

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

CASE NO. 14502

APPLICATION OF DEVON ENERGY  
PRODUCTION COMPANY, LP FOR  
A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

and

APPLICATION OF DEVON ENERGY  
PRODUCTION COMPANY, LP FOR  
A NONSTANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO

CASE NO. 14503

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 8, 2010  
Santa Fe, New Mexico

BEFORE: TERRY WARNELL: Hearing Examiner  
DAVID BROOKS: Legal Adviser

This matter came for hearing before the New Mexico  
Oil Conservation Division, Terry Warnell Hearing Examiner,  
on July 8, 2010, at the New Mexico Energy, Minerals and  
Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

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16	FOR THE APPLICANT:	OCEAN MUNDS-DRY, ESQ.
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1 HEARING EXAMINER: We'll call Case 14502,  
2 Application of Devon Energy Production Company, LP for  
3 Nonstandard Spacing and Proration Unit and Compulsory  
4 Pooling, Eddy County, New Mexico. Call for appearances.

5 MS. MUNDS-DRY: Good morning, Mr. Examiner.  
6 Ocean Munds-Dry with the law firm Holland and Hart, here  
7 representing Devon Energy Production Company, LP this  
8 morning.

9 Mr. Examiner, we would like to move to  
10 consolidate Cases 14502 and 14503. They're in the same  
11 area, same subject matter, same testimony. So, for a  
12 matter of efficiency, we'd ask that you also call 14503  
13 and that we hear both of those cases together.

14 HEARING EXAMINER: Okay. That's an excellent  
15 idea then. Let's call Case 14503, the Application of  
16 Devon Energy Production Company, LP for Nonstandard  
17 Spacing and Proration Unit and Compulsory Pooling, Eddy  
18 County, New Mexico.

19 MS. MUNDS-DRY: And I have two witness.

20 SAMUEL McCURDY,  
21 the witness herein, after first being duly sworn  
22 upon his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. MUNDS-DRY:

25 Q. Would you please state your full name for the

1 record?

2 A. Samuel Lawson McCurdy.

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

4 A. Oklahoma City, Oklahoma.

5 Q. And by whom are you employed?

6 A. Devon Energy Production Company, LP.

7 Q. What is your position with Devon?

8 A. I'm a landman.

9 Q. Have you previously testified before the  
10 Division?

11 A. No.

12 Q. Would you please review your education and work  
13 history for the Examiners?

14 A. I graduated from the University of Oklahoma in  
15 December of 2009, and I've been employed with Devon Energy  
16 ever since.

17 Q. As a landman?

18 A. As a landman.

19 Q. Are you familiar with the applications that have  
20 been filed by Devon in Cases 14502 and 14503?

21 A. Yes, I am.

22 Q. And are you familiar with the status of the  
23 lands and that are the subject of those applications?

24 A. Yes.

25 MS. MUNDS-DRY: Mr. Examiner, we would tender

1 Mr. McCurdy as an expert in petroleum land matters.

2 HEARING EXAMINER: Mr. McCurdy, what is your  
3 degree in?

4 THE WITNESS: It's in energy management.

5 HEARING EXAMINER: Energy management. You seem  
6 awfully young to be an expert. Any objection, Mr. Brooks?

7 MR. BROOKS: No.

8 HEARING EXAMINER: He's so recognized.

9 Q. Mr. McCurdy, would you briefly state what Devon  
10 seeks with these applicationS, And maybe if you could  
11 start with what we first seek in Case No. 14502.

12 A. Sure. We're seeking an order to create a  
13 nonstandard spacing unit comprised of the east half of the  
14 east half of Section 16, Township 25 South, Range 29 East.

15 And an order pooling all mineral interests in  
16 the Bone Spring formation in the east half east half of  
17 Section 16, to be dedicated to the Cooter 16 State Well  
18 No. 7-H.

19 Which is to be drilled at a surface hole  
20 location 330 feet from the south line, 770 feet from the  
21 east line, and a bottom hole location of 330 feet from the  
22 north line, and 990 feet from the east line.

23 As well as the Cooter 16 State Well No. 8-H,  
24 which is to be drilled at a surface hole location of 330  
25 feet from the south line, and 420 feet from the east line,

1 and 330 feet from the north line, and 400 feet from the  
2 east line.

3 Q. And what about in Case 14503?

4 A. We're seeking an order to create a nonstandard  
5 spacing unit comprised of the west half of the east half  
6 of Section 16, Township 25 South, Range 29 East.

7 And an order pooling all mineral interest in the  
8 Bone Spring formation in the west half of the east half of  
9 Section 16 dedicated to the Cooter 16 State Well No. 5-H.

10 Which is to be drilled at a surface hole  
11 location of 330 feet from the south line, and 2,310 feet  
12 from the east line, and a bottom hole location of 330 feet  
13 from the north line, and 2,250 feet from the east line.

14 In addition, the Cooter 16 State Well No. 6-H,  
15 which is to be drilled at a surface hole location 330 feet  
16 from the south line, and 1,650 feet from the east line,  
17 and 330 feet from the north line, and 1,650 feet from the  
18 east line.

19 Q. Thank you, Mr. McCurdy. If you would, please  
20 turn to what has been marked as Devon Exhibit No. 1, and  
21 review this document for the Examiners.

22 A. This is a Midland map which has a sketch of the  
23 basic proposed project areas that are to be made up with  
24 these nonstandard spacing units.

25 Q. And both of the project areas or nonstandard

1 spacing units are outlined in yellow on the map?

2 A. Yes, they are.

3 Q. And does it show the character of the lands that  
4 are the subject of these applications?

5 A. Yes, it does.

6 Q. What type of leases do you have there?

7 A. These are state leases, and there are two state  
8 leases.

9 Q. And also, Mr. McCurdy, I think it shows the  
10 existing wells in the north half, or at least some of  
11 them; is that correct?

12 A. Yes, it does.

13 Q. What are those identified as on the map here?

14 A. Those are identified as the Pickett Draw area  
15 from Southwestern Energy, and they are in a different  
16 formation than the one we are in.

17 Q. And does it also show the 1-H and the 2-H?

18 A. Yes, it does.

19 Q. Okay. And these wells in the north half and the  
20 wells that you're proposing to drill here in the south  
21 half, they are the subject of a pilot project that Devon  
22 is conducting; is that correct?

23 A. Yes, they are.

24 Q. If you would, please turn to what's been marked  
25 as Devon Exhibit No. 2 and review these for the Examiners.

1           A.    Yes.  These are C-102 forms for each of the four  
2   wells respectively.

3           Q.    So it shows a C-102 for the 5-H, 6-H, 7-H, and  
4   8-H, is that correct?

5           A.    That's correct.

6           Q.    And it shows, as you previously reviewed for the  
7   Examiners, the footages, both surface-hole location and  
8   bottom-hole location for each of the wells?

9           A.    That's correct.

10          Q.    What is the primary objective of all four of the  
11   proposed wells?

12          A.    The Bone Spring formation.

13          Q.    And just for the Examiners' information, why is  
14   Devon seeking to pool all four wells at the same time?

15          A.    It's more of a technical matter and part of a  
16   completion procedure which I'm not as familiar with.  But  
17   to my understanding, it's in order to most efficiently  
18   complete and exploit the wells.

19          Q.    We have a geologist here that could perhaps  
20   answer some of those technical questions for us?

21          A.    Yes.

22          Q.    Okay.  If you could then, before we turn to  
23   Exhibit No. 3, identify the interests that are in each of  
24   the proposed project areas.

25          A.    The interests are the same in both project



1 areas, and Devon holds 74 percent of the working  
2 interests. And there's a small 1 percent owner who is in  
3 there as well. And then Limerock has a 25 percent working  
4 interest.

5 Q. And Devon is seeking to pool just the Limerock  
6 interests in both those project areas today; is that  
7 correct?

8 A. That's correct.

9 Q. If you could then turn to what's been marked as  
10 Devon Exhibit 3 and review these letters for the  
11 Examiners.

12 A. These are the proposal letters that I mailed to  
13 Limerock Resources for each of their respective wells, 5  
14 6, 7, and 8-H. All have individual letters that were  
15 sent, along with other information which we believe will  
16 be included later as an exhibit.

17 Q. Okay, so we included the AFE as is referenced  
18 here in the letter, and we'll discuss it in a minute; is  
19 that right?

20 A. Yes.

21 Q. Now, is this proposal letter your first contact  
22 with Limerock?

23 A. I had actually spoken with them on the phone the  
24 day before this letter was mailed to establish contact  
25 with them and let them know the letter would be coming.

1 So this was not the first contact.

2 Q. Okay. So then you had your initial phone call,  
3 and then you sent out the well proposal letter to  
4 Limerock?

5 A. Yes.

6 Q. Okay. What is Devon Exhibit No. 4?

7 A. This is correspondence specifically dealing with  
8 a farm-out agreement which we had tried to put together  
9 covering Limerock's 25 percent working interest in the  
10 proposed project areas.

11 And these are the e-mails that have been sent  
12 back and forth between myself and the landman at Limerock  
13 Resource. His name is Chuck Reagan.

14 Q. And besides these e-mails, have you had any  
15 other contacts with anyone at Limerock to try to gain  
16 their voluntary participation in both of these project  
17 areas?

18 A. Since the initial contact on April 5th, we've  
19 had approximately 15 different phone conversations where  
20 we discussed different things regarding this specific  
21 land.

22 And that's up to date with where I last spoke  
23 with him approximately a week ago letting him know that we  
24 intended to continue the hearing.

25 Q. In your opinion, have you made a good-faith

1 effort to obtain Limerock's voluntary participation in all  
2 of these wells?

3 A. Yes.

4 Q. Would you now turn to Devon Exhibit No. 5? What  
5 are these set of documents?

6 A. These are the AFEs which accompanied the  
7 proposal letters that were mailed to Limerock Resources.  
8 They basically cover the cost of each well individually,  
9 the estimated costs of each well individually.

10 Q. And what are the estimated costs, both dry well  
11 and completed well costs, for the -- let's first do the  
12 5-H.

13 A. The 5-H, the estimated dry hole cost is  
14 \$1,709,000, and the estimated completed well cost is  
15 \$4,308,000.

16 Q. And what about for the 6-H, 7-H, and 8-H?

17 A. The 6-H, 7-H, and 8-H are all the same, and the  
18 dry hole cost is \$1,709,000, and the completed well cost  
19 is \$3,988,000.

20 Q. What is the difference between -- why is the  
21 cost higher for the 5-H?

22 A. The 5-H, there was some equipment that was going  
23 to be added on the surface, such as a tank battery and  
24 different equipment necessary in order to complete all  
25 four wells sending all of the fluids into one central

1 location.

2 Q. Are these costs in line with what has been  
3 charged by Devon and other operators in the area for  
4 similar wells?

5 A. Yes, it is.

6 Q. Have you made an estimate of overhead and  
7 administrative costs while drilling, and also well  
8 producing, if the wells are ultimately successful?

9 A. Yes, I have. It was \$6,000 a month while  
10 drilling, and \$600 a month while producing.

11 Q. Do you recommend that these figures be  
12 incorporated into any order that results from this  
13 hearing?

14 A. Yes.

15 Q. And does Devon request that the overhead and  
16 administrative costs set by the order which results from  
17 this hearing be adjusted in accordance with COPAS  
18 accounting procedures?

19 A. Yes.

20 Q. Are these amounts in line with what Devon and  
21 other operators in the area are charging for similar  
22 wells?

23 A. Yes.

24 Q. And does Devon request that in accordance with  
25 Division rules, the maximum charge for risk of 200 percent

1 be imposed on each working interest that is not  
2 voluntarily committed to this well?

3 A. Yes.

4 Q. And does Devon seek to be designated operator of  
5 the proposed wells?

6 A. Yes.

7 Q. In your opinion, Mr. McCurdy, will the granting  
8 of this application be in the best interests of  
9 conservation, the prevention of waste, and the protection  
10 of correlative rights?

11 A. Yes.

12 Q. Let's turn to what has been marked as Devon  
13 Exhibit No. 6. Is this the notice packet which includes  
14 the affidavit of your counsel, the letter notifying  
15 Limerock of this hearing, as well as the notice that was  
16 sent to the offsets for the nonstandard spacing unit,  
17 affidavit of publication, and then the green cards? I  
18 think that's everything. Including Exhibit A which shows  
19 who was given notice? Is that contained in this Exhibit  
20 No. 6?

21 A. Yes.

22 Q. And were Exhibits 1 through 6 either prepared by  
23 you or compiled under your directed supervision?

24 A. Yes.

25 MS. MUNDS-DRY: Mr. Examiner, we would move the

1 admission of Devon Exhibits 1 through 6 into evidence.

2 HEARING EXAMINER: Devon Exhibits 1 through 6  
3 are admitted.

4 MS. MUNDS-DRY: And that concludes my direct  
5 examination of Mr. McCurdy.

6 HEARING EXAMINER: Thank you. Mr. Brooks, any  
7 questions?

8 MR. BROOKS: Yes. I think you explained this  
9 but I didn't quite follow it. Looking at Exhibit 1, there  
10 are some horizontal wells -- appear to be horizontal well  
11 symbols in there that are shorter than the proposed wells,  
12 that they be only in the north half and -- except that  
13 they appear just across the line into the south half.

14 THE WITNESS: Uh-huh.

15 MR. BROOKS: What are those wells?

16 THE WITNESS: As it shows on the map, these are  
17 the Pickett Draw wells, and then a 1-H and a 2-H. And  
18 those are owned by Southwestern.

19 MR. BROOKS: Okay. And you said those were a in  
20 different formation?

21 THE WITNESS: They are not in the Bone Spring  
22 formation.

23 MR. BROOKS: What formation are those wells in?

24 THE WITNESS: I'm not hundred percent --

25 MS. MUNDS-DRY: Our geologist will have a better

1 understanding of that.

2 MR. BROOKS: Okay. Are there any Bone Spring  
3 wells within these project areas?

4 THE WITNESS: No, sir.

5 MR. BROOKS: Okay. So these will be the first  
6 Bone Spring wells in these project areas?

7 THE WITNESS: Yes, sir.

8 MR. BROOKS: Okay. That's all I have.

9 HEARING EXAMINER: Thank you. Very good. I  
10 have no questions.

11 MS. MUNDS-DRY: Thank you.

12 THE WITNESS: Thank you.

13 MS. MUNDS-DRY: I'd next like to call Devon's  
14 geologist, Mr. Burdick.

15 CARL BURDICK,  
16 the witness herein, after first being duly sworn  
17 upon his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MS. MUNDS-DRY:

20 Q. Would you please state your full name for the  
21 record?

22 A. Carl Jeffrey Burdick.

23 Q. And where do you reside?

24 A. Oklahoma City, Oklahoma.

25 Q. And by whom are you employed?

1 A. By Devon Energy Production Company, LP.

2 Q. And what is your position with Devon?

3 A. I'm a senior geological advisor.

4 Q. Have you previously testified before the  
5 Division?

6 A. No, ma'am.

7 Q. Would you please review your education and work  
8 history for the Examiners?

9 A. Sure. I graduated in 1977 from Syracuse  
10 University with a bachelor of science degree and a major  
11 in geology. I do not have a post-graduate degree. I have  
12 30 years oil and gas experience.

13 The most recent is three years with Devon Energy  
14 working southeast New Mexico. Before that was five years  
15 with Huntington Energy out of Oklahoma City, working New  
16 Mexico, Rocky Mountains, and Texas.

17 Prior to that, 15 years with Conoco, Inc.  
18 working the Velarde Basin in Texas, the Middle East, the  
19 Northeast, and South America.

20 Q. And are you familiar with the applications that  
21 have been filed in Cases 14502 and 14503?

22 A. Yes.

23 Q. And are you familiar with the geology in the  
24 subject areas of this application?

25 A. Yes.



1 MS. MUNDS-DRY: Mr. Examiner, we would tender  
2 Mr. Burdick as an expert witness in petroleum geology.

3 HEARING EXAMINER: Mr. Burdick is an expert  
4 witness so qualified.

5 Q. Would you please turn to what's been marked as  
6 Devon Exhibit No. 7 and review this with the Examiners?

7 A. Exhibit 7 is a structure map subsea at the top  
8 of the Avalon Shale, which is a member within the Upper  
9 Bone Spring formation. And it has 50 foot contours  
10 showing basically a regional monoclinal dip to the east.

11 Also of note on the well are the four proposed  
12 Cooter wells, the 5-H, 6-H, 7-H and 8-H labeled at the  
13 bottom-hole location and the surface locations at the  
14 south end.

15 Q. So do you know of any structural issues in any  
16 of these wells as you've indicated here on the map?

17 A. No, ma'am. This is purely a stratigraphic play,  
18 and structure is not critical at all to it.

19 Q. If you would turn, to Exhibit 8 and identify  
20 this and review it for the Examiners.

21 A. Okay. This is a gross isopach of the Avalon  
22 Shale interval. It's 95 percent shale midinterval. And  
23 it's showing a pretty consistent thickness throughout this  
24 project area of 500 to 520 feet of gross shale.

25 And also on this in red demarks the

1 cross-section that will be the next exhibit.

2 Q. Let's go ahead and turn to that, then. What is  
3 Exhibit No. 9?

4 A. Exhibit 9 is a stratigraphic cross-section, and  
5 it's hung on the top of the Bone Spring formation. Some  
6 300 feet below that is the top of where I depict the  
7 Avalon Shale.

8 And the Avalon Shale is highlighted in the light  
9 gray. Again, it's -- you're looking at over 400 feet of  
10 shale. And just maybe 80 feet below the base of the  
11 shale, you see the top of the first Bone Spring sand.

12 And the dashed red line demarks the approximate  
13 landing depth for all four horizontal wells.

14 Q. Do you believe that each quarter quarter section  
15 along the horizontal well pass of each well will be  
16 prospective?

17 A. Yes, ma'am.

18 Q. Do the reserves in each of the quarter quarter  
19 sections appear substantially similar?

20 A. Yes.

21 Q. Let's turn to what has been marked as Devon  
22 Exhibit No. 10. What is Exhibit No. 10?

23 A. Exhibit 10 are the proposed directional plans  
24 for all four wells as per the APDs, the permits we filed.

25 Q. Does it show the surface hole location for each

1 of the wells?

2 A. Yes, it does.

3 Q. And I don't have that in front of me, but is  
4 that on the right-hand side, I believe?

5 A. Yes. The second page shows the Cooter 16 State  
6 5-H, and on the upper-right side is a map view showing the  
7 surface hole and bottom hole projected locations.

8 Q. And would you please identify for the Examiners  
9 the wellbore trajectories as the kick-off point for the  
10 5-H?

11 A. On the left-hand side, you'll see the build  
12 section, and it indicates the kick-off point at 6,676, and  
13 a landing point at 7,630 measured depth. And subsea  
14 is 7,300 total -- TVD is 7,300.

15 Q. And is that the same for each of the wells, the  
16 5-H, 6-H, 7-H, and 8-H?

17 A. It is except for the position on the map.

18 Q. Does your drilling plan envision producing  
19 reserves from each quarter quarter section?

20 A. Yes, it does.

21 Q. Will a horizontal well increase the chances of a  
22 more economic completion versus a vertical well?

23 A. Yes.

24 Q. And do you believe a nonstandard spacing unit is  
25 necessary and proper?

1 A. Yes.

2 Q. In your opinion, is the granting of this  
3 application in the best interest of conservation, the  
4 prevention of waste, and protection of correlative rights?

5 A. Yes, it is.

6 Q. And were Exhibits 7 through 10 either prepared  
7 by you or compiled under your direct supervision?

8 A. Yes.

9 MS. MUNDS-DRY: With that, Mr. Examiner, we'd  
10 move the admission of Exhibits 7 through 10 into evidence.

11 HEARING EXAMINER: All right, Exhibits 7 through  
12 10 are admitted.

13 MS. MUNDS-DRY: And that concludes my direct  
14 examination of Mr. Burdick.

15 HEARING EXAMINER: Mr. Brooks?

16 MR. BROOKS: Okay. Thank you. Are you going to  
17 be in the Bone Spring when you start building your  
18 curve -- or are you going to start your curve in the Bone  
19 Spring?

20 THE WITNESS: It will be -- If you look back at  
21 the stratigraphic cross-section, the --

22 MR. BROOKS: That's Exhibit 9?

23 THE WITNESS: Yes, sir. You'll see that the top  
24 of the Bone Spring is about 600 feet above the proposed  
25 landing depth. And Exhibit 10, we're kicking off slightly

1     above -- a little bit greater distance above that.

2                     So we'll be -- the initial kick off will be  
3     basically the base of the Delaware-Brushy Canyon  
4     formation.

5                     MR. BROOKS:   Okay.  It will be very close to the  
6     top surface of the Bone Spring?

7                     THE WITNESS:   Yes.

8                     MR. BROOKS:   Okay.  We need to know a point of  
9     penetration of the top of the Bone Spring, and we need to  
10    have the footage location of that to fill out our form.  
11    But is it going to be far enough to be of any  
12    significant -- And it looks like maybe it won't be.

13                    THE WITNESS:   In terms of the first perforation  
14    cluster, you're speaking about?

15                    MR. BROOKS:   No, I'm talking about where you  
16    actually -- the wellbore is actually going to penetrate.

17                    THE WITNESS:   It will be effectively within 10  
18    feet of the surface location.

19                    MR. BROOKS:   Okay.  And these wells haven't been  
20    drilled, so you don't know exactly where you're going to  
21    be, right?

22                    THE WITNESS:   That's correct.

23                    MR. BROOKS:   Okay.  Do you believe that all four  
24    quarter quarter sections included in each of these units  
25    will contribute to Bone Springs production?

1 THE WITNESS: Yes, sir.

2 MR. BROOKS: And do you see any reason to  
3 believe that there'll be any material differences from one  
4 part of the lateral to another?

5 THE WITNESS: There's no geological reason why  
6 there would be any difference.

7 MR. BROOKS: Thank you. That's all I have.

8 MS. MUNDS-DRY: Mr. Brooks, did you want him to  
9 follow up on the Pickett Draw wells?

10 MR. BROOKS: Oh, yeah. What formation are those  
11 in?

12 THE WITNESS: Those horizontal wells are in the  
13 Delaware-Cherokee formation.

14 MR. BROOKS: And that is?

15 THE WITNESS: That's approximately 1,500 feet  
16 above the top of the Bone Spring line.

17 MR. BROOKS: So those wells do not penetrate the  
18 Bone Spring?

19 THE WITNESS: No.

20 MR. BROOKS: Okay. Thank you.

21 HEARING EXAMINER: On your Exhibit 7, you've got  
22 all four of the wells there, 5- H, 6-H, 7-H, and 8-H.  
23 What represents surface and what represents bottom hole?

24 THE WITNESS: All four wells, the surface  
25 locations are at the south end of the section, and they

1 drilled --

2 HEARING EXAMINER: It's got the little green  
3 diamond in the circle, or something, or triangle or --

4 THE WITNESS: Yes, there's a little triangle.

5 HEARING EXAMINER: Okay. That's the surface on  
6 all of them then?

7 THE WITNESS: Yes, sir.

8 HEARING EXAMINER: So, like the bottom hole of  
9 the 8-H is very close to your shallower well, the shorter  
10 horizontal?

11 THE WITNESS: That's correct, but approximately  
12 2,000 feet below it stratigraphically.

13 HEARING EXAMINER: Any reason why you didn't use  
14 those as your surface locations so you could...

15 THE WITNESS: Well, probably the main one is, we  
16 have four other wells in the west half of Section 16, and  
17 three of those have been drilled, and we're beginning a  
18 fourth one. And for operational reasons, it's just better  
19 to have them all at the south end.

20 HEARING EXAMINER: Even though the ones that  
21 would appear in the west half are kind of -- are they  
22 50/50, or what it looks like --

23 THE WITNESS: Yes, it's kind of -- Let's see.  
24 On the west half, the second well from the left is the  
25 Cooter 3-H, and that was actually drilled from the north

1 to the south because of surface constraints. We could not  
2 find a suitable location on the south for that well.

3 And originally, the Cooters 5-H through 8-H,  
4 we're planning for a shorter lateral until we acquire  
5 acreage in the northeast quarter.

6 HEARING EXAMINER: Okay. So then, are we trying  
7 to do compulsory pooling from the surface to the base of  
8 the Bone Spring?

9 MS. MUNDS-DRY: Our application is just for in  
10 the Bone Spring.

11 HEARING EXAMINER: Just for the in the Bone  
12 Spring. Okay, I don't believe I have any more questions.

13 MS. MUNDS-DRY: Then I would ask that this  
14 matter be taken under advisement.

15 HEARING EXAMINER: Well, with that request, then  
16 Case No. 14502 and Case No. 14503 will be taken under  
17 advisement. And that concludes Docket No. 23-10.

18 (Whereupon, the proceedings concluded.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

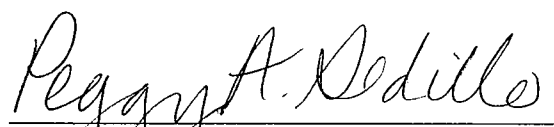


1 STATE OF NEW MEXICO )  
 2 ) ss.  
 3 COUNTY OF BERNALILLO )  
 4

5 REPORTER'S CERTIFICATE  
 6

7 I, PEGGY A. SEDILLO, Certified Court  
 8 Reporter of the firm Paul Baca Professional  
 9 Court Reporters do hereby certify that the  
 10 foregoing transcript is a complete and accurate  
 11 record of said proceedings as the same were  
 12 recorded by me or under my supervision.

13 Dated at Albuquerque, New Mexico this  
 14 8th day of July, 2010.  
 15  
 16  
 17

18   
 19 PEGGY A. SEDILLO, CCR NO. 88  
 20 License Expires 12/31/10  
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