

1                               STATE OF NEW MEXICO  
2                   ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3                               OIL CONSERVATION DIVISION

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

7   APPLICATION OF MEWBOURNE OIL                               CASE NO. 15681  
8   COMPANY FOR A NONSTANDARD PROJECT  
9   AREA AND AN UNORTHODOX GAS WELL  
10   LOCATION, EDDY COUNTY, NEW MEXICO.

11                               REPORTER'S TRANSCRIPT OF PROCEEDINGS

12                               EXAMINER HEARING

13                               April 27, 2017

14                               Santa Fe, New Mexico

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

17                               This matter came on for hearing before the  
18   New Mexico Oil Conservation Division, William V. Jones,  
19   Chief Examiner, and David K. Brooks, Legal Examiner, on  
20   Thursday, April 27, 2017, at the New Mexico Energy,  
21   Minerals and Natural Resources Department, Wendell Chino  
22   Building, 1220 South St. Francis Drive, Porter Hall,  
23   Room 102, Santa Fe, New Mexico.

24   REPORTED BY:   Mary C. Hankins, CCR, RPR  
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 2 FOR APPLICANT MEWBOURNE OIL COMPANY:  
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1 (10:11 a.m.)

2 EXAMINER JONES: We have two Mewbourne  
3 cases. Everybody ready to go on those?

4 Call the first one, Case Number 15681,  
5 application of Mewbourne Oil Company for a nonstandard  
6 project area and an unorthodox gas well location, Eddy  
7 County, New Mexico.

8 Call for appearances.

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

12 EXAMINER JONES: Any other appearances?

13 Will the court reporter please swear in the  
14 witnesses?

15 (Mr. Pearson and Mr. Cless sworn.)

16 CLAYTON PEARSON,  
17 after having been first duly sworn under oath, was  
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Will you please state your name for the record?

22 A. Clayton Pearson.

23 Q. And where do you reside?

24 A. In Midland, Texas.

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

1           A.    I work for Mewbourne Oil Company as a landman.

2           Q.    And have you previously testified before the  
3 Division as a landman?

4           A.    I have.

5           Q.    And were your -- were you acknowledged to be an  
6 expert petroleum landman in those --

7           A.    I was.

8                       MR. BRUCE:  Mr. Examiner, I'd tender  
9 Mr. Pearson as an expert petroleum landman.

10                      EXAMINER JONES:  He is so qualified.

11          Q.    (BY MR. BRUCE) Mr. Pearson, could you identify  
12 Exhibit 1 for the Examiner and briefly described what  
13 Mewbourne seeks in this case?

14          A.    Exhibit 1 is a plat showing the proposed  
15 project area and wellbore of the Rio Bravo 17/20 W2AP  
16 Fed Com #1H well, which is located in Sections 17 and  
17 20, in Township 21 South, Range 25 East, Eddy County,  
18 New Mexico.  Mewbourne Oil Company seeks an unorthodox  
19 location and a nonstandard project area comprised of  
20 both Sections 17 and 20 containing 1,280 acres.

21          Q.    And the project area is south of the Wolfcamp  
22 Formation?

23          A.    Correct.

24          Q.    Which is what the first well will test?

25          A.    Correct.

1 Q. And does our next witness have information on  
2 development plans and information regarding this?

3 A. He does.

4 Q. Okay. And I believe this is has been placed by  
5 the Division in a wildcat Wolfcamp gas pool?

6 A. That is correct.

7 Q. So normally the footages would be 660 feet off  
8 of the well unit lineup?

9 A. Correct.

10 Q. You are not seeking pooling. Have all interest  
11 owners signed a joint operating agreement?

12 A. Yes. All interest owners have agreed to a  
13 joint operating agreement.

14 Q. And what is Exhibit 2?

15 A. Exhibit 2 is a copy of limited pages of the  
16 joint operating agreement that all parties have agreed  
17 to covering this proposed project area.

18 Q. And have you attempted -- have you contacted or  
19 attempted to contact the Bureau of Land Management and  
20 the Artesia office regarding this proposal?

21 A. We have.

22 Q. And what has been -- what have they said?

23 A. We have not heard back from the BLM regarding  
24 our inquiries. We've left several voice messages but  
25 have not heard any response to date. We have heard back

1 from Ray with the OCD, and after his first -- after  
2 first learning of this, his initial response was that it  
3 sounded okay, but he would look a little further into  
4 the issue.

5 Q. And the BLM has received notice of this  
6 application; have they not?

7 A. That is correct.

8 Q. And is Exhibit 4 my Affidavit of Notice?

9 A. It is.

10 MR. BRUCE: Mr. Examiner, if you'd look at  
11 the Affidavit of Notice, there are a number of offset  
12 tracts involved, and they are identified on pages --

13 EXAMINER BROOKS: Which exhibit number is  
14 this?

15 MR. BRUCE: Exhibit 4. If you go three  
16 pages in, you will see the names of the offsets with the  
17 tract numbers listed. If you go a couple more pages  
18 back, you'll see the land plat that identifies the  
19 tracts. So you can see that notice was given to all  
20 parties.

21 There was -- if you turn to the last page  
22 of Exhibit 4, you can see there are several parties that  
23 we did not receive green cards back from yet.

24 Q. (BY MR. BRUCE) And, Mr. Pearson, on that last  
25 page, are those true and accurate addresses for these

1 parties?

2 A. As far as we are aware, yes, those are their  
3 correct addresses.

4 Q. And Nadel and Gussman, Crump Energy and Crown  
5 Oil all office together with BC Operating?

6 A. That is correct.

7 MR. BRUCE: And I don't know why -- if  
8 necessary, we will continue for notice purposes,  
9 Mr. Examiner.

10 But marked as Exhibit 5 -- we originally  
11 sought administrative approval of this nonstandard  
12 project area and were told by Mr. Lowe that we had to go  
13 to hearing. And the only reason I'm submitting this  
14 administrative-approval letter is that you will see that  
15 all of the parties who haven't returned a green card did  
16 receive actual notice a couple of months ago by this.  
17 There were two companies at the administrative level  
18 whose certified notices were returned. So,  
19 unfortunately, I only gave publication notice to those  
20 two companies, Ocsura and Rio Bravo Resources, but they  
21 did sign their green cards.

22 But if we want to continue for notice  
23 purposes, that's fine, but I did receive -- everybody  
24 does know what's going on here.

25 EXAMINER BROOKS: So you still have these

1 outstanding from these BC people?

2 MR. BRUCE: BC and a couple of other  
3 people. And if you'd like to continue for two weeks,  
4 I'm kind of guessing we'll get at least an email from  
5 them acknowledging receipt.

6 EXAMINER BROOKS: I would think so,  
7 although I don't know. Oil companies are unresponsive.

8 MR. BRUCE: Well, at least with the Crump  
9 Energy and those, I know someone that I can get ahold of  
10 there.

11 EXAMINER BROOKS: Yeah. I know they're  
12 still in business.

13 MR. BRUCE: Yeah. Yeah.

14 EXAMINER BROOKS: Okay. Well, I think we  
15 probably should continue it or else it might create a  
16 hardship.

17 Q. (BY MR. BRUCE) Okay. Mr. Pearson, in your  
18 opinion, is the granting of this application in the  
19 interest of conservation and the prevention of waste?

20 A. Yes.

21 Q. And were Exhibits 1 through 6 either prepared  
22 by you or under your supervision or compiled from  
23 company business records?

24 A. They were.

25 MR. BRUCE: Mr. Examiner, I'd move the



1 admission of Exhibits 1 through 6.

2 EXAMINER JONES: Exhibits 1 through 6 are  
3 admitted.

4 (Mewbourne Oil Company Exhibit Numbers 1  
5 through 6 are offered and admitted into  
6 evidence.)

7 CROSS-EXAMINATION

8 BY EXAMINER JONES:

9 Q. Is there anything prohibiting from you -- I see  
10 that the Division might have placed this in the Avalon  
11 Wolfcamp pool as one of those old special rules that  
12 gave it 320 spacing about the same time 320 spacing came  
13 in for everything anyway in the Wolfcamp -- Wolfcamp  
14 gas, I understand. So is there -- have you seen anybody  
15 in the southeast just lay down the 320s here and  
16 dedicate the acreage that way, or has that not been  
17 allowed?

18 MR. BRUCE: I think our next witness will  
19 talk about that more. It's pretty a wildcat area for a  
20 Wolfcamp out here.

21 EXAMINER JONES: Yeah. But I take it  
22 nobody -- once you confirm that at the next hearing,  
23 nobody is objecting?

24 MR. BRUCE: Nobody -- yeah. When we filed  
25 the administrative application, no one objected to that.

1 EXAMINER JONES: To forming the 1280?

2 MR. BRUCE: Correct. Or for the unorthodox  
3 location.

4 EXAMINER JONES: Yeah, or for the  
5 unorthodox location.

6 Q. (BY EXAMINER JONES) And those are -- let's see.  
7 Just on the north and the south is unorthodox, is that  
8 correct, because it's less than 660 from the north and  
9 660 from the south?

10 A. That's correct.

11 CROSS-EXAMINATION

12 BY EXAMINER BROOKS:

13 Q. How far is it from the east?

14 A. It will be 660 from the east.

15 Q. So it's standard?

16 A. Yes, on the east line.

17 Q. On the east line. It looked really close from  
18 glancing at it.

19 A. Yes, sir.

20 Q. I was looking for a figure, and I couldn't find  
21 one.

22 EXAMINER JONES: But isn't it -- is it the  
23 legal opinion here that there's nothing prohibiting  
24 people from standing up -- or laying down a 320 and  
25 drilling a well north-south?

1 EXAMINER BROOKS: There is nothing under  
2 the present rules that prevents that.

3 EXAMINER JONES: There is nothing under the  
4 rules that stops that.

5 Because if you drill a vertical well, you  
6 could do a stand-up or a lay-down 320 no matter where  
7 that well is.

8 MR. BRUCE: Correct. Correct.

9 EXAMINER BROOKS: The present rules clearly  
10 allow it.

11 EXAMINER JONES: But was that proposed in  
12 the administrative application, the -- that it was --  
13 was it clearly stated that it would be a lay-down 320?

14 MR. BRUCE: No. It was stand-up.

15 EXAMINER JONES: Stand-up.

16 MR. BRUCE: Stand-up two-mile.

17 EXAMINER JONES: The well is stand-up two  
18 miles, but, I mean, the spacing units that would be  
19 included in the well.

20 MR. BRUCE: Well, it would be north-south  
21 well units.

22 EXAMINER BROOKS: So this is a 1280 --  
23 1280 --

24 MR. BRUCE: It is a 12- -- well, a 1280  
25 project area. I mean, if we were, I guess, just filing

1 a C-102 and I don't -- I don't -- I don't know if we  
2 have -- I forgot to copy one for you. But if necessary,  
3 the spacing would be 320 or a 640 for the well. But  
4 we're seeking an entire project area.

5 EXAMINER JONES: Right. So you're putting  
6 together spacing units to make a project area. And I  
7 see in the district office actually -- Ray probably put  
8 this in as -- yeah. He put this in as an east half --  
9 two east halves. So right now that's the way it's  
10 entered.

11 MR. BRUCE: That's how it is right now  
12 because we don't have the approval for the two-section  
13 project area.

14 EXAMINER BROOKS: Okay. So what is the  
15 spacing on this?

16 EXAMINER JONES: 320.

17 EXAMINER BROOKS: Is it 320? Yeah. You  
18 can do the -- you can do the lay-downs. That's what I  
19 was saying. Under the present rules, there is nothing  
20 to prevent -- nothing to prevent you doing lay-downs.  
21 There are some people in the Division that don't like  
22 it, but there is no rule against it. We may change  
23 that, new rules, but they don't apply to this one.

24 EXAMINER JONES: But the way it -- the way  
25 it stands now, the application is for a 1280 project

1 area consisting of four stand-up spacing units.

2 MR. BRUCE: Correct.

3 EXAMINER BROOKS: Four stand-up? Okay. I  
4 thought you said four lay-downs. It's a stand-up well,  
5 right.

6 EXAMINER JONES: That's the way they're  
7 proposing it here, four stand-ups, 320-acre spacing  
8 units, to make it a project --

9 EXAMINER BROOKS: Well, you can't do that  
10 because --

11 EXAMINER JONES: Well, but they're going to  
12 hearing to do that because nobody objects.

13 EXAMINER BROOKS: Nobody objects. Well, I  
14 don't know if the order's going to get signed. I  
15 wonder. Because you can do it with -- with lay-down --  
16 lay-down 320s.

17 MR. BRUCE: Okay. Once we get -- if we get  
18 approval, then, for the project area, we can do that.

19 EXAMINER BROOKS: Yeah. Well, that's --  
20 you can do your 1280 spacing unit --

21 MR. BRUCE: Okay.

22 EXAMINER BROOKS: -- but you've got to  
23 include three -- you've got to include four --

24 MR. BRUCE: Four well units.

25 EXAMINER BROOKS: -- lay-down 320s, is the

1     only way you can do it.

2                   MR. BRUCE:   We'll just file a new C-102.

3                   EXAMINER BROOKS:   There wasn't a provision  
4     in the rule, but it must develop all the spacing units.  
5     Now, of course, under the -- under the general exception  
6     rule, we could grant an exception in a hearing order,  
7     but I don't think -- I don't think David would sign it.

8                   RE CROSS EXAMINATION

9     BY EXAMINER JONES:

10        Q.     Are there plans to drill over on the western  
11     side?

12        A.     We do have later development plans to develop  
13     this entire project area. We do have a lot of surface  
14     constraints in this area into topography, which the next  
15     witness will go into further detail, but there are  
16     plans. We'll likely have to utilize pad drilling and  
17     multiwell pads to develop the acreage, but we do have  
18     further development plans.

19        Q.     Pretty create plans.

20        A.     Well, I guess it depends. Because this is a  
21     wildcat, it depends on the results of this well, but we  
22     do have future plans.

23        Q.     Okay. Thanks very much.

24        A.     Thank you.

25

1 NATE CLESS,

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

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

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

8 A. Nate Cless. I live in Midland, Texas.

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

10 A. I'm a geologist for Mewbourne Oil Company.

11 Q. And have you previously testified before the  
12 Division?

13 A. Yes, sir.

14 Q. Were your credentials as an expert petroleum  
15 geologist accepted and made a matter of record?

16 A. Yes, they were.

17 Q. And are you familiar with the geology involved  
18 in this case?

19 A. Yes, sir.

20 MR. BRUCE: Mr. Examiner, I'd tender  
21 Mr. Cless as an expert petroleum geologist.

22 EXAMINER JONES: He is so qualified.

23 Q. (BY MR. BRUCE) Could you identify Exhibit 7 for  
24 the Examiner?

25 A. Yeah. Exhibit 7 is a regional structure map on

1 the top of the Wolfcamp Formation, and then I've also  
2 highlighted the Wolfcamp Shale horizontal activity in  
3 this area. You can see on the upper left-hand part of  
4 the this map, I've outlined our proposed -- our proposed  
5 unit in Sections 17 and 20, with our proposed lateral  
6 being on the east half-east half of Sections 17 and 20.

7           You can see on the bottom right of this map  
8 are the closest horizontal Wolfcamp Shale -- or the  
9 closest horizontal Wolfcamp Shale wells. So we're a  
10 good 15, 20 miles away from the nearest -- from the  
11 nearest Wolfcamp horizontals, and so this is a -- it's a  
12 pretty wildcat idea that we're kind of chasing, you  
13 know, through here.

14           I've also identified a line of section,  
15 which is the two wells that we'll be testing in Sections  
16 17 and 20. That'll be my next exhibit.

17       Q. One thing on the northwest corner of this plat,  
18 I see a lot of directionally drilled wells. Are there a  
19 lot of surface issues out here?

20       A. Yes. Yeah. There is -- there is quite a bit  
21 of relief and quite bit of remains and just topography  
22 out in this general area, so getting surface locations  
23 has been quite difficult.

24       Q. Would you move on to your cross section,  
25 please?



1           A.     Yes.  So this is just -- Exhibit 8 is a  
2     two-well cross section of two wells, the only two deep  
3     wells in these two sections that we have control, and it  
4     goes through the Wolfcamp Formation.  It's a north-south  
5     cross section.  So the first well is going to be closest  
6     to our surface location.  And the second well located in  
7     Section 20, that'll be somewhat near -- we'll pass that  
8     well about halfway through the lateral.

9                     This cross section covers the Wolfcamp  
10    Formation.  The top blue line is the top of the  
11    Wolfcamp, with the 3rd Bone Spring Sand sitting right on  
12    top of it.  And then I've just identified what we call  
13    the Wolfcamp A, the Wolfcamp B, the Wolfcamp C and the  
14    Wolfcamp D.

15                    And further down to the southeast, we  
16    typically -- we call the Wolfcamp C and the Wolfcamp D  
17    our W2 or our Middle Wolfcamp Shale.  That's typically  
18    where we've landed all our of laterals, further down to  
19    the southeast.  We've seen, just based off of these  
20    logs -- the log characteristics exhibit some similar  
21    details that we've seen further to the southeast.  So  
22    that's kind of why we're chasing this Wolfcamp up in  
23    this area.  We think it looks productive based off of  
24    the logs.  And we've had -- we've had numerous -- we've  
25    got numerous mud logs in this area where we've seen some

1 pretty good gas shows through this area and a few  
2 mud-log shows in the Wolfcamp, so that's kind of why  
3 we're chasing this up in here.

4 But you can see that -- that Middle  
5 Wolfcamp Shale is really pretty consistent all way the  
6 across this interval.

7 Q. But it is definitely a wildcat?

8 A. It is definitely a wildcat.

9 Q. And depending on the results, Mewbourne does  
10 have other development plans in these two sections?

11 A. Yes, we do.

12 Q. What is Exhibit 9?

13 A. Exhibit 9 is just a horizontal well plan for  
14 this particular well. Our surface location is 190 from  
15 the north, 1,225 from the east of Section 17. We will  
16 deviate over and land at 330 from the north, 660 from  
17 the east, and then we plan to drill straight south to a  
18 bottom-hole location of 330 from the south, 660 from the  
19 east in Section 20.

20 Q. With respect to the north and south unorthodox  
21 beginning and end of the horizontal well, do you  
22 anticipate any adverse effect upon offsets?

23 A. No, I don't. This is -- again, what we're  
24 seeing further to the southeast -- it's not just us, but  
25 most operators are taking these Wolfcamp Shale

1 horizontals to 330 from the lease line. So it's just  
2 a -- it's a tight gas play.

3 Q. What is Exhibit 10?

4 A. So Exhibit 10 is a topographic map of this  
5 particular area. You can see again I've outlined our  
6 proposed 1280 unit. The well that we'll be drilling is  
7 the east half-east half of Sections 17 and 20. And then  
8 I've just drawn in there six others wells going across.  
9 So right now we don't really have a firm grasp on what  
10 we're going to get as far as the GOR of this area.

11 You know, about five miles to the northeast  
12 of us, there are some Upper Wolfcamp vertical producers  
13 which have a very low GOR, at about 1,000. But then  
14 five miles to the northwest of us, there is almost dry  
15 gas. And so we think we're going to be somewhere in  
16 there, but we just don't know. And so right now we're  
17 tentatively planning on about six wells across the  
18 section, but, you know, that could go up to eight or  
19 even more. A lot of operators further to the south are  
20 testing as much as 16 wells per section in these  
21 Wolfcamp shales. And so there is just a lot of  
22 variability right now.

23 Q. And I notice in the northern part of Section  
24 17, assuming you do drill up to, say, six wells, you're  
25 going to have very limited surface pads?

1           A.     That's correct. And, again, we -- we've staked  
2     a couple of wells up here, and every well we've tried to  
3     stake has been moved for various reasons. You can see  
4     on this exhibit, there is a highway. It's Highway 137,  
5     I believe. Yeah. State Highway 137 kind of runs from  
6     the northeast to the southwest across Section 8 and then  
7     down into 18 and just across the northern part --  
8     northwest part of Section 17. But that is -- that's  
9     considered a scenic highway.

10                   Whenever our guys were out there staking  
11     with the BLM, they told them that's a scenic highway and  
12     this whole area is part of a Visual Resource Management  
13     area. So basically they don't want -- they want to be  
14     able to see the well -- the wells and the tank batteries  
15     from the highway to kind of keep it --

16           Q.     It's for the future luxury hotels down there.

17                   EXAMINER JONES: I lived there ten years,  
18     and I don't remember a scenic highway or any kind of --

19                   THE WITNESS: This is just what we were  
20     told when they were out there. But basically we had to  
21     find places where we could hide our locations. So,  
22     again, it made for some -- some difficult stakings. But  
23     I guess with that, you know, we'll probably be drilling  
24     the majority of these wells off the same pads. And  
25     we'll have, I guess, limited areas with our surface

1 facilities, and so we'll probably be having to do some  
2 surface commingling of the tank batteries and stuff like  
3 that.

4 Q. (BY MR. BRUCE) Having a large project area will  
5 facilitate the surface commingling?

6 A. That's correct.

7 Q. And what are Exhibits 11 and 12?

8 A. So Exhibits 11 and 12 -- Exhibit 11 is just a  
9 little more detailed topographic map of just Section 17.  
10 So you can see the location. That red line indicates  
11 the location of our -- of our surface location. But you  
12 can see the topography through this area. Basically,  
13 the only place in Section 17 where we're able to get a  
14 surface location is up on the north half. There is kind  
15 of a draw that runs -- that runs kind of  
16 northeast-southwest, and then on the other side of that  
17 draw, there is a big -- a lot of topography going  
18 through there.

19 And so I guess if you were to look back at  
20 Exhibit 10, you can see -- you can just see those peaks  
21 and valleys coming through here. So if you were to look  
22 at Section 20, as far as getting a surface location in  
23 there, pretty much the half of Section 20 is off limits.  
24 There is a little spot down in the southeast quarter of  
25 Section 20, but in order to -- west half of Section 20

1 from the north of Section 17. That's also one of the  
2 reasons why we are doing these longer laterals, is just  
3 for surface reasons. It's hard to get these surface  
4 locations down to -- it's hard to get surface locations  
5 in this area in general.

6 And then Exhibit 12 is just a satellite  
7 image of these four sections around -- around Section  
8 17. So Section 17 is going to be in the -- it's going  
9 to be the bottom right section on this map. And, again,  
10 you can see the location of our -- of our surface  
11 location, and you can kind of see that little draw that  
12 runs through about the middle part of that section. And  
13 then again you can see where that state highway -- State  
14 Highway 137, you can see the location of that on there.

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

18 A. Yes, sir.

19 Q. And were Exhibits 9 through 12 prepared by you  
20 or under your direction?

21 A. Yes, they were.

22 MR. BRUCE: Mr. Examiner, I'd move the --  
23 not 9 -- yeah, 8 through 12 -- 7 through 12.

24 THE WITNESS: 7 through 12.

25 EXAMINER JONES: Exhibits 7 through 12 are

1 admitted.

2 (Mewbourne Oil Company Exhibit Numbers 7  
3 through 12 are offered and admitted into  
4 evidence.)

5 MR. BRUCE: I have no further questions of  
6 the witness.

7 EXAMINER BROOKS: I don't think I have any  
8 questions for this witness either -- oh, I did have one  
9 not really relevant to this case.

10 CROSS-EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. I was surprised at your saying 16 people were  
13 drilling 16 wells across a section. Is that what you  
14 said?

15 A. Yes, down in -- down in -- a little deeper in  
16 the Basin. I believe it's -- I want to say Cimarex.  
17 But we've seen their press releases, and we've talked to  
18 them. But they're doing pilot programs to test spacing  
19 for how densely they can space these wells. And they'll  
20 stagger them about 150 feet or so, but it's all within  
21 a -- it's all within a 2- or 300-foot zone, I guess,  
22 that they're targeting. And so, on average, I would  
23 say -- on average, I would say eight wells per section  
24 is pretty common, is what a majority of operators are  
25 currently looking at. But there are a lot of people who

1 are testing different density and spacing.

2 Q. And this is in the Wolfcamp, right?

3 A. It is in the Wolfcamp.

4 Q. Eight wells per section is probably what you  
5 need to efficiently drain this reservoir?

6 A. That's correct. That's correct.

7 Q. What about the Bone Spring? Does it -- from  
8 the Bone Spring to the Wolfcamp?

9 A. It is. Your porosity and permeability is a  
10 little bit better in the Bone Spring Sand. It's more of  
11 a conventional reservoir. And so right now the current  
12 thinking is, I would say, four wells per section. Some  
13 people are pushing five wells per section. But for the  
14 most part, kind of industry standard right now in the  
15 Bone Spring is four wells per section.

16 Q. Thank you.

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 Q. So this test well, if it's successful, you  
20 could possibly drill all these wells --

21 A. Correct. We could.

22 Q. -- in this -- in this proposed project area?

23 So the well in Section 8, over on the west  
24 half-west half --

25 A. Uh-huh.



1 Q. -- is that -- is that your well?

2 A. The well in --

3 Q. In Section 8.

4 A. -- Section 7?

5 Q. I thought there was a well in Section 8.

6 A. There is a horizontal well in Section 7 which  
7 is our well. It's a 3rd Bone Spring Sand well that we  
8 drilled, and it has a little higher water cut than we  
9 anticipated. So that's why -- we initially put this  
10 block of acreage together looking at the 3rd Sand. And  
11 then we also knew it was the Wolfcamp in through here,  
12 so we're now going back and testing the Wolfcamp.

13 Q. Okay. So basically you've got facilities to  
14 get your gas handled?

15 A. We do, yes. We have -- but that's another, I  
16 guess -- it was -- with the terrain and topography, it  
17 was difficult getting pipelines in through here, and so  
18 that's why, again, we're trying to consolidate all of  
19 our facilities into one location. One surface location  
20 is a big benefit.

21 Q. And I noticed there is a big -- that your  
22 horizontal target has -- has a pretty decent separation  
23 on the resistivity curves. So that would imply  
24 permeability, I take it, but hopefully not too much  
25 water.

1           A.    Right. Right. And I guess if you look at the  
2   porosity, the porosity is typically 8 to 10 percent,  
3   density porosity in through here, and we see -- and so I  
4   guess down further southeast, we see a little bit -- a  
5   little bit higher density porosity. And so, again, we  
6   just -- we just don't really know exactly what we're  
7   going to get up through here.

8           Q.    Okay. Thanks very much.

9                   EXAMINER JONES: No more witnesses -- I  
10   mean, no more in this case?

11                  MR. BRUCE: No.

12                  EXAMINER JONES: Okay. We've heard this  
13   case, and this is Case Number 15681, and we're  
14   continuing it for two weeks, to May the 11th. And at  
15   that point, maybe we could also be real clear about what  
16   spacing units are going to be included --

17                  MR. BRUCE: We will work on that.

18                  EXAMINER JONES: -- orientation.

19                         (Case Number 15681 concludes, 10:40  
20   a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

20

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
25 Date of CCR Expiration: 12/31/2017  
Paul Baca Professional Court Reporters

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