is that my Affidavit of Notice of this hearing?

1 A. Yes, it is. It was drafted by your law firm.

2 Q. And with whom did Bayless provide notice?

3 A. Bayless provided notice to all parties located
4 within the unit and also offset operators in any
5 Horseshoe Gallup and Basin-Mancos wells that were in
6 adjacent spacing units to the exterior of our unit
7 boundary.

8 Q. Did you provide notice to any working interest
9 owners in adjacent spacing units?

10 A. Yes, we did. We also provided notice to the
11 working interest owner in the wells in the adjacent
12 spacing unit.

13 Q. Who is that owner?

14 A. LOGOS.

15 Q. Is that LOGOS Resources?

16 A. That's correct.

17 Q. And did all these parties receive the notice
18 letter identified in the affidavit?

19 A. That's correct.

20 Q. Would you turn to page 2 of that exhibit? Is
21 that the notice letter sent to the working and mineral
22 interest owners located within the unit?

23 A. Yes.

24 Q. And then the fourth page of that exhibit, is
25 that the notice letter sent to LOGOS Operating and LOGOS

1 Resources?

2 A. Yes, it is.

3 Q. And did all these parties receive the notice
4 letter identified in the affidavit?

5 A. Yes.

6 Q. Do these letters also provide an email address
7 and telephone number if anyone receives this and has any
8 questions?

9 A. Yes.

10 Q. And attached to the affidavit, are there copies
11 of the certified return receipts that are included in
12 this exhibit?

13 A. Yes.

14 Q. If you would turn to the very last few pages of
15 the exhibit to reference a summary of receipt of
16 service, at the very back of the exhibit.

17 A. Yes.

18 Q. Could you identify what that summarizes?

19 A. This summarizes the notices that were sent out
20 and any notes that pertain to our last address of record
21 of where we sent. As you'll see in the column to the
22 far right, there are different notes listed, anything
23 from "return to sender" or "never picked up from the
24 post office," et cetera, but a different summary of all
25 the notices that were sent out.

1 Q. And did you also provide notice of this hearing
2 in the newspaper of general circulation?

3 A. Yes, we did.

4 Q. What paper was that?

5 A. We published that in the Farmington Times on
6 January 5th of 2017.

7 Q. And is that Affidavit of Publication identified
8 as Exhibit 6?

9 A. Yes, it is.

10 MS. RYAN: And I'd like to note for the
11 Examiner, if you count ten days from the date of the
12 publication, January 5th, and if we exclude the Martin
13 Luther King holiday, I think today is actually the 9th
14 day rather than the 10th day.

15 EXAMINER BROOKS: Correct.

16 MS. RYAN: I would note for the record that
17 I'm assuming that the Examiner would want to continue
18 this case until February 2nd for that reason.

19 EXAMINER BROOKS: I think that's
20 appropriate.

21 EXAMINER JONES: Yes. That sounds good.

22 MS. RYAN: Thank you.

23 Q. (BY MS. RYAN) And with that in mind, are there
24 any issues we need to identify for the Division, lease
25 maintenance issues?

1 A. Yes, there are. If you turn back to Exhibit 1,
2 the Federal Oil and Gas Lease Number NM-117582, which is
3 listed as Tract Number 4 on Exhibit 1, does have an
4 expiration date of February 28th of 2017.

5 Q. And you said this is identified as Tract 4 on
6 the exhibit?

7 A. Yes, it is.

8 Q. Have you filed a request for a suspension of
9 this lease with the BLM?

10 A. Yes. We filed a suspension request on December
11 12th of 2016.

12 Q. Can you briefly describe the sections that
13 Tract 4 is located in on Exhibit 1?

14 A. Yes. Tract 4 is located within Section 5,
15 Section 8 and portions of Sections 9 and 17.

16 Q. Thank you.

17 Was there any other reason to request a
18 suspension from the BLM?

19 A. Yes. John Thomas, our engineer, who will be
20 testifying later, can go into greater detail, but we did
21 have issues with a pipeline that is located there and
22 collecting our gas. It was shut down. And to conform
23 with new regulations and to prevent waste of the
24 oil-bearing resource and being unable to produce the
25 wells I previously described, Bayless does not want to

1 flare the gas as well.

2 Q. In light of the expiration of the Tract 4
3 federal lease, are you requesting an expedited order
4 from the Division?

5 A. Yes.

6 Q. Even in light of the continuance to the
7 February 2nd docket?

8 A. Yes, if possible.

9 Q. Were Exhibits 1 through 7 prepared by you or
10 compiled under your direction and supervision?

11 A. Yes, they were.

12 MS. RYAN: Mr. Examiner, I would request to
13 admit Exhibits 1 through 7 into evidence.

14 EXAMINER JONES: Exhibits 1 through 7 are
15 admitted.

16 (Robert L. Bayless, Producer LLC Exhibit
17 Numbers 1 through 7 are offered and
18 admitted into evidence.)

19 EXAMINER JONES: Mr. Lowe?

20 EXAMINER LOWE: No questions right now.

21 EXAMINER BROOKS: Yeah, I do have some
22 questions.

23 CROSS-EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. Exhibit 2 was the unit agreement, right?

1 A. Yes, sir.

2 Q. Okay. You testified that this was the standard
3 form that the BLM uses for -- well, first of all, what
4 do they call these units that have only one
5 participating area? Do they have a name that they use
6 for that type of unit?

7 A. I don't know if it's an official term, but it's
8 generally referred to as an undivided federal unit.

9 Q. Undivided federal unit. Yeah. I've heard it
10 called confined or consolidated, and I've also heard
11 undivided. That's probably the appropriate term to use.
12 That's what I wanted to know.

13 Is this the -- is this -- well, when you
14 were asked are there any differences between this and
15 the general form -- unit form, your response indicated
16 that you were referring to differences between the
17 undivided unit and the unit with participating areas.
18 Are there any differences that you have identified
19 between this form of unit and what they've used in other
20 undivided units?

21 A. Nothing of substance to this point, but there
22 have been discussions with the BLM. John Thomas will
23 testify on this later on, that there could be some
24 language added to tracts that are not committed
25 currently to the unit and how they are handled if they

1 are committed at a later date.

2 Q. Okay. Now, this is not in the area that is
3 being considered by the Division for formation of a new
4 Mancos oil pool; is that correct?

5 A. I believe not. I believe it's in the northwest
6 part of the Basin. I don't know if any of these units
7 have been approved in this part of the Basin.

8 Q. Okay. Are there any depth severances of
9 ownership that could be within the Mancos interval?
10 Now, to elucidate on that, I have been told that there
11 are depth severances in many places in the Basin that
12 use the term "Gallup." And the question of what part or
13 all of the Gallup interval -- of the Gallup is -- the
14 question of the coincidence of the Gallup and the Mancos
15 is widely debated, I believe.

16 A. I believe you're correct.

17 Q. So are there any depth severances that could
18 affect title within the Mancos interval?

19 A. None that I'm aware of.

20 Q. Okay. And if there were, would you have
21 included those within the parties that were designated
22 and noticed for this formation of this unit?

23 A. Yes. If there had been any severance issues
24 that affected the title who should have been noticed, we
25 would have noticed those particular parties.

1 Q. And you did not identify any?

2 A. We did not. According to the title that was
3 run for us to provide these notices, there were no depth
4 severance issues that we identified.

5 Q. Okay. Thank you very much. I think that's all
6 I have.

7 CROSS-EXAMINATION

8 BY EXAMINER JONES:

9 Q. Okay. Mr. Newell, the tract -- the fee tract,
10 it's just one tract, correct?

11 A. Yes, sir.

12 Q. So it's possible that tract won't go into the
13 unit?

14 A. That's correct. It may not be committed to the
15 unit.

16 Q. Okay. And so this all-PA federal unit would be
17 similar -- similarly treated like an all-state unit; is
18 that correct?

19 A. I'm not familiar with all-state units, so I
20 couldn't comment on that.

21 Q. Where everybody gets a share of all the wells
22 drilled?

23 A. Yes. Yes.

24 Q. And you said at the beginning you wanted three
25 things. You wanted a unit, you wanted a new pool, you

1 wanted the 330-foot setbacks, but you also want the
2 allowable to be no allowables; is that correct?

3 A. Correct.

4 Q. And you want the three wells to be contracted
5 out of the Horseshoe Gallup Pool. And the other pool
6 that's within this acreage that doesn't any wells on it,
7 you want that contracted, too; is that correct?

8 A. I don't think I quite understand your question.

9 Q. There is a Verde-Gallup Pool that may have
10 portions --

11 A. Yes. We'd like that contracted out of the
12 unit.

13 Q. Okay. Now, the new pool that you would create,
14 would that be for vertical and horizontal wells?

15 A. Just horizontal wells.

16 Q. Okay. Just horizontal wells.

17 So it's similar to the way WPX and Encana
18 have been proposing their --

19 A. Yes. We looked to the guidance from the BLM
20 and the OCD that we had conversations with, and they
21 steered us down the similar paths that they had steered
22 Encana and WPX.

23 Q. Okay. And so is it Tract 4 that's going to
24 expire the end of February?

25 A. Correct. Tract 4 is the one with an expiration

1 date of February 28th, and we have filed a suspension
2 request with the BLM.

3 Q. Okay. Now, as far as preliminary approval, you
4 got that with the BLM; is that correct?

5 A. Correct.

6 Q. And you don't plan on spudding a well on that
7 tract because it's going to expire before --

8 A. No. Our initial plan of development with the
9 way things sit right now, we don't anticipate any
10 further drilling until 2018.

11 Q. Okay. And the BLM is going to be okay with
12 that --

13 A. Yes.

14 Q. -- built in?

15 So you have to drill 1,000 foot in the
16 Mancos? Is that the requirements?

17 A. Yes, that's correct.

18 Q. Okay. But forming the unit, you actually took
19 care of any possible vertical issues with ownership; is
20 that correct?

21 A. Correct.

22 Q. Because you had to do title work on all of the
23 tracts?

24 A. Correct. And to our knowledge and to my
25 knowledge -- and John Thomas or George Coryell can speak

1 to this better -- there were no vertical producing wells
2 from the Mancos Pool within the unit boundary, and that
3 is part of the reason why the shape of the unit is the
4 way it is. If you look at Section 19, the north half of
5 Section 19 is included in the unit, because in the
6 southern half, there is a vertical-producing well from a
7 different pool, but we did not want to have overlapping
8 pools within the unit boundary.

9 Q. Okay. I noticed that on our -- on our OCD Web
10 site, the three horizontal wells, I think one of them
11 has a 320 spacing and the other two have a 120 spacing.

12 A. I was under the impression -- and I may be
13 incorrect. John may be able to clarify on this, but I
14 thought it was all on 160 spacing, and it was whatever
15 40 we came across or drilled through included in the
16 spacing.

17 Q. I think that would be correct as far as the
18 pool goes. It's just that one seems to be dedicated to
19 the 320. But anyway, we can take care of that during
20 the --

21 A. Okay.

22 Q. -- later on.

23 So the 12/10/2012, is that the date of
24 first production of the initial well?

25 A. It was the date that was termed to be first

1 delivered and a sundry was filed of production with the
2 BLM.

3 Q. And what conversations have you had with the
4 owners out here? Has it been a flurry of conversations
5 or --

6 A. A lot of the questions I fielded from the fee
7 mineral owners are -- you know, there's obviously a
8 tremendous amount of paperwork that's sent along with
9 this, and they have questions about what that entails.
10 Also, there were questions, for example, if they were
11 joining the unit, if they were foregoing their mineral
12 rights. And like I said, any person who reached out
13 with questions was contacted directly by a member of the
14 Bayless staff or by Beth Ryan herself and given the
15 proper guidance for any answers they needed.

16 Q. Okay. As far as we know, this is unopposed --

17 A. As far as I know, yes.

18 Q. -- initially unopposed?

19 A. Yes.

20 EXAMINER JONES: I don't have any more
21 questions.

22 Do you have any more?

23 EXAMINER BROOKS: I don't think so.

24 MS. RYAN: I have one follow-up question.

25 REDIRECT EXAMINATION

1 BY MS. RYAN:

2 Q. Before today, were you aware of any objection
3 or protests that were going to be entered on behalf of
4 any tribes or allotted Indian owners?

5 A. No, I was not.

6 Q. Okay.

7 MS. RYAN: That concludes my examination of
8 Mr. Newell.

9 EXAMINER BROOKS: I guess I do have one
10 question.

11 RECROSS EXAMINATION

12 BY EXAMINER BROOKS:

13 Q. There are a number of things about the pools
14 that this unit is in. Are you familiar with that, or is
15 that --

16 A. I am not. John Thomas is more familiar with
17 that issue.

18 Q. I don't know which witness to ask.

19 A. Yeah.

20 Q. I'll ask about the pools of Mr. Thomas.

21 A. Thank you very much.

22 MS. RYAN: May I call the next witness?

23 EXAMINER JONES: Sure.

24

25

1 GEORGE CORYELL,
2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. RYAN:

6 Q. Good morning. Would you please state your name
7 for the record?

8 A. George Coryell.

9 Q. Who is your employer, and what is your
10 position?

11 A. I'm senior geologist with Robert L. Bayless,
12 Producer.

13 EXAMINER JONES: I was confused when you
14 were listed as an engineer in the pre-hearing statement.

15 (Laughter.)

16 THE WITNESS: They should not have done
17 that.

18 MS. RYAN: Oh. That was my typographical
19 error.

20 Q. (BY MS. RYAN) Have you previously testified
21 before this Division?

22 A. I believe at least two times in the late '90s
23 when I was with Mallon Oil Company, M-A-L-L-O-N, late
24 '90s, and once in Santa Fe regarding the spacing in the
25 Morrow and the Delaware Basin and once in Aztec

1 regarding East Blanco field development of the
2 reservoirs -- new [sic] reservoirs in the field.

3 Q. Would you give your education and experience
4 and background for the Examiners?

5 A. Certainly. I have a bachelor of science degree
6 from the University of Washington, 1975. I have a
7 geology degree from Oregon State University that was a
8 petroleum research fellowship. That's a master of
9 science degree. And I am a licensed professional
10 geologist in the states of California and Wyoming.

11 I have been working -- been employed as a
12 petroleum geologist since 1977 with companies such as
13 Texaco, Sohio Petroleum Company, Forest Oil Corporation,
14 Mallon Oil Company, and I have been employed by Robert
15 L. Bayless, Producer since 2002.

16 MS. RYAN: Mr. Examiner, I'd request that
17 Mr. Coryell be admitted as an expert petroleum
18 geologist.

19 EXAMINER JONES: When were you with Texaco?

20 THE WITNESS: I was with Texaco in Denver
21 from 1977 to 1979.

22 EXAMINER JONES: My condolences (laughter).

23 THE WITNESS: It was a good education.
24 That's where you learn your stuff, there and Amoco.

25 EXAMINER JONES: He is so qualified.

1 Q. (BY MS. RYAN) Thank you.

2 Are you familiar with the application filed
3 in this case?

4 A. I am.

5 Q. And have you conducted a geologic study of the
6 lands that are subject to the application?

7 A. I have.

8 Q. Would you please turn to what's been marked as
9 Bayless Exhibit Number 8?

10 A. Uh-huh.

11 Q. Is that the same type log as Exhibit C to the
12 unit agreement?

13 A. It is.

14 Q. And does this identify the unitized interval?

15 A. Yes. The interval that we wish to unitize is
16 the top of the Mancos Shale, which is also equivalent to
17 the base of the Point Lookout Sandstone, which is the
18 base of the Mesaverde Group. And that is, in this type
19 log -- oh. And for location of this type log is about
20 one mile northeast of the unit, as noted on Exhibit 4.
21 I refer to there to see the location of that.

22 And the reason it is not inside the unit is
23 there are no penetrations below the lower -- excuse
24 me -- below the boundary between the Upper and Lower
25 Mancos, which I'll describe in a minute. So it's

1 incomplete penetrations in the unit, but we wish to
2 unitize essentially the entire Mancos interval. So that
3 would be in this type log.

4 The top of the Mancos Shale is noted at a
5 measured depth of 2,932, down to the base of the
6 Greenhorn Limestone member, which is at 4,980. That
7 leaves out a small interval between the base of the
8 Greenhorn Limestone member and the Dakota Sandstone
9 that's noted, which is the Graneros Shale. And there is
10 kind of a twofold reasoning for that, and that that the
11 base of the Greenhorn Limestone member is probably the
12 only really precise pick that most geologists agree on
13 below the top of the Mancos Shale. And so that's why we
14 use it. And, also, in some parts of the Basin, the
15 unitization of the Dakota Reservoir includes the
16 Graneros Shale. So that's why we do that.

17 So I think I might discuss a few things
18 that came up earlier. If you look down there at the
19 Mn-Gallup, that is the top of the Gallup interval in the
20 Basin. Now, this is historic nomenclature that
21 everybody has been using forever, but it's really a
22 misnomer. It's not true Gallup, and I'll discuss that
23 in a moment. But that is what most companies have been
24 drilling -- horizontally drilling in the Basin. We
25 believe that that Mn-Gallup to the Juana Lopez marker

1 there is the interval that most companies have been
2 drilling, and that's confirmed by other people in the
3 industry.

4 What we are initially targeting in this is
5 what we at Bayless informally call the Gallup pay zone,
6 and I'll discuss that in more detail in some other maps.
7 But that's the orange band you'll see in there. That
8 will be our initial horizontal target zone.

9 And the reason for that is, first of all,
10 the Gallup interval as I described is a primary source
11 of -- primary completion zone in all the Horseshoe
12 Gallup Field, Barry [phonetic] Field, et cetera, and
13 that's where most of the hydrocarbons are produced. So
14 that's what we targeted and the Gallup pay itself,
15 which -- I'll describe one more detail -- logically is
16 an ideal additional horizontal target zone. That does
17 not mean that the entire Mancos Shale is -- is similar
18 source rock. It's all part of the Mancos Seaway --
19 Cretaceous Mancos Seaway, and there are many rich source
20 zones within this. And the potential for multiple
21 horizontal targets within the zone are certain.

22 For example, in the Barry Field, there are
23 some production from the Juana Lopez member below it.
24 The Juana Lopez line that you'll see there is unique in
25 the sense that that probably, in this area, is the

1 regional unconformity across the Basin, separates Upper
2 and Lower Mancos, and below that is where you find the
3 true Gallup sandstones that you hear about, in the more
4 southern part of the Basin.

5 But what you'll see as far as cross
6 sections later, all that will be the Mancos -- the
7 Gallup interval, which is from the Mn-Gallup marker to
8 the Juana Lopez member, okay, coming up here.

9 Any questions?

10 Q. And I just wanted to circle back around that
11 you've noted that the unitized interval does not include
12 the entire Mancos Shale; is that correct?

13 A. Just only that it leaves out the Graneros
14 Shale, which is that small shale between the base of the
15 Greenhorn Limestone and the top of the Dakota.

16 Q. What are the reasons for that, for not
17 including the Graneros Shale member?

18 A. Again, the base of the Greenhorn -- twofold.
19 The base of the Greenhorn Limestone is a very precise
20 marker that most San Juan geologists can agree on, and
21 also that parts of the Basin, the Graneros is included
22 in the Dakota Reservoir unitization.

23 Q. And does this proposed unitized interval extend
24 across all the acreage in -- all the acreage that
25 Bayless seeks to unitize?

1 A. Yes, it does.

2 Q. Have you prepared structure and isopach maps
3 and a cross section to demonstrate that?

4 A. I have.

5 Q. Okay. If you would, please turn to what I have
6 identified as Exhibit 9. Is that the structure map?

7 A. Yes. Exhibit 9 is a structure map with a
8 contour interval of 100 feet. It's on the top of,
9 again, that orange marker that -- the Gallup pay, which
10 is an informal Bayless nomenclature, which is going to
11 be our initial horizontal target. Indeed, in the
12 previous three horizontal wells that have been drilled
13 and even a fourth well drilled outside of the unit, that
14 was the horizontal target. The --

15 Q. Go ahead. I was just -- yeah.

16 A. Certainly.

17 Just for reference and it's the next map
18 you'll see, also, all the vertical wells that are shown
19 there are Mancos penetrations only. So I left out
20 anything shallower than that, that did not penetrate
21 into the top of the Mancos. And we can note on this map
22 also that there are no producing wells in the -- in
23 the -- in the unit boundary. They've all been plugged,
24 any production that has been there, except for the --
25 horizontally, of course, the three wells previously

1 mentioned.

2 So let's see. The reason for this map and
3 why it is significant is what you see there, the
4 tightening of the structure contours, is that you are up
5 on -- coming up on the Hogback there, the monocline that
6 bounds the San Juan Basin proper and the Four Corners
7 Platform, and this is a significant structural
8 deprivational boundary. And why this is important is
9 that this is -- the Mancos play in here is a fractured
10 play. We rely heavily on fractures and certain fracture
11 orientations. And the purpose of placing this unit
12 close to that monocline is to encounter the highest
13 frequency of fractures possible.

14 Indeed, when we drilled our initial three
15 horizontal wells in there, we drilled them updip in what
16 we thought was normal to fracture orientation. And
17 these are extensional fracturing in here, we believe,
18 and indeed we encountered at least six fracture sets per
19 well when we cross them. So that was highly successful
20 in identifying that.

21 Unfortunately -- I mean, these wells,
22 although they are decent wells in here, they were not up
23 to our expectations, and we think we understand why now,
24 because we did not -- we have formulated best practices
25 and that sort of thing that John Thomas will talk about

1 and a better approach to drilling these wells, and now
2 we think we have the key to exploiting these fracture
3 orientations in here.

4 We believe it because we have a frequency
5 of about a quarter mile of major fracture sets in here
6 that I predict. And so that means with 4,000-foot
7 lateral, we should cross at least three primary fracture
8 sets and hopefully more by being close to the monocline.
9 So we're staying within a mile, a mile and a half of the
10 monocline. That's why, essentially, the northwest and
11 south -- excuse me -- northwest and southeast boundaries
12 are as they are.

13 Q. And so you believe that the -- with the
14 operation of the three wells that have been drilled by
15 Bayless, the earlier horizontals, Gallup pay producers
16 just outside the unit, that your new redesigned drilling
17 and completion program will be key to your efficient
18 systematic development and conservation of the
19 resources?

20 A. Absolutely. The best person to go into that
21 detail, if you wish, would be John Thomas following me,
22 but I'm happy to.

23 EXAMINER JONES: Keep putting it all off
24 on --

25 THE WITNESS: Keep putting it on the

1 geologist (laughter)? I could go on forever. You know,
2 I can talk forever sometimes.

3 Q. (BY MS. RYAN) Let me refer you next to Exhibit
4 Number 10.

5 A. Uh-huh.

6 Q. Can you identify Exhibit 10 for the Examiners?

7 A. Yes. Now, this is, again, that Gallup pay
8 zone, the orange zone on the type log that we looked at.
9 This is an isopach of that zone and that zone only. So
10 this is the horizontal target zone. As you can see, it
11 ranges for probably about 35 feet at the bar zone
12 southwest and northeast and up to -- probably up to 55
13 feet in the center. So this is basically an offshore
14 bar system, but it is continuous as a transgressive
15 system and perfect for horizontal drilling.

16 Q. Is the thinning in the northeast and southwest
17 a primary reason for the placement of the unit
18 boundaries?

19 A. It is. It is.

20 Q. Are these rocks unconventional reservoir?

21 A. Yes, they are. This will be a basically tight
22 interbedded sandstone and natural fracturing as the
23 permeability and delivery system with no stimulation.

24 Q. Did you include a type log in your cross
25 section?

1 A. No. I did not include the type log in the
2 cross section, as you see noted there on Exhibit 10, A
3 to A prime. The reason for that is that, again, only
4 the upper part of that zone above the Juana Lopez is
5 included in that, and we have plenty of logs in the unit
6 that show what we want to show as far as the initial
7 target reservoir.

8 Q. Thank you.

9 I'd like to turn your attention to what
10 I've labeled as Exhibit Number 11. Can you identify
11 that, please?

12 A. Yes. This is the A to A prime, as located on
13 the previous exhibit. This is showing, again, the
14 Mancos-Gallup interval only. So that is Mn to Gallup
15 marker down to the black line under -- at the base, as
16 correlated across most of the logs there, that is the
17 Juana Lopez marker there, which is in conformity.

18 What this really shows is, first of all,
19 the continuity of this reservoir. It's lithologically
20 quite consistent, but, again, it's a tight reservoir
21 that's unconventional. And you can see the thickening
22 towards the center of the cross section there, which is
23 also reflective on the isopach map.

24 Two of our horizontal wells are represented
25 here because those two wells -- that would be the 19-8H

1 and the 18-8H, are represented on here. The northern
2 well, we did not drill a pilot. We drilled right into
3 the formation. But also of note here is you see the
4 Tocito Sandstone down there on the left-hand side of the
5 log. That is -- right on top of the unconformity there,
6 that is a much more conventional reservoir, and actually
7 the Horseshoe Gallup Field, to the northwest, is a
8 combination of that reservoir and the Gallup pay
9 reservoir. That's where primarily most of the
10 perforations are. They are throughout the -- much
11 greater part of the interval, many wells, but that's
12 where primarily the perforations are. As you can see,
13 some of the perforations are marked on the log there in
14 red.

15 And what's important about that, number
16 one, is that left-hand well is the well that was
17 previously mentioned that is a producing well, the
18 Anador Federal. That's just outside the unit. And you
19 can see it has a nice thick Tocito sandstone in there
20 that produces from both -- both pay zones. That's much
21 more conventional because that is a much more lenticular
22 bar, one of the previous transgressions of the Gallup
23 interval.

24 And so what we would like to do is, number
25 one -- there are two reasons we'd kind of like to stay

1 away from that, because when you get across on top of
2 that bar, the Gallup pay above tends to thin because it
3 was a topographic type of deposition. And number two is
4 we believe, from our limited control, that it affects
5 production -- horizontal production in the Gallup pay.
6 And that is that the oil phase preferentially goes to
7 the Tocito pay, the conventional reservoir at the
8 bottom, and so we get -- our GOR goes up, goes way up
9 when we have Tocito Reservoir in there in the Gallup
10 pay. So we prefer to keep our GOR low and have our
11 Gallup pay.

12 Q. Okay. Is your cross section able to cross the
13 entire unitized interval?

14 A. No. As I mentioned, this is only of the --
15 referring to the type log, that Mancos-Gallup interval,
16 which is actually probably -- by more recent
17 publications, stratigraphers in the Basin would call
18 this the El Vado Sandstone member of the -- formal
19 member of the Mancos Shale. So it's only that interval,
20 from the Mancos -- the top of the Gallup or El Vado
21 Sandstone to the top of the Juana Lopez.

22 Q. Previously we mentioned a number of pools that
23 are involved in this particular area; is that correct?

24 A. Yes.

25 Q. And are you familiar with the -- reservoir --

1 and the hydrocarbons produced from these pools?

2 A. Yes.

3 Q. Do they have similar pressure gradients?

4 A. Yes.

5 Q. Are the fluids compatible?

6 A. Yes.

7 Q. And what is that? What fluid is that?

8 A. Well, it's Mancos oil, basically. It's all
9 generated from the same system -- same petroleum system.

10 Q. And as we stated previously, is Bayless
11 expecting the wells within the unit to be oil wells?

12 A. Yes.

13 Q. Are the technical characteristics of the
14 hydrocarbons within the current pools within this
15 unitized area essentially identical?

16 A. Yes.

17 Q. And then are the pools within the same vertical
18 horizon?

19 A. Yes, generally. I mean, in the -- within the
20 Mancos Shale, yes.

21 Q. And do you expect cross-flow issues within the
22 unitized area?

23 A. No. It's all Mancos Shale. It's all Mancos
24 oil.

25 Q. Will the combination of the pools into one

1 single pool for purposes of the horizontal-well
2 development result in waste or loss of reservoirs?

3 A. The prevention of waste, you mean?

4 Q. Right.

5 A. The prevention of waste. Yes, it will result
6 in the --

7 Q. Pardon me.

8 A. -- prevention of waste.

9 Q. In your opinion, will Bayless' request to
10 create a new pool within the unit area of
11 horizontal-well development prevent waste?

12 A. Yes.

13 Q. And is that due to your placement of the wells?

14 A. Yes, absolutely. And that's where the
15 unitization makes a big difference because we can place
16 wells based on geology and not lease boundaries and that
17 sort of thing and do it the most efficient way. And
18 also place our pads and decrease our surface footprint.

19 Q. In your study of this area, did you observe any
20 faults, pinchouts or other geologic impediments that
21 would prevent this unitized area from being efficiently
22 and effectively developed with horizontal wells?

23 A. No. I did not find such features.

24 Q. And in your opinion, will the approval of this
25 application be in the best interest of conservation, the

1 prevention of waste and for the protection of
2 correlative rights?

3 A. Yes.

4 Q. Were Exhibits 8 through 11 prepared by you or
5 compiled under your direction and supervision?

6 A. Yes.

7 MS. RYAN: I'd request that Exhibits 8
8 through 11 be admitted into evidence.

9 EXAMINER JONES: Exhibits 8 through 11 will
10 be admitted.

11 (Robert L. Bayless, Producer LLC Exhibit
12 Numbers 8 through 11 are offered and
13 admitted into evidence.)

14 MS. RYAN: This concludes my examination of
15 Mr. Coryell. I'd offer him for questioning by the
16 Division.

17 EXAMINER JONES: Mr. Lowe?

18 CROSS-EXAMINATION

19 BY EXAMINER LOWE:

20 Q. I just want clarification on your Exhibit 10,
21 you're a, A prime line, blue line --

22 A. Yes.

23 Q. -- that indicates the Gallup pay, correct? Is
24 that what --

25 A. That is the cross section that is -- the

1 following exhibit, which shows the Gallup, the Gallup
2 interval -- the entire Gallup interval. And then the
3 Gallup pay is in orange, which is the same orange you'll
4 see on the type log.

5 Does that -- did I answer that correctly?

6 Q. Yeah. Yeah. That's all. Thank you.

7 MS. RYAN: Okay. Thank you, Mr. Coryell.

8 EXAMINER JONES: Wait, wait. We're not
9 done yet.

10 MS. RYAN: Oh, sorry.

11 EXAMINER BROOKS: Did you have another
12 question?

13 MS. RYAN: I don't.

14 EXAMINER JONES: Do you have any?

15 EXAMINER BROOKS: Not from this witness. I
16 gather Mr. Thomas is going to talk about the --

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 Q. I'm sorry, Mr. Coryell. On Exhibit 9, are the
20 contours going above sea level? Is that your --

21 A. Yeah. Let me get to Exhibit 9, make sure I --
22 okay. Sure.

23 Are the contours -- those are elevations
24 above sea level.

25 Q. Above sea level?

1 A. Yes. So, for example, where you see 14 --
2 1,400, that is 1,400 feet above sea -- mean sea level,
3 and that would be on the top of that orange interval,
4 the Gallup pay, which is a Bayless informal
5 nomenclature.

6 Q. Okay. So that unconformity you're talking
7 about, is that the same -- it's hard to ask you this
8 question, but they talk -- in previous hearings on the
9 Mancos, they always talk about an unconformity --

10 A. Uh-huh.

11 Q. -- but they were over on the other side of the
12 Basin, I think. So is this the famous unconformity?

13 A. Yes. And over on the other side of the Basin,
14 for example, in the Lindrith Field, those fields, et
15 cetera, the Gallup interval, again, is basically where
16 they have a lot of interbedded tight silts and
17 sandstones, and it makes it easier to frac and produce
18 from. And it's a much larger interval, actually, than
19 you see here. It's much thicker here.

20 Q. Yeah. They're usually below that, I think.

21 A. They are in that interval. That is the
22 basically the interval they're in.

23 Q. Okay.

24 A. The Gallup -- the true Gallup sandstones which
25 produce the long lenticular bars that run north --

1 southeast of the southern part of the Basin, those are
2 actual progradational units that are in the Lower Mancos
3 below that unconformity. And then that -- that
4 conformity [sic] is right across the top of that. And
5 it's been the subject of much study, and there is a
6 paper out by Broadhead in 2015, I believe.

7 Q. He's published papers on everything.

8 A. Oh, yes. He's a master of the stratigraphy,
9 especially the Mancos, and there is a good paper on that
10 where he tries to clarify that stratigraphy in there.

11 Q. Yeah. We had a witness several years ago,
12 Laura Ray. I don't know if you know Bob Lamar and Laura
13 Ray.

14 A. Oh, yeah. Yeah.

15 Q. She was very detailed about the
16 transgressive-regressive cycles.

17 A. Uh-huh.

18 Q. I think she was talking about either the
19 Mesaverde or the Dakota.

20 But this is all the same Cretaceous seaways
21 coming in, going out?

22 A. Oh, yeah. I mean, it's a big major seaway,
23 huge -- yeah, huge seaway.

24 Q. So the -- so you said the transgressive cycles
25 are the ones to drill into in the top of those?

1 A. Well, initially, because they -- as you
2 transgress, you tend to get -- well, the -- I believe
3 the Tocito is a transgressive cycle, too. But at the
4 time of that, I think -- I believe there are some
5 palatographies, and it still stands. Therefore, you get
6 these nice rework bars that make short, conventional
7 reservoirs.

8 Q. Oh, okay.

9 A. The next cycle, it was smoothed out a little
10 bit, and you get a --

11 Q. Oh.

12 A. -- more of a consistent --

13 Q. Yeah.

14 A. -- continuous with the logic, the interval that
15 is -- we -- you get in one of those thin sands in there
16 that never leaves, that kind of thing. It's very easy
17 to drill.

18 Q. Okay. And it's grading upward, is that
19 correct, or spreading --

20 A. It's highly interbedded.

21 Q. Highly interbedded.

22 A. Highly interbedded.

23 Q. You can't say it's a secret stratigraphy?

24 A. Yeah. Yeah. And these things -- yeah. And,
25 again, these kind of back-and-forth cycles incur

1 throughout the Mancos section, and that's why we think
2 that there are multiple targets in the future. But this
3 is the best -- this is the -- I think we're hitting the
4 one that will tell the story.

5 Q. And you mentioned those quarter-mile increments
6 of encountering a fracture swarm. And, first of all,
7 you witness those two with mudloggers, I take it, or
8 drilling returns or --

9 A. Yes. Exactly. And, basically, when we were
10 drilling those three pilot wells -- you're getting into
11 quite a story here, but I'm happy to tell if you have a
12 few minutes.

13 The well you see on Exhibit 9 is in Section
14 20 that is not -- that is actually drilling downdip. So
15 I believe it's an old Verde [phonetic] well from 1993.
16 It encountered one major fracture set and actually
17 drilled from there and everything.

18 Q. Oh.

19 A. And that single-fracture set has produced over
20 70,000 barrels just naturally.

21 Q. Wow.

22 A. And that's with core production technique. So,
23 I mean, they didn't even know they had a horizontal
24 well, but the company had bought it for a while.

25 Anyway, the point is that -- then when we -- we said,

1 Wow, we can do better than that.

2 So we did a pilot program with three wells,
3 as you see there, and we drilled updip normal to what we
4 felt the fracture direction, which has been measured in
5 outcrop. We contacted -- and on the PC, picture of
6 this, runs right through the area. We have measurements
7 and others have done measurements in there that show
8 that we have a north to -- probably North 24 East
9 maximum direction of these extensional fractures. Well,
10 indeed we did cross fracture sections.

11 The way we identified those is basically
12 we -- we would hit -- we were drilling with mud, though.
13 We were not drilling with air heads because we thought
14 we were going to do it better. And we did a lot of
15 things right, and it helped us drill quite a good hole.

16 Q. Yeah.

17 A. Anyway, so we would hit these, and we would get
18 huge kicks into those oil pits, gas kicks, then we'd
19 lose it all, lose our circulation. So we did pump a lot
20 of LC and that sort of thing. And we could mark these
21 in the mud log.

22 And then I started -- then I started using
23 all the tricks in the book that I learned over my 40
24 years in understanding the orientation of these, you
25 know, what connected them, what the frequency was and

1 utilizing the Section 20 well also. And I'm predicting
2 out that at least, we feel, in a 4,000-foot lateral, we
3 would cross three sets -- three major sets of fracturing
4 in here.

5 Q. Okay. So you drill it as low pressure as you
6 can?

7 A. We tend -- again, John is a much better person
8 to talk about this. But our intent is to essentially
9 drill updip as we did, but drill and complete natural
10 hole -- completely naturally drill there and not plug
11 anything up like we did, although -- I mean, these three
12 wells together probably did a couple hundred thousand
13 barrels. I mean, that's not horrible, but we think we
14 can do much better. We could do that much -- a
15 4,000-foot well would do that at least.

16 Q. Okay. Hopefully. Yeah. Meridian was pretty
17 good at finding fracture swarms. They did it in North
18 Dakota in the Baca, and they must have had some people
19 that really looked at the science.

20 A. Oh, yeah.

21 Q. So is it because of the Hogback -- proximity of
22 the Hogback?

23 A. I believe -- yeah, because that's a major
24 sharer. I mean, there is a whole collar of plateaus
25 that have been moving north for a long time, as well as

1 some --

2 Q. So it's extensional?

3 A. And that Hogback is a strain feature that
4 indicates high amount of deformation, and we believe we
5 want to be close to that to get these extensional
6 fractures in the northern orientation.

7 Q. So you're going to naturally complete the wells
8 if you can?

9 A. I'd rather let the engineer talk about that,
10 but the answer is yes.

11 Q. The answer is yes. Okay. Okay. It's nice to
12 know there are multiple targets.

13 A. Yeah. And also longer laterals. We have
14 longer laterals plans, various things that we think will
15 help make this work. So this is all the things we
16 learned and all the things that we saw that we've done
17 right and combined it with the things that Meridian did
18 right, and we think we have a pretty good plan in place.

19 Q. Now, the top -- the top of your proposed --
20 well, the top of your unitized interval, is that what
21 you would prefer the top of the pool that you create --

22 A. That's correct.

23 Q. -- to correspond to that?

24 A. That's correct.

25 Q. Or at least encompass your units, not be

1 smaller than your unit.

2 A. Yeah, based on the type log. You know, again,
3 that top of -- base of Point Lookout, top of Mancos,
4 there may be a couple of geologists that might pick it,
5 you know, 50 feet higher or something like that, but
6 that's why we have the type log that that's my
7 correlation. And it's -- I say correlation because I
8 think it's quite -- it's a distance between any
9 reservoir above it, which would be in the -- in the
10 Point Lookout section.

11 Q. Thank you very much for coming. I better stop
12 asking questions.

13 MS. RYAN: It's okay.

14 THE WITNESS: I'm at your disposal. Okay.

15 MS. RYAN: Thank you, Mr. Coryell.

16 THE WITNESS: Uh-huh.

17 EXAMINER JONES: Let's take a five-minute
18 break.

19 (Recess 11:00 a.m. to 11:12 a.m.)

20 EXAMINER JONES: Let's go back on the
21 record this morning.

22 We are thinking that because of the
23 impending lunch break, we should get the comments from
24 the folks that have asked to comment, and so we would
25 ask that you come up. And if you don't mind, sit in the

1 chair close to the court reporter and state your name --
2 state your name one more time before you comment.

3 And can we have a show of hands of who all
4 is going to want to comment?

5 Okay. We don't want to put artificial
6 limitations on time, but --

7 EXAMINER BROOKS: How many? We have four?

8 EXAMINER JONES: We have about?

9 EXAMINER BROOKS: How many want to speak?

10 EXAMINER JONES: Do you think five minutes
11 apiece would be good? Do you think that --

12 EXAMINER BROOKS: I think that's --

13 EXAMINER JONES: If you need more, that's
14 fine.

15 Okay. Daniel, we'll start with you.

16 And I'm going to turn this over to David
17 Brooks, our attorney, make sure everything is going
18 legally here.

19 EXAMINER BROOKS: Well, yeah. Since the
20 persons who entered appearances -- we haven't ruled on
21 their standing nor -- in any case, none of these people
22 filed pre-hearing statements, so they would not be
23 allowed to present technical testimony.

24 Subject to that qualification, then you can
25 say anything you want to say.

1 And if counsel wants to ask questions,
2 please ask permission of the Examiner so we can
3 determine, because there is no rule on that that applies
4 to this type of proceeding. But there is a rule in the
5 rulemaking area and public comment blends into that
6 area, so I want to be sure everybody understands what's
7 going on.

8 Okay. You may go ahead, Mr. Tso.

9 MR. DANIEL TSO: Thank you, Mr. Hearing
10 Officer and colleagues.

11 Yes. My name is Daniel Tso, and I'm an
12 enrolled member of the Navajo Dine Nation.

13 And the properties that are designated
14 within this case are within the exterior boundaries of
15 the Navajo Nation, and I feel like it is a point of
16 contention that in aspects there are federal and Navajo
17 rulings regarding Navajo Indian country, and so that's
18 why I feel like I have standing to voice concerns.

19 Number one, years past, there was a Utah
20 and Navajo land exchange, where Navajos had reservation
21 properties in Colorado. And to avoid intertribal
22 conflict, the Navajos traded those Colorado properties
23 for lands within the exterior boundaries of the
24 reservation. And I feel like the then agent for -- the
25 title person didn't -- or it was not part of the county

1 records, and so that's why I feel like I have a
2 standing.

3 And the other is just the fact that since
4 there are federal properties involved, I feel like there
5 needs to be tribal consultation, tribal consultation
6 through the National Environmental Policy Act, as well
7 as the National Historic Preservation Act.

8 There will be community impacts. We
9 already experience it in the Gallup-Mancos Shale area.
10 The flaring, the venting of methane and volatile organic
11 compounds knows no boundaries. Even though you say the
12 operations are within this pool or within this unit, it
13 knows no boundaries. And so in that regard, then the
14 other -- there was testimony that the fluids are pretty
15 free within the Hogback structure, and I'm very
16 concerned about the pristine water aquifer that exists
17 within the Basin.

18 And so even though you will not have
19 authority or jurisdiction on those aspects, I feel like
20 I have to put it as part of the hearing record so that
21 when the community impacts are very important, we will
22 have the standing to say we already voiced that concern.

23 There is going to be enormous amounts of
24 truck traffic, as we in the Gallup-Mancos Shale corridor
25 already experience, and so that is the reason that I

1 also am concerned. Tremendous amount of semitruck
2 traffic, tremendous amounts of support-service-truck
3 traffic. The roads in the area are already substandard,
4 and there are going to be a lot of pothole development.
5 We already experience -- we play dodge the pothole on
6 our community roads, and so those are some things.
7 There are school buses that traverse 371 and -- State
8 Highway 371, so the safety of the school children will
9 be tenuous.

10 So in that regard, I really feel like we
11 have to -- as Dine people, we have to stand up. We're
12 concerned about the air, the water and, of course, the
13 fracturing of Mother Earth, as well as the air quality.
14 What I see is the fact that this group will go to New
15 Mexico Environment Department. They're going to want
16 waivers to the national air quality standards. And so
17 you, in effect, are unleashing, in Navajo mythology, a
18 monster.

19 And so in that respect, I really want to
20 say you need those thoughts to pervade through your
21 decision-making. We have already testified -- presented
22 arguments against the West Escovado [phonetic], the West
23 Alamito and the West Lybrook. The West Lybrook, that's
24 where the explosion occurred. That's why 330 feet away
25 there is a family that evacuated. And so those are some

1 things that -- you look at a map with lines on it, but
2 there are people that live within the community.

3 I worked 16 years in the Navajo
4 agricultural products industry. Right now it's a 75,000
5 of 110,000-acre development. The farm abuts a Navajo
6 mine, which this particular document refers to. So
7 there is going to be strange gases pervading over crops
8 that will be used for food, for livestock production.
9 So those are some things I think would basically --
10 again, hopefully, Bayless and the developers will take
11 note of that, too, because we already know the
12 tremendous adverse effects.

13 Thank you.

14 EXAMINER JONES: Thank you, Mr. Tso.

15 Who wants to go next?

16 MS. PINTO: Good morning.

17 EXAMINER JONES: Good morning.

18 MS. PINTO: My name is Kendra Pinto. I'm a
19 resident of the Twin Pines area.

20 EXAMINER BROOKS: Let me interject here.

21 Did you get that name.

22 (The court reporter responds.)

23 EXAMINER BROOKS: Each person who comments
24 needs to be sure the court reporter has the spelling of
25 your name so it will appear correctly in the record.

1 You may continue.

2 MS. PINTO: I live in Twin Pines. And I
3 grew up in this area, and I currently live there still.
4 My house is located on one of the parcels going up for
5 sale next week, and so this directly impacts me and my
6 family. It also impacts the community and all the
7 people that live in the area, because we may talk about
8 well sites happening on state land, but that doesn't
9 mean they bypass every other piece of land out there.
10 It doesn't mean they avoid the people that have to use
11 Highway 550 to get to work or to get to school.

12 So when we have these interactions with the
13 industry out there, it's not always pretty. So we have
14 people who are scared to go out of their house because
15 they have had a very -- very scary accident with --
16 they're not accidents -- interactions, going back to
17 that, with these truck drivers, because a lot of the
18 roads to these well sites are very narrow and they're
19 dirt roads. So these semis hauling two trailers have to
20 share the road with these people, and they don't share
21 the road with these peoples. It's kind of a form of
22 dominance out there. It's a form of fooling that we go
23 through, and it's not talked about enough. The people
24 aren't mentioned enough when the sites are proposed and
25 these sites go up for auction or sale.

1 We have had an increase in asthma in our
2 area. People have been diagnosed with COPD, and there
3 is trauma that has happened out there with the July
4 exploration. There is a little boy who whenever he
5 hears anything, a loud bang at night, he gets scared
6 because he was there by the explosion when it happened.

7 So when you look at any well site that's
8 put up there for consideration, I think the people that
9 live next to these should be put in that process because
10 we deal with this on a daily basis. This is activity
11 that does not happen 8:00 to 5:00, Monday through
12 Friday. This activity happens constantly, on a 24-hour
13 basis.

14 So we see these things happen to us all the
15 time, and when you are at risk of being hit by a semi
16 every day, how do we not talk about that? How do we not
17 consider these people who -- it's very fortunate that no
18 one was hurt in July, but we cannot be guaranteed by the
19 industry that will always be true.

20 And one of the other things I always
21 address, too, is the kind of the -- not promise -- the
22 idea that it'll boost the local economy for us. Our
23 local economy is about 60 miles away, and we have no
24 new, I guess you would say, infrastructure in our area
25 since this fracking boom has started in 2013. I mean,

1 that's when I really noticed it. We don't have a fire
2 department out there. There was no emergency evacuation
3 plan in July when this WPX wellhead exploded. And so
4 it's really -- it's really hard and it's pretty
5 unbelievable for us that it's a positive -- it's a
6 positive idea and that it'll make our area flourish and
7 hope it will bring in money left and right. It may
8 bring in money left and right, but it's not for the
9 people that live there that have to deal with this.

10 So we have to consider -- there is no --
11 there is no point in talking about these well sites if
12 you don't include the people. They have every -- they
13 have more say to the land than these outsiders. I'm
14 sorry, but it is true. We have taken care of the land.
15 We have lived off this land for years and years. We
16 have four generations now out there where I live, and we
17 have never once torn it up for profit. We have never --
18 no, I won't go into that.

19 We must consider the people who have to
20 breathe in these gases, who have to face these oilfield
21 workers at sites all through the area, who have to --
22 you have to put on a strong face out there, because like
23 I mentioned earlier, there is booing [sic;phonetic] that
24 happens and that's not -- no one talks about that, but I
25 will.

1 The setback of 330 feet is unacceptable.
2 We have houses -- okay. I'm not sure if Daniel
3 explained the checkerboard area, but because it's so
4 fragmented, it's really -- it's really -- it's hard to
5 see -- well, I'm having a hard time with my words right
6 now. But there are no boundaries between -- there are
7 no walls between these pieces of land. So we can have a
8 house 300 feet from state lands, but that doesn't matter
9 because it's on state land, because it's not Navajo
10 trust land. And I think everyone should know that there
11 is no convenient barrier between those sites and us.
12 There's no wall to keep from us the negative impacts it
13 has such as health, violence. I mean, 55 people were
14 evacuated. Shouldn't that be enough to stop activity
15 out there? No? Well, that's a question we should be
16 asking ourselves in this state, that we should be
17 protecting the people of New Mexico.

18 I mean, I see these pictures (indicating)
19 on the wall, and it's really hard to see them framed and
20 put at the front of the room because you don't see the
21 people next to these. These drills also cause light
22 pollution. And Chaco is the fourth park in the U.S. to
23 be designated "Night Sky," so it's hard to see all the
24 pictures of Chaco out here, you know, being put in the
25 center of everything and in this building when it's not

1 being protected by the very same state who is very proud
2 of it. So I think we should consider the people,
3 consider the significance of this area and that anything
4 in future decisions should include the community
5 members.

6 Thank you.

7 EXAMINER JONES: Thank you, Ms. Pinto.

8 EXAMINER BROOKS: Excuse me. In order to
9 put your comments in context, where is your residence in
10 relation to this unit -- the proposed unit?

11 MS. PINTO: Parcel 3. It is located at
12 Milemarker 107 and a half, off Highway 550.

13 EXAMINER BROOKS: Okay. It's not -- not --
14 how close is it to Highway 550?

15 MS. PINTO: Oh, my house?

16 EXAMINER BROOKS: Yeah.

17 MS. PINTO: It's probably about a quarter
18 mile.

19 EXAMINER BROOKS: And milemarker, what was
20 it?

21 MS. PINTO: 107.

22 EXAMINER BROOKS: 17?

23 MS. PINTO: 107.

24 EXAMINER BROOKS: It could be located by
25 that.

1 MS. PINTO: Yes.

2 EXAMINER BROOKS: Okay. Thank you.

3 EXAMINER JONES: Who is next?

4 MS. RYAN: Do you mind -- can I go ahead
5 and make a statement, if you'll allow, of the comment.

6 EXAMINER JONES: Yes.

7 MS. RYAN: I just want to generally say
8 that this location isn't anywhere near the residences
9 and locations that they're discussing. Although they
10 have very reasonable concerns about well locations
11 near -- near where they own property, this proposed unit
12 is not anywhere near those lands. It's in a different
13 part of the state than where we're talking, and I think
14 there is discussion and frustration with a lease sale
15 that's happening and leases that are going up for sale
16 next week, and that doesn't have anything to do with
17 Bayless' proposal today on existing federal leases that
18 have been there. And this unit isn't anywhere near the
19 highway or anyone driving on the highway as she was
20 discussing.

21 So I just generally would like to say that
22 also in our application, Bayless is proposing injection
23 of any associated produced gas from these wells, which
24 is consistent with the new proposed BLM rule regarding
25 venting and flaring because Bayless is also concerned

1 about air quality. And so even though it's not even
2 required at this point, Bayless is going beyond taking
3 extra measures to actually inject that gas rather than
4 venting and flaring, and that is part of our proposal
5 today and will be discussed in further testimony today.
6 But I'd just like to put that out there for the public
7 that is here right now that won't be here to hear the
8 testimony after lunch about where this unit is proposed,
9 that we are not venting and flaring at all, in fact, our
10 proposal request approval by the Division to inject that
11 produced gas.

12 EXAMINER BROOKS: Yeah. Well, we
13 understand most of these -- most of their concerns are
14 matters of federal concern.

15 MS. RYAN: Right. Right, which are valid
16 and should be considered but not in association with our
17 application.

18 EXAMINER BROOKS: I just wanted to provide
19 some way for someone reading the record to be able to
20 put this in context.

21 MS. RYAN: Yes.

22 EXAMINER JONES: Who is next?

23 MS. YAZZIE: Hello. My name is Janene
24 Yazzie. I'm a member of the Navajo Nation as well. I
25 just want to reiterate that the point being made here is

1 not that we live on the site, but that we are still
2 impacted by the activities taking place in the lease
3 area. And the Bayless and the company also don't live
4 near the area, so their concern should not outweigh ours
5 as residents that are nearer in proximity to the
6 activities that are being proposed.

7 With that said, this case is the only one
8 on the court docket that is requesting approval for an
9 injection well and that is cause for serious concern,
10 especially with the growing body of evidence of how
11 injection wells lead to injection-induced earthquakes.
12 We are living in an area with little to no seismic
13 activity, where the geology of the area has proven
14 stable over millennia, and any difference or change in
15 seismic activity, whether man-made or not, would cause
16 great devastation to the surrounding community and the
17 infrastructure that is developed here because we're not
18 made to absorb the shock of any type of seismic change.

19 And so, you know, we have been -- there are
20 plenty of Navajo people here for a reason. I mean, our
21 lands and our communities have been used as resource
22 colonies for -- since our reservations have been
23 established, and with that, comes the absorbed -- comes
24 the reality that our communities have to absorb the risk
25 for these industries without proper consideration for

1 how the state or the Feds or the companies are going to
2 help our communities address those risks once they do
3 happen. And things do happen quite often.

4 There is no emergency management plan for
5 how we're going to deal with this increased risk from
6 creating another injection well in this area. There is
7 no consideration of how climate change is affecting
8 already soil stability and the top layers, which could
9 also be increased with changes in the underground
10 geology. And the Navajo people don't need -- and the
11 surrounding tribes don't need to continue absorbing
12 these risks without proper and full assessment of what
13 this will entail to the surrounding communities because
14 like everyone said, it doesn't matter where you draw
15 your boundaries or how you look at the lands, the
16 impacts do not stop at those boundaries.

17 And so to try and silence -- and thank you
18 so much for allowing us to come here and testify to put
19 this into context. It's like a federal jurisdiction
20 issue. That's not an everyday privilege that we get.
21 And so we will state for the record why we are here and
22 why it's important and why it's incumbent upon the
23 company and the BLM and all of the agencies that are
24 taking this on to assess these things in a real way and
25 ensure that our people are no longer being used as a

1 resource colony to produce energy that we never see on
2 our own reservation and our own homelands.

3 And so thank you. That's all I have to say
4 today, and we will be back next week when it does
5 involve the area that we live on.

6 EXAMINER JONES: Ms. Yazzie, how do you
7 spell your last name?

8 MS. YAZZIE: Y-A-Z-Z-I-E.

9 EXAMINER JONES: Okay. We have five more
10 minutes until we break for lunch. Doesn't mean you
11 can't come back after lunch, but -- we have time for one
12 more before lunch.

13 MR. YAZZIE: I am known as Chili Yazzie.
14 I'm of the Salt people, born for the waters flowing
15 together as a confluence. My maternal grandfather is of
16 the Towering House Clan, and my paternal grandfather is
17 of the Red -- Red Streak on the Forehead, and my
18 children are Water Dwellers.

19 I am an elected official of my community,
20 but I stand here today as representing myself and my
21 family and not as an elected official.

22 I first state for the record my objection
23 to the thought that somehow we as indigenous peoples do
24 not have the right and authority to comment on concerns
25 that are relative to our aboriginal lands.

1 My reciprocal comment is that I question
2 the authority of BLM and such other governmental
3 agencies on the determination of the usage of lands. I
4 question the validity of these boundaries, lines, the
5 titles, deeds and such other documents that are are
6 waved around purporting ownership, because the fact
7 remains that these lands were violently arrested away
8 from my ancestors based on the unjust and illegal
9 doctrine of discovery. Therefore, these boundary lines,
10 land titles and deeds, et cetera, et cetera and their
11 subsequent authority may not have legitimate roots.

12 I don't come here today to talk to you
13 about what I consider the fallacies of science and
14 technology in the energy development processes or the
15 process here in the sale or leasing of lands. I will
16 not talk about the environmental degradation that is
17 caused by gas and oil development or the disrespect of
18 imported workers that wreak havoc on the land, on the
19 roads and the community lands of my people. I won't
20 comment on the never-subsiding stench of raw gas and oil
21 or the natural flares that light the night or the
22 smorgasbord of caustic and toxic and dangerous chemicals
23 that are pressure forced into the earth causing the
24 earth to crack deep inside or the methane cloud that
25 hovers over us. Science and technology can in no way

1 precisely know the damage that this activity is causing
2 or can they say that these toxic chemicals will not leak
3 into our aquifers.

4 I will not talk about the devastated who
5 were propelled from cash-poor status to having monies in
6 excess and who have crashed back down into poverty. I
7 won't talk about the increase of alcoholism, domestic
8 violence that now infests these families. I won't
9 discuss the importation of drugs, including
10 methamphetamines that have made drug slaves out of many
11 of our peoples, nor will I talk about the proliferation
12 of prostitution and the missing women and girls.

13 I won't point out the liquor store that
14 sits on the periphery of the frac zone that reportedly
15 became the biggest volume seller of packaged liquor in
16 the country at the height of frac activity here two
17 years ago. I won't comment on the suicide, the murders,
18 the loss of dignity and honor. I'll only emphasize here
19 to you today that much of these negatives are directly
20 attributable to energy development.

21 What I will talk about are my eight
22 grandchildren and my two great-grandchildren, one
23 one-year-old and one two-year-old. I would surmise that
24 you gentlemen are grandparents.

25 EXAMINER JONES: He's not (indicating).

1 EXAMINER BROOKS: I'm not either. I was
2 not fortunate enough to have children, so --

3 MR. YAZZIE: Well, sir, we have little ones
4 in our family, including yours.

5 When God created the earth, he made it so
6 there was a balance of life that could assure a
7 sustainability of life in perpetuity. Our universal
8 great religious teachings declare that God is
9 everywhere, and that includes the permeation of his
10 being through the body of the earth. As indigenous
11 peoples, our beliefs and life ways remain consistent
12 with these precepts of our original creation. Earth is
13 alive. It is -- it lives and it breathes. As a living
14 entity, she thrives on love and suffers with pain. It
15 is no misnomer that we refer to her as our mother, as
16 she provides for our every need.

17 Mankind enjoyed this earth, this Garden of
18 Eden for many centuries. Then came the Industrial Age
19 with its energy development tsunami. There have been
20 millions of penetrations of the earth's surface, untold
21 tons of minerals gouged out from her insides. There is
22 an unrelenting and exponential increase of this
23 exploitation as mankind has developed an insatiable
24 appetite for oil and gas that appears will not be
25 satisfied. This is resulting in the killing of the

1 earth.

2 Proponents of this energy development
3 cannot be so ignorant to deny that they are a cause to
4 this impending demise, as no living being can absorb and
5 endure such permanent violation. There is a pending
6 demise of our sweet Earth mother. These proponents of
7 energy development and their facilitators, including
8 governmental agencies, are complicit in this great crime
9 against the children of the earth. God's beautiful
10 Earth was intended to grow in perpetuity, but now it
11 seems its end is near.

12 So what about our grandchildren? What
13 about our little ones? What manner of world -- what
14 kind of life do we leave them? I stand here in defense
15 of my Earth mother, on behalf of my beautiful
16 grandchildren. It is my moral obligation, my sacred
17 responsibility to protect the future of my
18 grandchildren, and I will go to it by whatever means
19 necessary. I stand in objection to further leasing or
20 sale of lands that will facilitate more oil and gas
21 development.

22 EXAMINER JONES: Thank you, Mr. Yazzie.

23 EXAMINER BROOKS: Okay. We're going to
24 have to recess now.

25 EXAMINER JONES: Yeah. We'll recess and be

1 back at 1:30.

2 EXAMINER BROOKS: And thanks to all the
3 people who have commented. We appreciate your input.

4 (Recess 11:48 a.m. to 1:34 p.m.)

5 EXAMINER JONES: Let's go back on the
6 record and resume with 15622.

7 Are there any more comments? Let's
8 continue with any comments.

9 Thank you for coming, and please tell the
10 court reporter your name. You might have to spell it.

11 MR. TOHE: My name is Robert Tohe, T-O-H-E.
12 And thank you for allowing me at this time to offer
13 these comments, members of the staff and those that have
14 accompanied us here to offer our insight to this process
15 here.

16 Again, like I said, my name is Robert Tohe,
17 and I have standing to offer these comments. I'm a
18 member of the Navajo Nation. As such, I have a census
19 number that identifies me and ties me to that land.
20 And, also, my understanding is that the land held in
21 common runs deep within our history. It's rooted in the
22 way in which our evolution on this continent came about,
23 so it's a historical connection to this land that's
24 being talked about today. And usually when you're
25 talking about land in this way, you're supposed to give

1 an offering, because it's not just something that, you
2 know, we discuss, about how to plan for the land,
3 especially if it involves extraction, and that's the
4 case here.

5 Lands are held in common, and the women are
6 the ones that are care keepers of that. When you go
7 into a Navajo family, you marry into a Navajo family,
8 you marry the household and, as such, the lady is the
9 primary steward of that area. As a male, we're there to
10 help carry out that function. So in this land in this
11 situation is what we're discussing right now.

12 One of the things that's missing from this
13 process here is some principles that were passed by the
14 United States, and those principles I'm talking about
15 are the United Nations Declaration on the Rights of
16 Indigenous Peoples. These were adopted finally by the
17 United States back in 2007. And these principles go
18 more to the heart of what we're talking about today and
19 that is energy exploitation, energy development. So
20 those are ways in which the principles come closer to
21 our core values as indigenous people and the way in
22 which we understand and work with the land.

23 Our core values, as part of it, is harmony
24 with the earth, and we do that by recognizing the
25 duality of our people, male and female in everything,

1 male and female mountains, male and female plants, male
2 and female animals. The whole spectrum of life is
3 considered in that way. And as some of my elders spoke
4 up this morning, we still consider those our core human
5 rights values.

6 And under the -- under the declaration
7 of -- the U.N. declaration, I want to mention this,
8 because in following the Bureau of Land Management's
9 process in which they are going forward with
10 recommending that parcels of these lands that's in
11 question now be offered for sale and when you go back to
12 the communities and you converse in the language -- in
13 the Navajo language, in the Dine language, it is very
14 apparent that there is no free prior or informed consent
15 that the principle within the U.N. declaration states.
16 And those are deep flaws that we see within the resource
17 management plan, amendment and the eventual
18 environmental impact statement. .

19 There's also -- regarding this issue here,
20 the National Environmental Policy Act, the way in which
21 the BLM is now operating, on a 2003 plan that doesn't
22 address horizontal fracking, and yet the Bureau is
23 continuing now to say this is permissible. And I would
24 say -- I would contend that by the Bureau of Land
25 Management taking that position, they might be in

1 violation of the National Environmental Policy Act,
2 because there is also the fact that under the
3 Historic -- National Historic Preservation Act, Section
4 106, the greater Chaco area is threatened with further
5 disturbance. And those are issues that the Bureau of
6 Land Management doesn't understand or undertake to do an
7 environmental assessment or, much less, an environmental
8 impact statement. So we have grave concerns because the
9 Bureau of Land Management refuses to acknowledge the
10 resource management plan that should and also include
11 cultural preservation. It also should include further
12 health studies, water studies, all of those things.

13 The Bureau is attempting to overcome by
14 saying that now that these four parcels of land were
15 really considered in the first place anyway, when, in
16 fact, the resource management plan that they have
17 undertaken now hasn't even been completed, and so all
18 the more to really take a serious look at delaying these
19 leases until the resource management plan and
20 environmental impact assessment is completed.
21 Otherwise, they're rushing into, I think, a dark area,
22 where it's going to plunge everybody into further chaos,
23 and I think we want to come out of that. And there is a
24 way for it, and we need good alternatives for that land
25 out there.

1 And also the way in which consultation is
2 severely lacking, that the Bureau has not completed that
3 process in a manner that complies with the U.N.
4 declaration on free prior consent.

5 So those are things that the Oil and Gas
6 Division should look at and understand, and look at ways
7 in which we can work together to form that into policy
8 from here toward the future, because after all, we are
9 doing it for future generations. We are doing it for
10 our grandchildren that are yet to come. So those are
11 all the comments I wanted to offer.

12 And finally, I think the setback pool is
13 really something we need to look at in terms of the
14 impacts to the communities. Those are very vital
15 concerns that have to be addressed in the communities
16 and that has to be explained in the Navajo language.

17 So those are a few of the things I wanted
18 to share with you today, and I will provide written
19 comments to much of what I've said, too.

20 EXAMINER JONES: Okay.

21 MR. TOHE: Thank you.

22 EXAMINER JONES: Thank you, sir.

23 EXAMINER BROOKS: Thank you.

24 EXAMINER JONES: Hello.

25 MS. HOUSE: (Speaking in Native language;

1 no translation provided.)

2 I'm Donna House, citizen of the Navajo
3 Nation, and I have concern. One thing is the setbacks,
4 and I think that the different laws of New Mexico and
5 the Feds, I think that there has to be some negotiations
6 rather than just assuming that we go with New Mexico,
7 which is the less 330 setbacks. So I think that that
8 still needs to be negotiated.

9 I have been to several of these meetings,
10 and I absolutely disagree on how the indigenous people's
11 voice are left out, especially when those lands are
12 territories. Now, the jurisdiction as it exists now
13 does not at all consider our ties to these lands still,
14 because we still have ties. Not only us, but also the
15 wildlife and also the air we breathe. All those ties
16 are still with us. So I believe that we and the State
17 should consider rethinking how indigenous voice are left
18 out of this process, because it's always stated that we
19 have no jurisdiction there, as --

20 I didn't quite get your name.

21 MS. RYAN: It's Ryan.

22 MS. HOUSE: -- who reiterated none of us
23 live there. And that's absolutely true, but we were
24 here before you-all came here on the boats or however
25 you got here. That to me is historical, and that is

1 what the U.N. Declaration of Indigenous People brings
2 up. And I don't know if you're familiar with any of the
3 international laws, but that to me is an important piece
4 that the State and the corporations really have to
5 understand. So I'm glad that was brought up because
6 that to me is very important.

7 Another piece of law is our strong policy
8 as a freedom of religion. You know, we have ties,
9 again, to that area. There is a Hogback there that has
10 stories from the Dine people that are very important
11 that everyone needs to understand. We have laws that
12 are protecting our cultural sites, but that's not
13 recognized by the State because a lot of times the
14 archeology, the physical pieces, is always looked at as
15 the past and as facts, when we're looking at our own
16 philosophy and ways, religion as having a connection to
17 this earth, and that to me is really important.

18 And through this whole process, I did not
19 hear anything from your team actually say that they did
20 any studies, any inventories of rare species, looking at
21 sacred sites or the ties that the indigenous people
22 have, not only the Dine people, but also the Southern
23 Ute people. So I think that that needs to be part of
24 the process, and I think that that process needs to be
25 part of New Mexico's process.

1 Even in the Federal Land Policy Management
2 Act, FLMPA, FLMPA also recognizes not only culture but
3 the spiritual piece that we're also connected to. And,
4 again, you have to recognize that this territory, we
5 live there. We move through there. The Pueblos move
6 through there. The Southern Utes move through there,
7 the Navajo. We all still have those ties. You may not
8 see us there, but we still have those ties. And our
9 relatives, the humming birds, the pollinators, the
10 plants, they move in and out of those areas. And who is
11 listening to their views and their rights? You know, I
12 mean, that's one thing that at least with, again, the
13 U.N. and our complaints, our indigenous peoples'
14 concerns is how the wildlife that goes beyond the
15 Endangered Species Act, because a lot of the plants are
16 common, a lot of the animals are common, but we still
17 have ties. These are our relatives. So there is no law
18 that actually protects that except for written into some
19 of these particular laws, and that is ignored mostly by
20 people that don't understand it because they understand
21 pots, artifacts, something they can hold.

22 Now, the National Historic Preservation Act
23 is really important because it goes into all the
24 different ramifications of what is historical, and it
25 has a piece in there, Section 106, that actually brings

1 the whole nation into saying that we are alive, we are
2 living, we are connected to these plants that serve us
3 as medicine, that serve us as food, that the other
4 animals need or other species need that we have the
5 relationship with. So there is -- you know, it sounds
6 very ecological scientific. And it is, because, you
7 know, we have observed these lands more than 500 years.
8 We know these lands. We know the water. The water is
9 very important in this whole case.

10 So I didn't see anything about recognizing
11 the Endangered Species Act. There are a lot of raptors
12 in that area. By training, I botanize that area. I've
13 inventoried that area. There are several endangered
14 species. There is the cactus *nole petonei* [phonetic]
15 that is probably near that area. There is --

16 (The court reporter requested the witness
17 speak slower when verbalizing the
18 scientific names of the plants.)

19 MS. HOUSE: I can actually -- I'll send
20 that to you later.

21 So that just goes into the endangered
22 species. It doesn't go into the cultural species that
23 are important to us and I know that exists in your area.

24 NEPA, the National Environmental Policy
25 Act, I assume this piece hasn't at all gone to that

1 place, because, you know, you have to go through tests
2 in order to get to that place. But that to me, in doing
3 an environmental assessment, is really important.

4 Another piece that is really important to
5 recognize is that recently the EPA, in December,
6 published -- and it's on their Web site. They have a
7 report that actually says that, you know, hydraulic
8 fracking -- fracturing will impact the groundwater
9 aquifer. So that just came out. And I don't know if
10 the State has reviewed it or if you have reviewed it,
11 but it's on their site. So I would recommend that you
12 review that.

13 Air quality. Air quality is, like, so
14 important, and with all the chemicals that all the
15 companies are working with -- I'm sure you have an
16 inventory of all that you have, and we have a list of
17 some of the major chemicals that they use for
18 fracturing, and that, you know, are all toxic if it gets
19 into the groundwater.

20 And I was looking at your Web site and I
21 was looking at the number of spills that New Mexico had
22 where it was located, because you have different sites
23 in New Mexico, and I was pretty surprised, actually, how
24 you broke the water out. And you had lost [sic] of
25 water. You had number of spills. And the lost [sic] of

1 water is above 30 percent, which I was totally shocked,
2 because in the semi-desert, you know, in the San Juan
3 Basin, which is within the Colorado Plateau, the water
4 is limited. So I don't know how much we are thinking
5 about retaining our water quality and retaining the
6 water in the ground.

7 And I think that -- I don't know -- I
8 actually just purchased your water policy book of
9 New Mexico, and I don't know if it states in there if
10 New Mexico is working towards keeping a certain percent
11 of the water for the future. But when I was looking at
12 your lost of water and the spills -- and I don't know
13 how you work on remediation of the spills, but spills
14 were not small numbers. There was a lot of spills, but
15 it didn't say whether or not it was reclaimed or not.

16 And I don't know how many spills Bayless
17 has had. That would be something that would be a good
18 thing to look at at what is our risk in investing you
19 fracking in that area.

20 I have numbers here of how many billions of
21 gallons of water that fracking uses for just in
22 New Mexico, in the area, but we won't go into that too
23 much in detail. I can send that later.

24 One of the things that's always important
25 that I think a lot of community people like myself don't

1 think about is the risk that's involved in the spills
2 and the cleanup. And I don't know what New Mexico has
3 done as far as to address that risk and the bonds to
4 ensure that our water is going to be cleaned and ensure
5 that the surface and everything is going to be restored
6 and measurements of the loss of habitat for the animals
7 and for everything that's around in that area.

8 So in summary -- that's mostly the
9 biological part.

10 The most important piece is that you're all
11 going to leave your posts. You're going to finish
12 your -- if you get the permits and get everything,
13 you're going to leave. So who is going to be there?
14 We're going to be there. Our grandkids are going to be
15 there. Our great, great grandkids are going to be
16 there. So it's important to us to be here and to make
17 sure that if there are no policies or rules into
18 protecting our water and air, I think that that has to
19 come to me, as people that ancestors for thousands of
20 years in that area.

21 Thank you.

22 EXAMINER JONES: Thank you.

23 EXAMINER BROOKS: Thank you.

24 MS. JAMES: Ya'at'eeh.

25 EXAMINER JONES: Ya'at'eeh.

1 MS. JAMES: Thank you for hosting us to
2 have this moment to speak.

3 Well, I'm an indigenous Dine women. I'm a
4 matriarch following my grandmother's feet, her
5 footprints, and we have ceremonies that involve our
6 footprints, and it's called a Footprint Ceremony. You
7 go in the hogan. You go all around the circle, and you
8 go back out, and that means coming home. And then you
9 leave the home. You always come home. And so the land
10 is our home. We have the East Mountain, the South, the
11 West and the North Mountain. And our East Mountain sits
12 in Colorado, Mt. Huerfano. Then we have the South
13 Mountain, Tsoodzil. It's Grants, Mt. Taylor. And then
14 the West Mountain is San Francisco Peak, Doko'oosliid.
15 And our North Mountain is Dibe Nitsaa, Big Sheep
16 Mountain. And so those mountains is our home. Anything
17 that's in those boundary areas is our aboriginal land
18 base, and our hogans are all built with those hogans
19 representing those mountains.

20 And we have concerns about the holistic
21 outlook of our indigenous ways of life. We have
22 concerns deep inside the earth and to the universe. We
23 encircled ourselves with that holiness and that
24 sacredness of being indigenous. And what's lacking here
25 is the political and the politics that goes on. These

1 laws being conducted upon us has no understanding about
2 our indigenous ways. We need to change that from today.
3 We may not have known about this activity today. None
4 of us may not have been here. A lot of us aren't here.
5 But just the few of us came have a lot to share.

6 I think that the decision-makers need to
7 learn about our indigenous ways, and they need to adopt
8 our ways and then disclose their ways of thinking
9 because that's what's harming us. We have
10 representatives that have no grandchildren. They don't
11 understand that thought. And we cannot have
12 decision-makers that don't have the know-how about how
13 to walk on Earth, and they don't have the know-how of
14 how to save our air and our water. They only have the
15 know-how of how to spend that money and how much they're
16 going to get and how they're going to be bought out and
17 how we still sit in our hogans, like my sister Donna
18 mentioned.

19 My name is Hazel James, and I'm the
20 Edgewater Clan. They call us the beach girls and beach
21 boys. We also -- I am also a Dark Streak Through Wood
22 Clan, (Speaking in Native language; no translation
23 provided.) So our clans represent where we come from.
24 And then also my other clan is Big Water Clan, which is
25 the ocean. And so we all have clans that we have to

1 identify with when we speak for our people as leaders.

2 And as far as I'm concerned here today, I
3 just wanted to emphasis that there is no health studies
4 out in the area that you're talking about. We have a
5 lot of concerns about the high rate of asthma. We know
6 that there are some studies from the CDC. Maybe we need
7 to entail that into this discussion. But as far as the
8 tribes are concerned, there is no studies being done out
9 there.

10 And then at the same time, we need to
11 discuss what is the air quality standards. Are we
12 meeting those standards? What is the water-quality
13 standards? Are we meeting those standards? And are we
14 even getting to have you understand us? I don't think
15 so. I don't think so. We have people here that don't
16 understand the meaning of walking on the earth in a good
17 way. We have people that need to learn about their
18 roots, who they are, where they come from, what's their
19 clan. We can't make decisions unbalanced. If they
20 understood that, we'd have balance. But they don't
21 understand it, so we're like this (demonstrating).

22 We need racial healing, racial
23 understanding, and we need to conduct ourselves in a
24 manner that we understand each other as people, as human
25 beings. We also don't understand -- well, let me back

1 up.

2 I guess we're put in a position -- I would
3 leave -- my last thought is that we're being put in a
4 position with environmental racism. And what's the
5 standards for environmental racism? It's not listening
6 to the indigenous people. That's the standard. So it's
7 time that you guys start understanding us. It's time
8 that you start changing your policies. It's time you
9 put people in these positions that have some sensitivity
10 to culture and historical knowing of indigenous people.
11 So I just wanted to share that with you from my hogan to
12 your home and everybody else's home here. Let's have
13 some respect. Let's have some honor. Let's listen.
14 Let's learn together, work together and make better
15 decisions. It's not about money. It's about the future
16 of this earth. So that's all I have to say. (Speaking
17 in Native language; no translation provided.)

18 Thank you very much.

19 EXAMINER BROOKS: Thank you.

20 MR. DONALD TSO: Hello. My name is Donald
21 Tso, one of the Tso members. So I'm here.

22 Our dad taught us a lot of things back in
23 the '50s and '60s. For me, he taught me how to you get
24 up early, face the sun, you know, say your prayers as it
25 comes up. I miss all that. I miss the old traditional

1 way that he passed on. So my little brother didn't get
2 a chance to learn all the traditions from him. But our
3 dad used to work down in here. He was employed by the
4 Department of Transportation, and he was part of the
5 surveying company that went throughout the whole state,
6 everywhere. He was a weekend dad. He was probably the
7 official first weekend dad. But he took care of us. In
8 our community, he was probably one of the first to buy a
9 vehicle. And back in his days, people used to come over
10 to the house and ask for advice from him, as well as my
11 mom.

12 The women used to talk to my mom, stop by,
13 because they couldn't read the letters that were sent
14 from their children, sent from other parts of the United
15 States where the Bureau of Indian Affairs had their
16 schools. And she would read it to them, translate it to
17 them and write back for them back to the kids. And
18 that's how our families -- we saw our families work that
19 way, and we managed to do our own by watching what they
20 do -- what they did.

21 So I end up going to San Francisco back in
22 the days of the Haight-Ashbury days, learned a lot, did
23 a lot. So I end up working for a company in San Jose,
24 California, and I lived there long enough to become a
25 citizen of California. And so I started thinking, I

1 think it's time to come home, seeing that my brother
2 became one of the tribal officials there. He was -- he
3 was -- he was doing quite well for himself, and he got
4 to know Chili, Chili Yazzie. They worked together in
5 the Tribal Council. And lots of things happened.

6 Daniel was -- back in his days, he was the
7 chairman of the Education Department Committee, so he
8 got to go to Washington, D.C. quite a bit. That's why
9 he's always involved with community affairs in this
10 area, especially got to know a lot of dignitaries in
11 this area. Watching him grow -- and he always thought
12 that -- you know, we'd sit across the table from each
13 other, and he said, you know, Dad never taught me
14 anything. And I said, He did, he did; look at your
15 brothers; each one of them have a different field, and
16 they learned from him, and they're teaching you how to
17 be a better person; you're the youngest. And he forgot
18 about that.

19 Me, I was in the engineering field,
20 mechanical engineering, and I had to do a lot of
21 presentations, you know, with the products that I made.
22 With the product that you make, you have to make sure
23 that it's a safe product. You can't just make it and
24 put it on the vehicle and say, Hey, it's workable. You
25 have to go through some tests and stuff like that. And

1 how I learned to be where I became, I sat in a group of
2 guys who had different titles, chemical engineers,
3 structural engineers. One guy was in the environment,
4 and one guy was in the shop, and this is how it should
5 be made and playing cards at the same time, and yet they
6 were all interacting. And that's how I got my
7 education. I worked my way up, and this is how it's
8 done. And I said, This is how I learned from so-and-so.
9 And I basically worked my way up real fast. And I
10 managed to get to come back and realize there are things
11 that need to be done, and it's protecting.

12 I just want to show you this bottle of
13 water (indicating). This bottle of water was made by a
14 company that purified it, and you can't -- you can't
15 drink it unless you unseal it. So that's -- that's how
16 I see Mother Earth. It's a water that's untapped into,
17 and if it's opened, you basically, you know, chlorophy
18 it. And recently I got into the -- I take medications
19 for my -- my living. My doctor told me, This is -- do
20 you have a faucet at home? I says, Yes, I do. He said,
21 Get your water from the faucet and set it aside for ten
22 seconds. Then you can drink it. I said, Why? Because
23 it's got chlorine in it, and your medication is useless.
24 The moment, you know, you open the tap and start
25 drinking, it becomes worthless. So now those thoughts

1 come to mind, so I'm teaching it to the younger
2 generation, you know.

3 Anyway, as Donna was talking about, who is
4 going to take care of the wild animals in the area? I'm
5 the type of guy that would really scope in on the
6 smaller things. Smaller things are like the bees and
7 the butterflies that live in the area. It's amazing.
8 My grandmother used to bring home a little jar of yucca
9 plants and mix it in with honey and said, This is good
10 for you; it's healthy. I didn't know honey was that
11 healthy for you. It's a lot better than purified sugar.
12 Sugar, you know, is a creator for cancer in your body.
13 And here she was telling me, This is good for you, and
14 you need to eat it.

15 As you continue to look at all the little
16 things in the surrounding area, look at the butterflies.
17 You know, where do the butterflies go? Who is going to
18 take care of those little, tiny butterflies? And those
19 butterflies are so small that you need a magnifier or a
20 scope on your comma to get a photograph. To make them
21 stop, you have to catch them in between, you know, their
22 fluttering. So I did get a photograph. Maybe the next
23 time, in a couple of weeks, I can show you a photograph
24 of that butterfly. But it goes on and on and on, you
25 know. Who is going to take care of those things? Who

1 is going to take care of those little, tiny insects?

2 Nearby there are elks in Chaco Canyon
3 National Park, elks right there in the park. And
4 they're protected. That's why they go down there,
5 because they feel protected. There are mule deers that
6 roam around in the area. And we're talking about -- you
7 know, we're taking the water away from all of these
8 things, human beings, animals, birds. You know, it
9 affects everybody. It affects me, because I have to
10 take care of them. I have to speak up on their behalf.
11 I'm the person with the mouth. I'm the person with the
12 voice. I have to do that. I'm here.

13 Here, I see a sign up there, "Wendell
14 Chino." Wendell Chino, who knows him? A lot of people
15 still do. His name is up there for a reason. It's for
16 a reason.

17 I see a photograph up there (indicating)
18 fracking, and I see this photograph over here
19 (indicating). They're sending, you know, a rocket to
20 the moon. They need that (indicating) for that fuel.
21 To me that's -- what's going on? Why do that? I mean,
22 what's out there on the moon? What's out there on Mars,
23 you know, that we want? Let's take care of the earth
24 first, you know. Let's help the people. Let's help the
25 people in Pennsylvania, you know. Help them with

1 their -- they say there is more fracking over there.
2 That's true. New York is the same way. Oklahoma. The
3 Oklahoma Indians don't know what to do. The earth is
4 tumbling underneath. It's not buffalos going through
5 there. It's fracking. It's happening everywhere.

6 That's why we need everybody here. My
7 neighbors -- I don't care how far she lives, you know.
8 I don't care if she lives on the other side of
9 Flagstaff, you know. I like to hear them speak out
10 because they're my relatives, you know.

11 All the Native Americans that live on this
12 earth all say, We are the protectors of this land. The
13 Native Americans up in North Dakota -- my daughter's up
14 there, and they're trying their best to protect
15 everything, not just for the people but for the land,
16 all the buffalos in that area. It's a sacred -- they
17 still protect that. They kill the buffalo when they cut
18 into -- they make each piece of meat that's fit for
19 them, you know. And my -- my -- my -- a relative of
20 mine is -- was informed that, you know, we need an elk
21 so you can be healthier. Get the liver because, you
22 know, that liver has got all the proteins. Give that
23 piece to her. You'd be surprised how healthy she'll
24 get.

25 We need the roots from the mountains up

1 here. Around here I've been -- I chew on the root
2 called Osha root, and to me that's a lot better than the
3 antibiotics that's given to you, subscribed [sic] by the
4 doctor. That's a root that's probiotic. It's healthy.
5 It's helping me speak better, plainer, you know, keeps
6 my mind clean. My vision is good because of what my
7 intake is.

8 My heart is painful because I hear people
9 want to come in and hurt my mom. I go up there and I
10 decide, hey, I'm a cedar tree hugger, you know. All
11 that tree gum sticks to my shoulders -- my -- my arms.
12 I'm okay with that. I pick up the pinons there. It's a
13 healthy little piece of nut. Just want you to think
14 about it; clean water.

15 EXAMINER BROOKS: Thank you.

16 EXAMINER JONES: Thank you, Donald.

17 MR. DONALD TSO: All right.

18 EXAMINER BROOKS: Anyone else want to
19 speak?

20 EXAMINER JONES: Mr. Glover, do you want to
21 speak?

22 MR. GLOVER: No.

23 MS. RYAN: I've asked him, but he doesn't
24 want to.

25 EXAMINER BROOKS: You may resume your

1 presentation.

2 MS. RYAN: I would like to call our final
3 witness.

4 Also, on behalf of Bayless, I would like to
5 thank all the public comments. It's been very
6 articulate and well-spoken, and we appreciate the heart
7 that's behind it. So we appreciate hearing from
8 everyone today and thank you.

9 MS. HOUSE: It's just too bad your other
10 team wasn't here to hear it. Perhaps you can relay the
11 news.

12 MS. RYAN: Thank you.

13 JOHN THOMAS,
14 after having been previously sworn under oath, was
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MS. RYAN:

18 Q. Would you please state your name and your
19 employer for the record?

20 A. John Thomas, Robert L. Bayless, Producer, LLC.
21 I'm a production and asset manager.

22 Q. And can you briefly describe your
23 responsibilities in that role?

24 A. I am the manager of all of Bayless' operated
25 production in Utah, Colorado and New Mexico. I oversee

1 all field operations, and that includes drilling
2 completion and production.

3 Q. And so your area of responsibility includes
4 this area of northwest New Mexico?

5 A. Yes, it does.

6 Q. And how long have you been employed by Robert
7 L. Bayless, Producers?

8 A. I've been employed by Robert L. Bayless for
9 nine years.

10 Q. And could you give us your background on your
11 education and your experience?

12 A. Yes. I have a bachelor of science in chemical
13 engineering from Oklahoma State University, and I have a
14 master's in business administration from the University
15 of Florida.

16 I began my career as a pumping services
17 engineer for Halliburton Energy Services in 2005 and
18 moved into an in-house engineering role with XTO before
19 coming to Bayless as an operations engineer handling
20 field operations, on-site drilling and completion.

21 Q. Have you ever testified in front of the
22 Division?

23 A. No, I have not.

24 Q. Are you -- let me ask this --

25 MS. RYAN: I would ask that Mr. Thomas be

1 admitted as an expert petroleum engineer.

2 EXAMINER JONES: He is so qualified.

3 MS. RYAN: Thank you.

4 Q. (BY MS. RYAN) Mr. Thomas, are you familiar with
5 the application filed in this case?

6 A. I am.

7 Q. And let's discuss the injection portion of the
8 application. Can you briefly describe Bayless' --

9 A. I can. And as you know, Bayless drilled three
10 wells in the area beginning in 2011, with testing
11 vertical and then horizontal wells. During that time --
12 prior to that time, in the Horseshoe Gallup Field, which
13 is adjacent to here, all vertical wells had vented gas.
14 And oil was produced; gas was vented. Bayless takes the
15 approach to -- took the approach to try to find a gas
16 market for our gas from our three pilot project wells.
17 We were able to find a market through Anadarko, through
18 an Aneth pipeline. Approximately 18 months ago, the
19 right of way on that pipeline expired, and Anadarko did
20 not renew it, therefore stranding our gas.

21 At that time Bayless -- Bayless approached
22 the BLM and the Division to come up with a solution that
23 we thought was better than venting and flaring, although
24 that was historically what had been done. I had
25 conversations with Mike McMillan with the Division and

1 with the engineers and managers at the BLM, and we
2 discussed injecting the gas that was produced from the
3 formation back into the adjacent wells in the same
4 formation it was produced from.

5 So we are requesting that the associated
6 gas from oil production from the Horseshoe Gallup
7 18-16H, 18-8H and 19-8H can be injected back into --
8 temporarily injected back into the producing formation
9 on an alternating basis. We also request -- we request
10 this approval for one year while we look for other gas
11 marketing avenues. We also request that we can apply
12 for one-year extensions to the Division, for an
13 extension of one year to continue to inject that gas.

14 EXAMINER BROOKS: Are these matters part of
15 the application in this case?

16 THE WITNESS: They are. We filed a C-108
17 with the Division requesting a -- requesting
18 administrative approval. Because we were coming to
19 discuss our utilization, we thought this was a good
20 place to handle the authorization to inject also. And
21 that's what we were -- how we were told to do it by the
22 Division.

23 EXAMINER BROOKS: Okay. I see Mr. Jones
24 nodding his head, so he's looking at your advertisement.
25 So apparently you have your paperwork in order.

1 EXAMINER JONES: You kind of prefer that
2 the injection projects get initially approved through
3 the hearing order?

4 THE WITNESS: Yes, sir.

5 Q. (BY MS. RYAN) So discuss this injection
6 project. Let's go to Exhibit Number 12. Could you
7 identify that for the Examiner and also the importance
8 of what's -- what's in relation to our proposed unit?

9 A. So this is a satellite image taken from Google
10 Earth with an overlay. The yellow line -- I'll let you
11 guys get it up.

12 EXAMINER JONES: Say again which one.

13 MS. RYAN: Exhibit 12.

14 THE WITNESS: It should be a satellite
15 image. There it is right on top, right there.

16 EXAMINER BROOKS: Got it.

17 THE WITNESS: That is it. That is Exhibit
18 12.

19 Q. (BY MS. RYAN) And what is the yellow boundary
20 line?

21 A. The yellow boundary line is the boundary line
22 for the East Horseshoe Gallup Unit proposed.

23 Q. And what is reflected to the -- the southeast
24 of the unit or the south?

25 A. In the south -- south of the unit, there is a

1 meter, a current compressor. This is reflecting our
2 gathering line that runs between the three wells. We
3 were selling gas at what is identified as the meter
4 there. That was where the Aneth pipeline hookup was.
5 That has now been abandoned, and we are shut in. But
6 this is a line that runs north-south between all our
7 wells. That is Bayless' gathering system in the field.

8 Q. And can you further elaborate on the importance
9 of air quality in this area?

10 A. So when Bayless first -- first started to look
11 at the exploration in this area, we knew that there had
12 been vented gas from other wells, and there was -- so
13 there is an offsetting field of vented gas, and there is
14 also the PNM Power Plant, which is a major source. And
15 to get approval for venting of the gas in the area, you
16 need to identify all major sources. And we believed as
17 a good steward of not only the air quality in the area
18 but also of the royalty with the associated gas, that we
19 could find a market for it. We were able to market that
20 for a period of time, until it was shut -- until it was
21 shut in.

22 We then, when we were shutting in, decided
23 that because of the major sources in the area, we didn't
24 want to apply for a venting or flaring approval from the
25 BLM. This was all taking place during the process of

1 the rulemaking for the venting and flaring rule the BLM
2 put together. So we were trying to work with Dave
3 Mankiewicz over at the Farmington BLM and Troy Salyers
4 to find a solution that aligned itself with what they
5 were trying to do with the venting and flaring rule.
6 And that's where we came up with this injection --
7 temporary injection idea. While we explore the field,
8 we can test these wells. We can see their economic
9 viability as we develop the unit and then bring a market
10 to the area to move that gas out.

11 So to further explain this -- I know it can
12 be somewhat confusing. But we would like to rotate the
13 injection of the gas. So there are three wells in the
14 field. We will be producing two of the wells and
15 injecting in the third well on a four-month rotating
16 period. Each well will be metered. The question of
17 unitization will help with our -- will help with the
18 off-lease measurement issues. And that's a big part of
19 why we're bringing this all together here today, is to
20 get this -- so it's all unit wells, and, therefore,
21 we're injecting into a common formation, common
22 production from those -- from those wells.

23 MS. HOUSE: I have a question.

24 THE WITNESS: Yes.

25 MS. HOUSE: How many injections wells did

1 you say you were proposing, the rotation? I'm sorry. I
2 missed that piece.

3 Q. (BY MS. RYAN) Would you explain again the three
4 existing wells and then what your proposal is on
5 rotating the injection?

6 A. So currently we have three producing oil wells
7 in the field. And when you produce oil, you have a sum
8 associated gas. In this area, we have a very small
9 amount of associated gas. What had been historically
10 done by other operators is they just either burn that
11 off or vented it to the atmosphere.

12 What we're proposing is only produce two of
13 the wells at once, and instead of allowing the gas to
14 vent to the atmosphere, we'll put it back in the
15 formation that we got it from until we can find a place
16 to move it in a more environmental-friendly manner. So
17 we're looking for a temporary injection time. So all
18 three wells will at some point be an injection well of
19 the gas that's already been produced from that well.

20 MS. HOUSE: Okay. Thank you.

21 EXAMINER BROOKS: What you're saying is
22 each of the supporting wells -- you're going to be
23 rotating which ones you produce and which ones you --

24 THE WITNESS: That's correct. What we're
25 currently set up for is we have a compressor at the

1 center well, and we have a valve set up that we will be
2 able to rotate from that single compressor site that's
3 been -- it's permitted, the air quality on that permit
4 for that compressor site. So we don't have to rotate
5 any kind of infrastructure, and we can inject and move
6 around from well to well to well.

7 EXAMINER BROOKS: Thank you.

8 Q. (BY MS. RYAN) And you said that rotation is on
9 a four-month basis?

10 A. That's correct. We'd like to rotate on an even
11 four-month basis, and if we have not found a market in a
12 12-month time frame, we would like to come to the
13 Division to ask for an extension for that injection.
14 We'll be asking for a flaring permit at that time.

15 Q. For the public's benefit, would you explain
16 locating a market for the gas, what that means?

17 A. So locating a market for the gas is -- as you
18 know, gas needs to be moved inside of a pipeline to a
19 plant where it is separated for multiple uses from, you
20 know, plastic bottles to heating your home. So we -- we
21 have to sell that and -- market that or sell it to a
22 company that takes it and creates all these products,
23 these by-products that come from that natural gas.

24 MS. HOUSE: Are we allowed to ask not too
25 many but one question?

1 EXAMINER BROOKS: Strictly speaking, not.
2 We have allowed a few questions, but a party who has not
3 filed a pre-hearing statement to participate is not --
4 does not have the right to --

5 MS. HOUSE: So do we send our questions to
6 you then?

7 EXAMINER BROOKS: Well, you know, if you
8 keep them to a minimum so they don't extend the
9 proceedings too long, we will extend that courtesy
10 because we want everything to be fully aired. But, you
11 know, I'm concerned about the time. We want to get this
12 proceeding completed.

13 MS. RYAN: With time in mind, though, we
14 have no objections for a couple of questions.

15 EXAMINER BROOKS: Okay. Go ahead, ask your
16 questions.

17 CROSS-EXAMINATION

18 BY MS. HOUSE:

19 Q. I'm really interested in the injection well. I
20 guess, have you done a study on the capacity of
21 injecting it back into the well?

22 A. So the gas will be produced. So it will
23 actually be going back in where it came from, back into
24 the earth where it came from. There will be no change.
25 So as far as a capacity to hold the gas volume, that is

1 where it is coming from, and we will be placing it back
2 there on a temporary holding basis until we find a
3 better way to move it, and, therefore, not venting it or
4 not burning it. So that's what we wish to do. So it's
5 coming from that -- you know, I understand that, just
6 briefly, you're thinking of a water-injection situation,
7 wells that produce water may be injected into another
8 well. This is a very different situation, where we're
9 injecting the same material that comes out back -- right
10 back into it. We're just taking the oil that's in place
11 from it.

12 Q. One last question. How many other companies
13 are doing this in the BLM, San Juan --

14 A. I am not sure. I was advised by the Division,
15 again by Michael McMillan. He provided a Chevron well,
16 a project in the southeast, for me to use as a
17 precedence and to follow that process. And I've been in
18 communication with the Division to make sure that we can
19 follow that process.

20 Q. Thank you.

21 MS. HOUSE: Thank you very much.

22 CONTINUED DIRECT EXAMINATION

23 BY MS. RYAN:

24 Q. And how routine is it in the oil and gas
25 industry for venting and flaring associated produced

1 gas?

2 A. I can't speak to any percentages of that. So
3 that would have to be some public data that I'd have to
4 research for this. I apologize.

5 Q. Let me turn your attention to Exhibit 13.
6 Could you identify that exhibit for the Examiner?

7 A. Exhibit 13 is a letter from the BLM supporting
8 our, Bayless', injection project to Mr. McMillan, just a
9 letter of support that we have been working together and
10 that our goals of -- for air quality and both royalty
11 preservation and to align this injection project with
12 what the BLM's looking for.

13 Q. And when did you seek permission from the BLM
14 for injection?

15 A. So we've been having for approximately 12
16 months discussions with the BLM. We have not sought
17 permission from the BLM. Our reasoning is because of
18 the Ancho [sic] order for lease measurement, we'd like
19 to handle the unit approval for the injection at the
20 same time because that would streamline their process
21 and the accounting that is associated with this gas
22 injection process.

23 Q. And on what basis did the BLM support the
24 injection application?

25 A. They supported it on the basis of conservation

1 of the resource and aligning with their newly
2 implemented venting and flaring rules.

3 Q. Okay. Briefly I'll just refer you back to
4 Exhibit 8, which is also Exhibit C to the unit
5 agreement. Is that the stratigraphic type log?

6 A. Yes, it is.

7 Q. And does this type log identify the unitized
8 interval?

9 A. It does.

10 Q. And to refresh, Exhibit 9, does it -- is this
11 the structure map? Wait. Yeah. Is Exhibit 9 the
12 structure map?

13 A. Yes, it is.

14 Q. And with that in mind, what pools are involved
15 in this acreage that you seek to unitize?

16 A. There are three current pools in the acreage.
17 The south end of the proposed unit is the Horseshoe
18 Gallup Pool, oil pool, and in the northwest, there is
19 the partial -- part of the Verde Gallup Pool. And then
20 all other lands are part of the basinwide Mancos Gas
21 Pool. So there are three.

22 Q. And I understand that the Horseshoe Gallup Pool
23 is considered to be a frozen pool. Can you describe
24 your understanding of that situation?

25 A. My understanding is -- is that that was -- the

1 pool was set on a -- on a horizon of the Gallup and the
2 Tocito, and the underlying Tocito sandstone is really
3 the boundary of the Horseshoe Gallup Pool. And that is
4 what is associated. And that pinches out as we move
5 through our -- the more conventional sand that George
6 Coryell spoke of earlier pinches out. So that is more
7 confined to that Tocito -- underlying Tocito sandstone.
8 And though it is in the horizon that we wish to unitize,
9 it is -- it is a more confined horizon than the larger
10 Mancos Shale interval.

11 Q. And as far as pool rules are concerned, what
12 does a frozen pool have on pool rules?

13 A. So the frozen pool -- my understanding is the
14 frozen pool cannot be expanded, be it to include
15 other -- our wells outside -- that are either inside and
16 outside is our concern, inside and outside of that pool
17 or offsetting -- offsetting wells that are drilled in
18 the same -- in the same strata, on the same horizon,
19 producing from the same formation, but will have an
20 overlapping -- an overlapping participating area. So --

21 Q. And is it true that because the Horseshoe
22 Gallup Gas Pool is currently considered frozen, that the
23 rules don't currently have effect on the wells --

24 A. Our current wells -- I apologize. No, that is
25 not true. Our current wells are in the Horseshoe Gallup

1 Pool currently. They are spaced based on the Division's
2 larger horizontal rules.

3 So just some background. The horseshoe
4 Gallup Pool is based on 40-acre -- 40-acre vertical
5 wells, so each spacing unit that we crossed with the
6 horizontal well became part of the horizontal
7 participating area. In this sense, we have three wells
8 that are spaced on 160s. The north well is -- we got
9 into this issue. The north well is inside and outside
10 of the Horseshoe Gallup Pool. The heel 40 is in the
11 Horseshoe Gallup Pool. The toe -- the toe is in the
12 Basin -- or is the Basin-Mancos Gas Pool.

13 EXAMINER BROOKS: That's the well that's
14 roughly in the south half-north half of Section 19?

15 THE WITNESS: No. That is the well -- the
16 far north well, the well that is in the south half-north
17 half of 18.

18 EXAMINER BROOKS: Oh, okay. When you said
19 it's the first well, it's from the opposite, going
20 from --

21 THE WITNESS: First well from the top,
22 yeah. I apologize. First well from the top.

23 And, you know, I sought -- when Bill Hoppe
24 was with the Division in Aztec, I sought his advisement
25 on that. I think it is based under Basin-Mancos gas

1 pool 320. But it is an interesting situation, and it
2 has a Division order for offsets on the toe.

3 EXAMINER JONES: Okay.

4 THE WITNESS: So we did encroach on the
5 toe, but we received an administrative order from the
6 Division that's associated with that well.

7 EXAMINER JONES: But that well will be the
8 obligation well?

9 THE WITNESS: That will be the obligation
10 earning well. That is correct.

11 Again, our horizon -- these three pools are
12 all in our horizon, but they have differing -- differing
13 explanations. So I really -- I went to Kate Pickford
14 and Charlie Perrin at the Aztec office and asked them
15 for their guidance on how we should approach this. And
16 because there are no vertical wells producing in our
17 unit from those, we decided to do an overlapping -- an
18 overlapping horizontal pool for this. If a vertical
19 well is drilled in here for some reason, they would
20 be -- they would be associated to the pool rules that
21 are in place for the vertical wells, so the existing
22 Verde Mancos gas --

23 EXAMINER JONES: Whichever one it's in.

24 THE WITNESS: Whichever one it's in,
25 correct.

1 Q. (BY MS. RYAN) So to summarize, the Aztec office
2 was supportive of a creation of this new horizontal
3 pool, oil pool only?

4 A. That is correct. I know we are trying as an
5 industry and as a division to come up with a larger
6 basis solution here, but I think this has been what has
7 been used with our discussions. And this specific area,
8 my discussions with Kate, because we do not have --
9 Ms. Pickford -- I apologize -- because we do not have
10 any vertical wells that are producing from the pools, it
11 would be administratively best to do an overlapping
12 horizontal pool.

13 Q. Is the Basin-Mancos Gas Pool subject to the 660
14 setback requirements?

15 A. It is.

16 Q. And in order to bring uniformity, does Bayless
17 seek to create this horizontal oil pool for the unitized
18 area so that it can locate wells anywhere within the
19 unit so long as the completed interval is at least 330
20 feet from the outer boundary of the unit?

21 A. It does.

22 Bayless is seeking -- is seeking this
23 pool -- we believe -- we believe the way to drill and
24 complete these wells is that the entire Mancos interval,
25 when we are drilling through them productive -- show it

1 has some gas shows, some oil shows through the entire
2 Mancos interval because those fracs can extend up and
3 down through the entire interval. And if we intercept
4 those, we would like to -- not to get too far into it,
5 but we've discussed our future permits will be
6 top-setting the Mancos 100 feet below the Point Lookout
7 and then leaving the entire interval open all the way
8 down to our Gallup -- our Gallup interval and then
9 completing unstimulated natural fractures. We'll be
10 drilling underbalanced. That's why we seek this reduced
11 setback. We have not seen any interference.

12 The formation that we're targeting is the
13 same formation throughout the entire -- the entire unit,
14 and then, therefore, the 330-foot setbacks that are in
15 the Verde pool and that were in the Horseshoe Gallup
16 Pool should apply throughout the entire -- unitized
17 area.

18 Q. There have been some comments today about air
19 drilling. Could you briefly summarize that and Bayless'
20 plans on air drilling?

21 A. So Bayless' plans on air drilling would be to
22 drill these wells at balance or underbalanced. There is
23 an extremely low-pressured reservoir, as we spoke about
24 earlier when we were drilling these first wells. We
25 drilled them and lost -- lost some drilling mud that was

1 associated with it. When I say lost, that means when
2 you -- that we -- we didn't produce back when we were
3 drilling. We have produced back some now that we are
4 producing the wells. And what you have to do is if you
5 lose those into the natural fractures in place, our
6 concept was to do small stimulations, small frac jobs on
7 the well to get past that damage and then bring it back
8 in.

9 Our concept moving forward would be to keep
10 that primary fracture network in place, and that way we
11 don't have to frac these wells, and, therefore, they are
12 naturally completed. And that is our concept. So air
13 drilling would be using an air or gas mist with water to
14 drill the wells instead of just water.

15 Q. And do you believe that your plans on well
16 location and your planned development is in the interest
17 of conservation, the prevention of waste and the
18 protection of correlative rights?

19 A. I do.

20 It is best that we orient these wells as
21 normal to the -- normal to the fractures as possible, so
22 we can cross as many fractures as possible. We also
23 believe that unitizing will allow us to use a single pad
24 location to drill multiple wells from, so we can have
25 smaller footprint. In that same manner, we can

1 efficiently use air-quality controls on a single pad
2 more efficiently than we can a multipad in the field.
3 When you size those air-quality controls up, they're
4 much more efficient and much better at air-quality
5 reduction issues.

6 Q. So I'd like to refer you now back to Exhibit
7 Number 4, which is your preliminary plan of development.
8 And in association with that, you personally have had --
9 is it correct that you've personally had a lot of
10 discussion with the BLM office?

11 A. I have.

12 Q. And Mr. Newell already testified that this unit
13 would have a single participating area and development
14 plan. And were there any concerns raised by the BLM?

15 A. There were not.

16 We took under advisement from the BLM --
17 really what we were looking for here is a future forward
18 for our gas production, and we took under advisement
19 from the BLM what they have been doing with other
20 operators, and they asked us to use this to better --
21 better conserve and better develop the resource as other
22 operators have done. We will be submitting a plan of
23 development annually to the BLM as part of our -- that
24 will be required for approval, and they will be required
25 to approve that plan development annually.

1 Q. And you've had those same kind of discussions
2 with the Aztec office --

3 A. That is correct. I had a discussion shortly
4 after our area in-depth meeting with Charlie Perrin and
5 Kate Pickford at the Aztec office to present our area
6 and depth and injection project information to make sure
7 that they will be administrating a lot of this from
8 their office in Aztec and to make sure we were all
9 working together on what the best solution here was.

10 Q. And Mr. Newell testified that you don't have
11 any drilling plans currently for 2017. Can you briefly
12 discuss your drilling schedule?

13 A. So our drilling schedule, we have -- so when we
14 first drilled these wells, we have been on and off with
15 production because of the pipeline issues. And what
16 we're hoping to do is get these back on producing so we
17 have time to evaluate the asset and, therefore, file for
18 a permit to begin drilling in 2018.

19 Q. I'd like to refer you to Exhibit Number 7,
20 which is -- could you identify that for us again,
21 Exhibit Number 7?

22 A. Exhibit Number 7 is a lease suspension request
23 that was presented to Dave Mankiewicz with the BLM
24 for -- I believe tracts for -- in our unit that are up
25 for expiration on February 28th of this year. This was

1 a precautionary measure that was advised by the BLM
2 office hoping that we would get everything resolved in a
3 timely manner so we would not have to implement any kind
4 of lease suspension. And the lease suspension was based
5 on the situation with not being able to produce the
6 resource at this time to evaluate the project area.

7 MS. RYAN: That concludes my direct
8 testimony of Mr. Thomas.

9 EXAMINER JONES: Did we take all the
10 exhibits under advisement?

11 MS. RYAN: No. I would request that
12 Exhibits 12 and 13 be admitted into evidence.

13 EXAMINER JONES: Okay. Exhibits 12 and 13
14 are admitted.

15 (Robert L. Bayless, Producer LLC Exhibit
16 Numbers 12 and 13 are offered and admitted
17 into evidence.)

18 MS. RYAN: Thank you very much.

19 EXAMINER BROOKS: All the other exhibits
20 that you wanted admitted have already been admitted?

21 MS. RYAN: Yes, sir.

22 EXAMINER BROOKS: Okay. Thank you.

23 EXAMINER JONES: Mr. Lowe?

24 CROSS-EXAMINATION

25 BY EXAMINER LOWE:

1 Q. I've got a question. The area around where you
2 intend to work, are there any other injection wells?

3 A. There are not.

4 Q. There are not. So these would be the only
5 ones, temporary?

6 A. Gas injection wells. There is a waterflood in
7 the Horseshoe Gallup Field to the west that are outside
8 of our area of observation for our C-108 application.

9 Q. Okay. I was just concerned being that you're
10 so close to the coal power plant and probably the coal
11 mine. I'm not sure if you got any input from them.

12 A. So the coal power plant itself -- the coal mine
13 outcrops to east of the power plant, so the underlying
14 formation on surface is the Picture Cliff. So we are
15 sitting on Picture Cliff on surface, the underlying --
16 or overlying Fruitland Coal outcrops to the east and,
17 therefore -- if that's a concern that you are concerned
18 about.

19 Q. Yeah.

20 A. Isolation of the zone -- we have these wells
21 isolated, per the NMOCD requirements, with cement around
22 the intervals, and those wellbore diagrams have been
23 submitted via the C-108 application.

24 Q. Okay. Okay. Yeah. I know that the coal
25 mine, they're mining underground now, so I know that was

1 kind of --

2 A. Correct. And we will be -- we will be 3,000,
3 4,000 feet underneath that.

4 Q. That's all I've got for now.

5 MS. RYAN: And I just want to reflect for
6 the Examiner that the C-108 application is an exhibit to
7 our application.

8 EXAMINER JONES: Oh, it's an exhibit?

9 MS. RYAN: Yes.

10 EXAMINER JONES: It was part of the
11 application itself, wasn't it?

12 MS. RYAN: Yes. We just wanted to go ahead
13 and get that in front of you at the filing of the
14 application.

15 EXAMINER JONES: I think that's what a lot
16 of people do when they --

17 EXAMINER BROOKS: Okay. Has it been
18 admitted as an exhibit in the case?

19 MS. RYAN: Is it attached to Exhibit 13?

20 EXAMINER JONES: Oh, okay. So it's coming
21 in twice then?

22 MS. RYAN: It should be. Do you mind if I
23 take a look to make sure just in case?

24 EXAMINER JONES: No.

25 THE WITNESS: And the C-108 was also

1 submitted for administrative approval prior to --

2 EXAMINER JONES: So we've got it here
3 twice.

4 MS. RYAN: As a follow-up, I would request
5 Exhibit D to our application be admitted as Exhibit 14,
6 which is just the C-108 filing, so that it's a part of
7 this record.

8 EXAMINER JONES: Okay. Exhibit Number 14
9 will be admitted, which is the identical as Exhibit D to
10 the application in Case 15622.

11 (Robert L. Bayless, Producer LLC Exhibit
12 Number 14 is offered and admitted into
13 evidence.)

14 EXAMINER JONES: Questions?

15 EXAMINER BROOKS: I do have.

16 CROSS-EXAMINATION

17 BY EXAMINER BROOKS:

18 Q. Do you have a map that shows where these pool
19 boundaries are within the proposed unit?

20 A. With me, I do not, but I do have one.

21 Q. You have one?

22 A. I have that same one.

23 Q. Okay.

24 EXAMINER JONES: This is Mike McMillan's
25 map.

1 THE WITNESS: You will notice the south
2 half of 18 in 30 North, 15 West and then the -- then
3 there is a 40-acre in the southeast-southeast of the
4 north half.

5 Q. (BY EXAMINER BROOKS) Yeah. I'm having some
6 trouble --

7 EXAMINER JONES: There's the unit.

8 EXAMINER BROOKS: Oh. Oh. The unit is
9 just penciled in.

10 EXAMINER JONES: Yeah. I penciled it in.

11 EXAMINER BROOKS: And this area -- what is
12 this orange line? Is that just some other unit or --
13 oh, it says up here "Horseshoe Gallup Pool," but the
14 Horseshoe Gallup Pool is the area in tan. It's not the
15 area --

16 EXAMINER JONES: Is that another unit right
17 there? This is your proposed --

18 THE WITNESS: Right. So this is our
19 proposed unit (indicating). Obviously, this is Section
20 18 (indicating). This is -- this is why we called this
21 the East Horseshoe Gallup Unit. This is the -- this was
22 the Horseshoe Gallup Unit --

23 EXAMINER JONES: Oh, this is the original.

24 THE WITNESS: -- the Horseshoe Gallup Unit.
25 And that's why this is identified as the East Horseshoe

1 Gallup Unit. So our wells sit right here (indicating)
2 and right here in Section 18 (indicating), so our heel
3 of this well (demonstrating) -- I can draw it in there.
4 It's right in here. That's the Horseshoe Gallup Pool.

5 Q. (BY EXAMINER BROOKS) Could you do this for us?
6 Could you prepare a copy of Exhibit A and overlay the
7 pool -- the pools?

8 EXAMINER JONES: Exhibit 4?

9 THE WITNESS: Exhibit 4.

10 Q. (BY EXAMINER BROOKS) Overlay the pools so we
11 can have -- I mean, we can prepare it. We have the
12 information, but we may as well make the Applicant do
13 the work.

14 A. That's okay. That won't be an issue at all.
15 We can prepare that.

16 MS. RYAN: So can we create that and submit
17 that at the --

18 EXAMINER JONES: At the next hearing.

19 MS. RYAN: -- at the next hearing?

20 EXAMINER BROOKS: Or anytime you want.
21 Anytime you have it available, you can just send it to
22 us.

23 MS. RYAN: And does it need to be formally
24 admitted on February 2nd?

25 EXAMINER BROOKS: Well, yeah. This is an

1 informal -- I mean, this is an uncontested case.

2 MS. RYAN: Right.

3 EXAMINER BROOKS: We often accept
4 post-hearing submissions if they're not something that
5 would likely be controverted in any way, unless we can
6 verify from --

7 MS. RYAN: Okay. We'll go ahead and submit
8 that. That would be great.

9 EXAMINER BROOKS: So there is no reason to
10 be concerned about it. You just call it Exhibit 4A.

11 THE WITNESS: Our concern about expanding
12 the existing pools in there was the horizons. We're
13 going -- we're not going to overlap directly. But those
14 pools are on all different horizons inside the Mancos,
15 so that's why we wanted to make sure that we identified
16 it.

17 EXAMINER JONES: Glad he said that.

18 EXAMINER BROOKS: Yeah. I think -- do
19 those pools have vertical -- defined vertical
20 boundaries?

21 THE WITNESS: There is defined -- and this
22 is my understanding, that there is a defined -- there is
23 a defined well that sets the pool that defined a top and
24 bottom. I think it was based on -- I think it was
25 defined on either perforations or formation depth.

1 Q. (BY EXAMINER BROOKS) Well, that's the proper
2 way of doing it.

3 A. Yeah.

4 Q. But in the area that I've worked in the Mancos,
5 they have -- it has been represented to me that there
6 have been no definitions of the -- of the vertical
7 boundaries of the Gallup pools that they're dealing with
8 in that area. Now, that's apparently not an area where
9 this unit is located.

10 A. The Horseshoe Gallup Pool is not producing. It
11 does not have any perforation or production. From what
12 I would call the -- from the base of the Point Lookout
13 to the top of what we call the Gallup pay, there is not
14 any producing perforations. Therefore, that hasn't been
15 identified in any wells inside the Gallup Pool. And
16 also there's no perforations below the Tocito or the
17 Juana Lopez, and so, therefore, it has not been defined
18 in the Gallup Pool. And that's why we are trying to
19 vertically define it at this hearing of that is what we
20 would like to unitize and have as our horizontal pool.

21 Q. And your landman represented to us there are no
22 depth severances within the entire Mancos interval in
23 this area?

24 A. Through our royalty work, there are no depth
25 severances title work. There are no depth severances in

1 this area.

2 Q. Which is a very good thing.

3 A. Yes. Yes.

4 And, again, the majority of the acreage is
5 Bayless owned. 89 percent is Bayless owned. The other
6 7 percent is farmed out to Bayless from ConocoPhillips.
7 Therefore, we have -- we will have significant --

8 Q. All the wells you have drilled and that you
9 expect to drill would be classified as oil wells?

10 A. Correct.

11 Q. If they were -- if they were GOR tested?

12 A. Correct.

13 Q. And that's what you expect?

14 A. That is what I would expect.

15 Q. There is always a surprise, always something --

16 A. There are always geologic uncertainties, but
17 there's nothing been drilled in any of the areas
18 surrounding or this field that would tell me that we
19 would identify it as a gas well or as a wet gas well,
20 no.

21 Q. Okay. Thank you.

22 CROSS-EXAMINATION

23 BY EXAMINER JONES:

24 Q. With that being said, if you did drill a
25 vertical -- some vertical well tests in here to actually

1 produce something for a while at different levels within
2 the Mancos gross interval, you might have some issues
3 with what pool to put them in, wouldn't you, unless you
4 create this pool and allow it to be for vertical wells
5 and for horizontal wells?

6 A. We're identifying this as a horizontal pool
7 under the definition of our unit, so, therefore, a
8 1,000-foot lateral to be included in that pool.

9 Q. Yeah.

10 A. Therefore, to be included in the unit.

11 Q. But if there is no -- so what would prevent
12 this pool from also -- if we classify it that way --
13 vertical production?

14 A. And we're looking for, I guess, the -- if there
15 is no --

16 Q. It wouldn't be a unit well?

17 A. No. I understand that. I was looking for
18 guidance from, again, the Aztec office. I believe a lot
19 of this has been done overlapping like this because --
20 because there is existing vertical wells that are
21 already in the pool, and that's why we followed that
22 standard. Now, this situation's unique because we do
23 not have any vertical wells. So I would look to --

24 EXAMINER BROOKS: Well, I think that may
25 have been a factor in the genesis of this unit-specific

1 pools and especially in the definition of them being for
2 horizontal wells only, but I'm --

3 THE WITNESS: And that's why we were
4 following -- following the guidance or precedence that
5 has been done, and that's what we're following here.

6 EXAMINER BROOKS: There is some difference
7 of opinion. I have to tell you there is some difference
8 of opinion on this subject among various parts of the
9 Division. So --

10 THE WITNESS: All vertical wells inside
11 this pool will also be oil wells producing, and I would
12 also ask for 330-foot setbacks even if it was in the
13 Mancos gas pool here.

14 EXAMINER JONES: Right. So if we did
15 make it a --

16 THE WITNESS: If they make it a vertical
17 and horizontal pool, we would not -- we would not oppose
18 that. Do we need to ask for that?

19 EXAMINER BROOKS: Well, when the commenters
20 were here, I would have asked you about the 330-foot
21 setback. They don't have anything to do with surface
22 facilities, but I know that, so it's not necessary to
23 ask the question now.

24 THE WITNESS: I understand.

25 Q. (BY EXAMINER JONES) A few years ago, we had a

1 big issue. It might have been Bill Hoppe in the office
2 there. I thought it was Chevron or Four Star, or it
3 could have been Bayless. But it was a Tocito issue of
4 which Gallup pool it was going to be in, you know, and
5 it was vertical wells. And he was going to require some
6 downhole commingles between some Gallup perforations.
7 Do you remember that?

8 A. Yeah. It was us. Our first well we drilled
9 vertically through the -- and we set casing and tested
10 both the Tocito and the Gallup, or what we call the
11 Gallup pay, and what is identified on our type log -- or
12 on our logs as the Gallup pay. What we had discussed at
13 that time was which -- either going and drilling
14 horizontal wells from the same vertical well into both
15 formations or whether to just identify the Tocito or
16 just drill into -- and we were seeking guidance at that
17 time. We ended up only producing what is the Gallup pay
18 here. And we discussed whether we would have to
19 commingle those zones if we were in the Gallup pay and
20 the Tocito. And, again, we were looking for some
21 guidance because of what was identified as the Horseshoe
22 Gallup Pool at that time.

23 Q. Okay.

24 A. It did not come to -- we were doing some
25 legwork with Bill on that trying to identify what the

1 proper administrative process would be for that.

2 Q. Okay. Well, it's not been advertised for a
3 vertical pool, so I guess we would not want to throw
4 that in.

5 EXAMINER BROOKS: No, we would not.

6 MS. RYAN: But I think, Mr. Thomas, if the
7 Division -- if there is an industrywide and Division
8 initiative to create a larger pool that would happen to
9 encompass this unit, that Bayless would obviously have
10 no objection to an industrywide Division, you know,
11 initiative for creation of a new larger pool that would
12 encompass this unit. We don't have objection to that if
13 you guys can get people to agree.

14 EXAMINER JONES: That's just for
15 vertical -- for horizontal wells we were talking about?

16 EXAMINER BROOKS: Right. My understanding
17 is that the proposals that have been floated so far
18 would not include the area where this unit is located.

19 THE WITNESS: That is correct.

20 EXAMINER BROOKS: But, obviously, all those
21 proposals are not final.

22 MS. RYAN: Right.

23 EXAMINER BROOKS: So there is the
24 possibility that we could include the language -- the
25 language we've included in the other unit pools if

1 they're included in the nationwide oilman -- but this
2 pool is terminated.

3 THE WITNESS: And I've been involved in the
4 NMOGA committee that's working with the Division to try
5 to handle these issues. Obviously, we have interests
6 across -- Bayless has interests all across the Basin, in
7 the target spot and in this area. We want to make sure
8 that whatever is done is, you know, either expanded or
9 left out of this area --

10 EXAMINER JONES: Okay.

11 THE WITNESS: -- that fits our needs for
12 this specific area because it's a different play. I
13 mean, same horizon, but it is a different play area, a
14 different concept for completion that we're looking for
15 here.

16 EXAMINER JONES: Uh-huh. Okay.

17 EXAMINER BROOKS: Your perspective is that
18 this area is not only -- should not be included in any
19 Basin-Mancos oil pool that we would be creating further
20 south?

21 THE WITNESS: I can't definitively say
22 that. But right now the proposals that I've seen, I
23 would say no, we would not want them included in the
24 stuff created farther south.

25 If we went along the initial lines where we

1 created an oil GOR line that was initially proposed,
2 this would fall outside of that GOR line.

3 EXAMINER JONES: "Outside." You mean south
4 of it?

5 THE WITNESS: It would fall -- it would be
6 -- it would be west of it.

7 EXAMINER JONES: West of it.

8 THE WITNESS: That GOR line would come
9 around this area, because all these wells in this area
10 are oil wells and would be identified as oil wells under
11 that GOR line.

12 EXAMINER JONES: Okay. So that's still up
13 in the air.

14 THE WITNESS: So that's still up in the
15 air. And moving that line has been a contentious issue.
16 And I guess our -- we would obviously want to be outside
17 in the oil window because that's what these are are oil
18 wells. These are oil wells under any definition of the
19 word, I think. So --

20 Q. (BY EXAMINER JONES) Yeah. And you would
21 produce them through gas lift; is that right?

22 A. We are currently sucker rod pumping these
23 wells.

24 Q. How low can you get your pump?

25 A. Not very low. They are pressure limited. We

1 will -- we will be monitoring pressures obviously with
2 our gas injection project, and that data may be
3 presented at a future date.

4 Q. Okay. So how would the wells be equipped
5 during the injection cycle?

6 A. So the wells themselves would all be -- would
7 all be -- the injection well itself would be isolated at
8 the wellhead. We would be injecting down the back side
9 of -- in between the 7-inch casing and the 2-3/8 tubing,
10 with the pump landed in a down position and locked off
11 at surface. So we would keep -- initially keep the
12 pumps in place that we would be injecting into the
13 wells. So we would be injecting down that annular
14 spacing between a 2-3/8 and a 7-inch casing, going into
15 our liners and into the formation.

16 This is a very low-pressure system. I do
17 not expect it to be of high pressure or be in a
18 situation. We'll have that tubing loaded, obviously a
19 hydrostatic tank on it and isolated --

20 Q. Yeah. Because if you encounter those fracture
21 swarms and if it's really low pressure, you're not going
22 to need much pressure to surface to get it back in there
23 at all.

24 A. Correct. Correct. We should not need very
25 much pressure at all to surface. I cannot at this -- at

1 this time I do not have enough data to tell you. I have
2 identified a maximum pressure for injection that is very
3 conservative that I do not believe we will reach.

4 Q. Okay.

5 A. Okay? That I have asked for.

6 Q. And the allowables business, can you talk about
7 those?

8 A. So the allowables situation here, what we are
9 looking for is -- is not to be limited in the early
10 stages where we may have some higher-pressure production
11 in the early stages. We have not seen any changes in
12 GOR during the production of our wells, and, therefore,
13 we don't think that the solution gas situation and the
14 pressure -- gas drive and having a change in GOR is
15 going to affect our solution gas drive here.

16 Q. Uh-huh.

17 A. So we are asking -- and also there are multiple
18 allowables that are inside these pool rules --

19 Q. Uh-huh.

20 A. -- that we think is just a suspension of the
21 allowables for the production of these natural fractures
22 is best. So --

23 Q. Okay. We're going to need the transcript on
24 this one.

25 EXAMINER BROOKS: When you conclude, I want

1 to ask him a question.

2 EXAMINER JONES: Go ahead.

3 RECROSS EXAMINATION

4 BY EXAMINER BROOKS:

5 Q. Following up on the allowable situation, is it
6 your opinion that production is not rate sensitive in
7 the sense that the length of production is not going to
8 affect the EUR in this pool? I've heard some -- I've
9 heard a lot of testimony on that.

10 A. Right. If this specific pool, I do not believe
11 that the -- that the -- with the fracture production
12 that we're encountering and the solution gas drive, the
13 low GOR situation that we're in, that higher initial
14 rates will not affect the end-of-life reserves for the
15 well.

16 Q. Okay. That was the testimony I was rather
17 expecting, and I've heard a number of people give that
18 opinion about the Mancos.

19 A. I can only speak specific to this area and our
20 formation that we're producing at the site that we're
21 asking for. I've not done any expansive looks. I've
22 sat in on some talks on that, expanding throughout the
23 Basin, and that's what I've heard.

24 Q. Certainly that's what's relative to this case.

25 A. That's correct. Sorry. I just wanted to make

1 sure I clarified that.

2 EXAMINER JONES: He's a sworn expert.

3 EXAMINER BROOKS: He is.

4 That's all I have.

5 EXAMINER JONES: I know there is more to
6 ask, but I just don't -- I don't think --

7 Now, as far as coming back in a year, would
8 you be able to do that administratively, you think? You
9 could try to do something like that administratively?

10 EXAMINER BROOKS: Well, I haven't read what
11 the advertisement or the application says, so I'm not
12 sure.

13 EXAMINER JONES: The strengths of that?

14 EXAMINER BROOKS: Yeah. It would be
15 limited by that, of course.

16 THE WITNESS: What we wish to do is to be
17 able to handle the process without a full process of
18 filing a new C-108. So whatever the Division deems best
19 for us as that process goes, whether that comes to
20 Santa Fe, whether that is at the district level or
21 whatever administrative --

22 EXAMINER BROOKS: Yeah. You're talking
23 about the injection issues?

24 THE WITNESS: That's right.

25 EXAMINER BROOKS: We're not now talking

1 about the proration issue?

2 THE WITNESS: No. Right now I'm talking
3 about the injection issue, one year from now. I believe
4 that's the question you were asking, correct, was about
5 the injection, one-year temporary approval of the
6 injection?

7 We do have markets we're exploring, and
8 we're hoping that we can -- that we can move forward
9 with those.

10 EXAMINER JONES: Okay.

11 THE WITNESS: So we do have options here,
12 and that's why we're only asking for a one-year
13 temporary injection period. So there are -- there are
14 multiple things in the works. Those things take time.
15 And I just don't want to be back in this situation where
16 we're shutting in wells that would be better used to
17 inject the gas.

18 EXAMINER JONES: I was hoping this would be
19 kind of a hump-pump type thing, that you've got such
20 long laterals and you've got these fracture swarms. So
21 are you estimating any kind of enhanced type recovery
22 from this?

23 THE WITNESS: I do not at this time
24 estimate that there will be any enhanced recovery. If
25 there is enhanced recovery, obviously, we will come back

1 to the Commission at that time and ask for enhanced
2 recovery unit and project under those terms.

3 EXAMINER JONES: Okay.

4 Leonard?

5 EXAMINER LOWE: I'm good.

6 THE WITNESS: Thank you.

7 EXAMINER JONES: Thank you, sir.

8 Is that all, Ms. Ryan, in this case?

9 MS. RYAN: Yes. I just want to circle back
10 around to the request to -- for some direction from the
11 Division on filing an order, filing future extensions,
12 whether we can do that administratively or not, if you
13 would give us direction in the order on how to proceed.

14 EXAMINER BROOKS: That would be something
15 we would need to include in the order in any case.

16 EXAMINER JONES: We'll -- we'll propose it
17 that way, with some -- maybe some submitted data on, you
18 know, what you've done. We'll see how the director
19 signs off on it.

20 MS. RYAN: Great.

21 EXAMINER JONES: And we're going to
22 continue this case --

23 MS. RYAN: Yes.

24 EXAMINER JONES: -- for two weeks?

25 MS. RYAN: Two weeks.

1 EXAMINER JONES: Okay. Case Number 15622
2 has been heard but is being continued to February the
3 2nd, 2017.

4 And this docket is adjourned.

5 (Case Number 15622 concludes, 3:15 p.m.)
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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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CERTIFICATE OF COURT REPORTER

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

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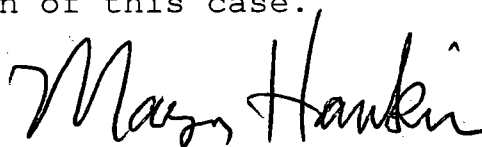
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I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

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



MARY C. HANKINS, CCR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
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