

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

ORIGINAL

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

CASE NO. 14801

APPLICATION OF MEWBOURNE OIL COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING
AND PRORATION UNIT, AN UNORTHODOX
OIL WELL LOCATION, AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO,

CASE NO. 14816

APPLICATION OF MEWBOURNE OIL COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO,

CASE NO. 14817

APPLICATION OF MEWBOURNE OIL COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO,

CASE NO. 14818

APPLICATION OF MEWBOURNE OIL COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 13-12

BEFORE: RICHARD EZEANYIM, Hearing Officer
DAVID K. BROOKS, Legal Examiner

APRIL 26, 2012

Santa Fe, New Mexico

1 This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
2 Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,
on THURSDAY, APRIL 26, 2012, at the New Mexico Energy,
3 Minerals and Natural Resources Department, 1220 South
Street Francis Drive, Room 102, Santa Fe, New Mexico.
4

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A P P E A R A N C E S

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1 MR. EXAMINER: Okay. With the concurrence
2 of a counsel we are going to consolidate three cases
3 right now, and I'm going to read them out, consolidated
4 for proposal or testimony. Go to page 8, the first
5 case, and the other cases are on page 2. Okay. First
6 on page 8, the first case to be consolidated will be
7 case number 14801, and then we consolidated by the same
8 operator, consolidated with these cases, case number
9 14816, 14817, 14818. And this is the application of
10 Mewbourne Oil Company for approval of a non-standard oil
11 spacing and proration unit and compulsory pooling, Eddy
12 County in New Mexico.

13 Call for appearances.

14 MR. BRUCE: Mr. Examiner, Jim Bruce from
15 Santa Fe representing the applicant. I have two
16 witnesses.

17 MR. EXAMINER: Any other appearances?

18 MR. HALL: Mr. Examiner, Scott Hall,
19 Montgomery & Andrews appearing on behalf of Nearburg
20 Producing Companies specifically with reference to case
21 14801.

22 MR. EXAMINER: Any witnesses?

23 MR. HALL: No witnesses.

24 MR. EXAMINER: Any other appearances? If
25 the witnesses will stand and be sworn, please.

1 MR. BRUCE: Mr. Examiner, if I could, the
2 witnesses are the same, Mr. Mitchell and Mr. Cless, who
3 were previously sworn as witnesses, let the record
4 reflect that.

5 MR. EXAMINER: Oh, yeah, sure.

6 MR. BRUCE: And they were qualified as
7 experts, so we can --

8 MR. EXAMINER: Yeah, we can proceed. Sure.

9 MR. BRUCE: As an introductory matter,
10 Mr. Examiner, these four cases collectively cover all of
11 section 13, 19 south, 25 east, and all of the wells are
12 Yeso tests. I'm going to present Mr. Mitchell, he's
13 going to go through the land testimony, more or less
14 case by case, but there's a lot of similarities between
15 the two wells in the west half and the two wells in the
16 east half, so it will be a shortened and abbreviated
17 presentation on the wells. And then I will present
18 Mr. Cless and just have one geologic presentation.

19 MR. EXAMINER: Very good. What I see there,
20 Mr. Bruce, is that the whole section is taken. And then
21 if the orientation is correct then we are done. That's
22 really what I need to determine. So tell me why or
23 whoever is going to tell me why we are going to go
24 north/south and then we are done unless there is an
25 objection.

1 You may proceed.

2 You were previously sworn so you are still under
3 oath.

4 COREY MITCHELL

5 after having been first duly sworn under oath,
6 was questioned and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. Mr. Mitchell, with respect to case 14801, could
10 you identify Exhibit 1?

11 A. Exhibit 1 is a Midland Map Company land plat
12 which shows township 19 south, range 25 east, and our
13 proposed Wyatt Draw 13MD, number 1H is highlighted, and
14 it consists of the west half, west half of section 13.

15 MR. EXAMINER: Okay, before you go ahead,
16 Mr. Bruce, are you doing it one by one piecemeal or are
17 you going to combine it?

18 MR. BRUCE: I will do this case, then 816 I
19 will do very briefly because it has the same interest
20 ownership.

21 MR. EXAMINER: Oh, okay.

22 MR. BRUCE: And then similarly I will do 817
23 and 818 together for the land because they have similar
24 ownership.

25 MR. EXAMINER: Yeah, no need for them to go

1 one by one. All I need to hear is the evidence on why.

2 MR. BRUCE: We will point out the
3 differences.

4 MR. EXAMINER: Okay, very good.

5 Q. (By Mr. Bruce) And all of these are north/south
6 tests, are they not, Mr. Mitchell?

7 A. Yes, sir.

8 Q. And in this area, Mewbourne has been quite active
9 in this area?

10 A. Yes, sir.

11 Q. And it has drilled vertical and horizontal wells
12 to test the Yeso, has it not?

13 A. Yes, sir.

14 Q. Looking at the map it seems likes most of the
15 horizontals in this area have been north/south wells --

16 A. Yes, sir.

17 Q. -- on the land plat. Could you identify
18 Exhibit 2 for the Examiner and describe who you seek to
19 force pool.

20 A. Exhibit 2 represents our tract ownership in this
21 section. If you turn to the second page, there's two
22 parties noted by an asterisk, Gregory Bisett Thomas and
23 Sarah Harrington, those are the two parties we are
24 seeking to pool, and collectively they own .59 percent
25 interest, and they own mineral interests.

1 Q. These are unleased mineral interests, right?

2 A. Yes, sir.

3 Q. And what is the name of this particular well
4 again?

5 A. It is the Wyatt Draw 13MD, Number 1H.

6 Q. And could you identify Exhibit 3 and discuss your
7 efforts to obtain the voluntary joinder of these
8 parties?

9 A. Exhibit 3 is a summary of communications with
10 these two parties, and attached to that is the copies of
11 the correspondence.

12 Q. In your opinion have you made a good faith effort
13 to obtain the voluntary joinder of these interest owners
14 in the well?

15 A. Yes, sir.

16 Q. And they have been contacted, they just don't
17 respond?

18 A. They have been contacted and they do respond.
19 They just have informed us they do not wish to
20 participate in the well and/or work a trade. They just
21 want to be pooled.

22 Q. And could you identify Exhibit 4 for the
23 Examiner?

24 A. Exhibit 4 is our AFE for this well, which shows
25 the estimated well cost on this particular well. And I

1 believe the other three are similar. We have a
2 \$1,126,800 for a dry hole cost and \$2,500,700 for a
3 completed cost.

4 Q. And are these costs fair and reasonable and in
5 line with the cost of other wells, other horizontal
6 wells, drilled to this depth in this area of New Mexico?

7 A. Yes, sir.

8 Q. Do you request that Mewbourne be appointed
9 operator of the well?

10 A. Yes, sir.

11 Q. And what overhead rates do you request?

12 A. We are requesting 6,000 a month for drilling and
13 600 a month for producing.

14 Q. And are these amounts equivalent to those charged
15 by Mewbourne and other operators in this area of the
16 Yeso trend?

17 A. Yes, sir.

18 Q. Do you request that these rates be adjusted
19 periodically as provided by the COPAS accounting
20 procedure?

21 A. Yes, sir.

22 Q. In the other cases are you requesting the same
23 overhead rates?

24 A. Yes, sir.

25 Q. And are you requesting adjustment according to

1 the COPAS accounting procedure?

2 A. Yes, sir.

3 Q. And, again, all of the well costs in all four
4 wells are approximately equivalent, are they not?

5 A. Yes, sir.

6 Q. Does Mewbourne request the maximum cost plus
7 200 percent risk charge against a non-consenting owner
8 in this case as well as in the other three cases?

9 A. Yes, sir.

10 Q. And were the parties being pooled notified of
11 this hearing?

12 A. Yes, sir.

13 Q. Now, attached is also a notice letter to a Nadel
14 and Gussman Permian, what is their status?

15 A. We were in negotiations with them, and we've come
16 to an agreement and they have participated in the well,
17 so they are not being pooled.

18 Q. And also in this notice we sent a notice to
19 Guidian Hill. What is his status?

20 A. He has leased to us, so he is not being pooled
21 either.

22 Q. What is Exhibit 6?

23 A. Exhibit 6 is a list of our offset ownership
24 surrounding the section 13.

25 Q. And were all of the offsets notified of this

1 application?

2 A. Yes, sir, they were.

3 Q. And is that reflected in Exhibit 7?

4 A. Yes, sir.

5 Q. And all of the offsets received actual notice of
6 this application, did they not?

7 A. Yes, sir.

8 Q. In your opinion is the granting of this
9 application in the interest of conservation and the
10 protection of waste?

11 A. Yes, sir.

12 Q. And were Exhibits 1 through 8 prepared by you or
13 under your supervision or compiled from company business
14 records? 1 through 7, excuse me.

15 A. Yes, sir.

16 MR. BRUCE: Mr. Examiner, I move the
17 admission of Exhibits 1 through 7 in case 14801.

18 MR. EXAMINER: Any objection?

19 MR. HALL: No objection.

20 MR. BRUCE: Exhibits 1 through 7 will be
21 admitted.

22 [Exhibits 1 through 7 admitted.]

23 MR. BRUCE: I have no further questions of
24 this witness.

25 MR. HALL: No questions.

1 MR. EXAMINER: Mr. Brooks?

2 EXAMINER BROOKS: No questions.

3 MR. EXAMINER: Are you done with the other
4 cases now? Are you going to do it individually?

5 MR. BRUCE: If you have questions of this,
6 perhaps, Mr. Examiner --

7 MR. EXAMINER: I think finish it and then I
8 will ask questions.

9 MR. BRUCE: Okay.

10 Q. (By Mr. Bruce) Mr. Mitchell, this is case number
11 14816. Can you identify the lands being pooled and the
12 name of the well?

13 MR. EXAMINER: Let's get this right, 14816?

14 MR. BRUCE: 816.

15 MR. EXAMINER: That's what we did now,
16 right?

17 MR. BRUCE: That's the one we're doing right
18 now.

19 MR. EXAMINER: What did we do, 14801? Is
20 that what we did?

21 MR. BRUCE: That was just done.

22 EXAMINER BROOKS: 14801 is the one we just
23 heard.

24 MR. EXAMINER: Okay. Okay.

25 EXAMINER BROOKS: And that was the west

1 half, west half. 14816 is the east half, west half.

2 MR. BRUCE: That is correct.

3 MR. EXAMINER: Okay, go ahead.

4 Q. (By Mr. Bruce) Mr. Mitchell, this is the east
5 half, west half. What is the name of this well?

6 A. The east half, west half of section 13 is our
7 Wyatt Draw 13NC Number 1H well.

8 Q. And could you identify the parties being pooled,
9 and refer to Exhibit 2?

10 A. Exhibit 2 is our tract ownership, which lists all
11 the parties in the well. And on the second page noted
12 by an asterisk are the two parties being pooled. And
13 they are the same as in the previous well, Gregory
14 Thomas and Sarah Harrington. Collectively in this well
15 they are .28 percent interests.

16 Q. And is Exhibit 3 a summary plus copies of the
17 letters reflecting your contacts with these interest
18 owners?

19 A. Yes, sir.

20 Q. Essentially the same contacts as before?

21 A. Yes, sir.

22 Q. And Exhibit 4, the AFE, does it reflect a similar
23 well cost as for the prior well?

24 A. Yes, sir.

25 Q. Exhibit 5 is an affidavit of notice. Were the

1 parties being pooled notified of this application?

2 A. Yes, sir.

3 Q. And they did receive actual notice, did they not?

4 A. Yes, sir.

5 Q. And, again, Nadel and Gussman was notified. What
6 is their status?

7 A. They have signed the JOA, which covers these
8 lands, and they are no longer being pooled.

9 Q. And what is Exhibit 6?

10 A. Exhibit 6 is a list of the offset ownership that
11 was notified.

12 MR. BRUCE: And, Mr. Examiner, Exhibit 7 is
13 the notice to the offsets for cases 14816, 14817, and
14 14818, a joint notice was sent to every one of those
15 three cases, and they did all receive actual notice.

16 MR. EXAMINER: Okay.

17 Q. (By Mr. Bruce) And, Mr. Mitchell, with respect
18 to case 14816, were Exhibits 1 through 7 prepared by you
19 or under your supervisor or compiled from company
20 business records?

21 A. Yes, sir.

22 Q. Mr. Mitchell, in case 14817 could you identify
23 the well and the name of the well?

24 A. This is our Wyatt Draw 13OB Number 1H, and it
25 comprises the west half of the east half of section 13.

1 Q. And what is the working interest ownership, and I
2 refer you to Exhibit 2?

3 A. Exhibit 2 shows our tract ownership. And the
4 ownership in this well, if you turn to page 2 and 3, the
5 parties listed by an asterisk are who we seek to pool
6 starting with, excuse me on pronouncing his name, but
7 Donato Iacobelli, through Jenna Sartori, and
8 collectively they are 11.4 percent.

9 Q. Okay. And what is Exhibit 3?

10 A. Exhibit 3 is our communications with all these
11 parties, our summary of communications. And attached to
12 that is copies of the correspondence.

13 Q. And Exhibit 4 is the AFE for the well?

14 A. Yes, sir.

15 Q. And does it reflect a cost equivalent to the
16 prior AFEs for wells in this section?

17 A. Yes, sir.

18 Q. And was notice sent to the parties being pooled?

19 A. Yes, sir.

20 Q. If you go to the back of the very last page of
21 Exhibit 5, Mr. Mitchell, starting with the notice to
22 Jenna Hinkle Sartori --

23 MR. BRUCE: Mr. Examiner, the postal service
24 website shows that it was delivered. I do not have a
25 green card back yet.

1 Q. (By Mr. Bruce) Mr. Mitchell, there was actual
2 contact made with Ms. Sartori, was there not?

3 A. Yes, sir.

4 Q. And so this address is valid insofar as you know?

5 A. Yes, sir.

6 Q. Going back up another page to Charles E. Hinkle,
7 I have not received a green card back, was contact made
8 with Mr. Hinkle?

9 A. Yes, sir. Our mail has been delivered to him.
10 We have not received the mail back or a green card back,
11 either one.

12 Q. So as far as you know this is a valid address for
13 this individual?

14 A. Yes, sir.

15 Q. Same thing, go up another page to Lisa Thacker,
16 did Mewbourne have actual contact with Ms. Thacker?

17 A. Yes, sir.

18 Q. And even though the letter was unclaimed, to the
19 best of you knowledge, is this address in North Carolina
20 valid?

21 A. Yes, sir.

22 Q. And then go back one more page to Elizabeth
23 Lehman, co-personal representative of the estate of
24 James L. Hinkle, there were three personal
25 representatives of that estate, correct?

1 A. Correct.

2 Q. And has actual notice been received by the other
3 personal representatives of the estate?

4 A. Yes, sir.

5 MR. BRUCE: Because of that, Mr. Examiner, I
6 do not believe any publication notice is necessary.

7 MR. EXAMINER: Okay. All of them, so that
8 we don't need to do any escrow?

9 MR. BRUCE: There is one issue in this,
10 Mr. Examiner, just with respect to this case I will have
11 to ask that it be continued for four weeks because I
12 missed notifying one person.

13 MR. EXAMINER: Which case is that?

14 MR. BRUCE: 14817.

15 MR. EXAMINER: Okay.

16 MR. BRUCE: 14817, I missed notifying
17 Mr. Iacobelli, and I will send notice for the May 24th
18 hearing.

19 MR. EXAMINER: 24, not 10?

20 MR. BRUCE: Correct. I just determined
21 yesterday that I missed the notice so it will have to be
22 continued for four weeks.

23 MR. EXAMINER: Okay. May 24th?

24 MR. BRUCE: Yes, sir.

25 MR. EXAMINER: Okay.

1 MR. BRUCE: I don't know if I did move the
2 admission of Exhibits 1 through 5, Mr. Examiner, but I
3 move the admission of Exhibits 1 through 5 in case
4 14817.

5 MR. EXAMINER: Exhibits 1 through 5 will be
6 admitted in case 14817 and Exhibits 1 through 7 will be
7 admitted in case 14816.

8 [Exhibits 1 through 5 admitted.]

9 [Exhibits 1 through 7 admitted.]

10 Q. (By Mr. Bruce) Mr. Mitchell, could you identify
11 Exhibit 1, identify the well unit and the name of the
12 well in this case?

13 A. Exhibit 1 is a Midland Map Company land plat
14 which shows our Wyatt Draw 13PA Number 1H well, which
15 consists of the east half, east half of section 13.

16 Q. And what is Exhibit 2?

17 A. Exhibit 2 is our tract ownership. Again, it
18 shows the ownership in the well. And starting on page 2
19 and ending on page 3 the parties noted with an asterisk
20 are who we seek to pool, beginning with Sarah Harrington
21 and ending with Jenna Sartori. Collectively they are
22 5.31 percent.

23 Q. Are the interest owners in case 14818 the same as
24 the interest owners in case 14817 except for
25 Mr. Iacobelli?

1 A. Yes, sir.

2 Q. And what is Exhibit 3?

3 A. Exhibit 3 is a summary of communications with the
4 parties we were seeking to pool along with copies of the
5 correspondence.

6 Q. And, again, this would be similar to contacts you
7 had for case number 14817?

8 A. Yes, sir.

9 Q. And what is Exhibit 4?

10 A. Exhibit 4 is our AFE, which shows the estimated
11 well cost for this well, which is similar to the
12 previous three wells.

13 Q. And notice was sent to these parties as was
14 reflected in the notice for affidavit for the previous
15 cases; is that correct?

16 A. Yes, sir.

17 Q. And, again, to the best of your knowledge all of
18 the addresses were valid and no further publication
19 notice is needed?

20 A. Yes, sir.

21 Q. Were Exhibits 1 through 4 prepared by you or
22 under your supervision or compiled from company business
23 records?

24 A. Yes, sir.

25 MR. BRUCE: Mr. Examiner, I move for the

1 admission of Exhibits 1 through 4 in case 14818.

2 MR. EXAMINER: Any objection?

3 MR. HALL: No objection.

4 MR. EXAMINER: Exhibits 1 through 4 in case
5 14818 will be admitted.

6 [Exhibits 1 through 4 admitted.]

7 MR. BRUCE: And that concludes my questions
8 for Mr. Mitchell.

9 MR. EXAMINER: Thank you. Mr. Hall?

10 MR. HALL: No questions.

11 MR. EXAMINER: Mr. Brooks?

12 EXAMINER BROOKS: No questions.

13 MR. EXAMINER: Very good. We have another
14 witness coming, right?

15 MR. BRUCE: I have a geologist testifying,
16 yes, sir.

17 MR. EXAMINER: Do you have APE and API
18 numbers on these wells?

19 MR. MITCHELL: On the first well, the Wyatt
20 Draw 13MD we do. The other three, Nadel and Gussman has
21 permits going through a portion of our proration unit,
22 which they will be rescinding and at that time we'll be
23 able to get APEs and APIs on them.

24 MR. EXAMINER: Yeah, the MD, that's all
25 meshed. What is the case?

1 MR. MITCHELL: That was case 14801.

2 MR. EXAMINER: 801, let me see if I have
3 that. Okay. Have you accepted anything before they
4 draft it?

5 MR. MITCHELL: Do you want the API number
6 for that one?

7 MR. EXAMINER: Send it to me through an
8 e-mail.

9 MR. MITCHELL: I have it right now if you
10 want it.

11 MR. EXAMINER: Well, I have four cases, I
12 don't want to -- well, okay, I can put it on this.

13 MR. MITCHELL: It is 3001538306.

14 MR. EXAMINER: For the MD?

15 MR. MITCHELL: Yes, sir, which is the first
16 well we plan on drilling.

17 MR. EXAMINER: Okay, go ahead. I have no
18 further questions for him.

19 MR. BRUCE: Let the record reflect that
20 Mr. Cless, the geologist, has been previously qualified.

21 MR. EXAMINER: Yes.

22

23

24

25

1 NATE CLESS

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

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Mr. Cless, could you identify --

7 MR. BRUCE: And, Mr. Examiner, these
8 exhibits cover all of the cases, 14801 and 14816, 817,
9 and 818.

10 Q. (By Mr. Bruce) Mr. Cless, could you identify
11 Exhibit A for the Examiner?

12 A. Yeah, Exhibit A is a structure map that was made
13 on the top of the Yeso formation. This structure map
14 has 24 contours, and you can see it has a dip to the
15 east, east southeast. On here in section 13 you can see
16 the locations of all four wells that we plan to drill,
17 with the Wyatt Draw 13MD 1H being in the west half, west
18 half, and that's the first well that we plan on
19 drilling.

20 Also on this map you can see all the wells that
21 have pink circles around them are Yeso producers. Just
22 south of our section 13 and section 24 you can see there
23 are numerous horizontal wells that have been drilled in
24 that section.

25 MR. EXAMINER: What section is that?

1 MR. CLESS: In section 24 just south of
2 section 13. There have been wells drilled south of that
3 in section 25 as well as in section 30. So there's been
4 numerous horizontals drilled in this area.

5 MR. EXAMINER: Do you know who drilled those
6 wells?

7 MR. CLESS: We've drilled the wells in
8 section 24. And then Marshal and Winston drilled the
9 wells -- just other operators have drilled other wells.

10 MR. EXAMINER: Okay, go ahead.

11 A. You can also see on this map the location of the
12 cross section, which is the next exhibit that I'm going
13 to show you. This is a three-well cross section that is
14 stratographically on top of the Glorieta. The cross
15 section goes from the well in section 24E, which is to
16 the south of the section 13. The second well in the
17 cross section is 13M. And then the final well in the
18 cross section is 18D.

19 Over to the east we have a two formations, the
20 Glorieta and the Yeso. That green line is the Yeso, and
21 that's the formation we made the structure map on. In
22 this area we've been landing all of our horizontal wells
23 about 50 feet below the top of that Yeso formation. So
24 you can see on each of the wells where we plan to target
25 that particular interval. And so it also shows that

1 it's pretty continuous -- the Yeso formation is pretty
2 continuous all the way across that formation or that
3 project area.

4 Q. (By Mr. Bruce) And what does Exhibit C reflect,
5 Mr. Cress?

6 A. Exhibit C is a production table that shows all
7 the wells in this immediate area that produce out of the
8 Yeso formation. Again, I've given the well name, its
9 location, who the operator is, whether it's a horizontal
10 well or a vertical well, and then how much oil, gas, or
11 water is produced out of the Yeso formation. And I've
12 also put on here how long it produces or how many years
13 it has produced.

14 And I've highlighted two particular wells. I've
15 highlighted their production. One is the Wyatt Draw
16 24L, which is a vertical well that we've drilled. And
17 it's been on for two years and it's made about 6,000
18 barrels of oil. And then the second one is the Wyatt
19 Draw 2425LE Number 1H, which has been on for about one
20 and a half years and it's made 68,000 barrels of oil.
21 So this just shows how much better these horizontals are
22 doing relative to the verticals.

23 Q. And based on that is it proper to drill these
24 four horizontal wells in section 13?

25 A. Yes, it is.

1 Q. And in your opinion will each quarter, quarter
2 section in each of the four well units contribute more
3 or less equally to the production of the well?

4 A. Yes, they will.

5 Q. And in your opinion are these horizontal wells
6 necessary and will they adequately drain this portion of
7 the Yeso reservoir?

8 A. Yes, they will.

9 Q. And what is Exhibit D, Mr. Cless?

10 A. Exhibit D is our horizontal well plan that we got
11 from our directional company. On the first page of it
12 I've listed surface location, the landing point, and the
13 bottom hole location. And this is just for the Wyatt
14 Draw 13MD. We currently don't have well plans yet for
15 the other three wells.

16 Q. Do you anticipate them being similar to these,
17 Exhibit D?

18 A. Yes, we do.

19 Q. And before you go on, all of these surface
20 locations are in section 24 to the south, correct?

21 A. Yes.

22 Q. Will the producing portion of each wellbore of
23 each of the four wells be at orthodox statewide
24 setbacks?

25 A. They will. They will be at least 330 from the

1 south.

2 Q. And discuss a little bit the well plan and again
3 the completion.

4 A. If you go to the last two pages on this diagram,
5 again, the second to the last page shows where the
6 wellbore will be, where the oil well barrack is. And
7 then the inside red line block is the 330, 330 line from
8 our section. So you can see our landing point is going
9 to be right at about 330 from the south and then our
10 bottom hole will be at 330 from the south also and 350
11 from the west. So we will be at a legal producing
12 location.

13 Q. And how many completion stages do you have in
14 these Yeso wells?

15 A. We run about 19 stages.

16 Q. Same as in the Bone Spring?

17 A. Yes, same as in the Bone Spring.

18 Q. Were Exhibits A, B, C, and D prepared by you or
19 under your supervision or compiled from company business
20 records?

21 A. They were.

22 MR. BRUCE: Mr. Examiner, I move the
23 admission of Exhibits A through D.

24 MR. EXAMINER: A through D, any objection?

25 MR. HALL: No objection.

1 MR. EXAMINER: Exhibits A through D will be
2 admitted.

3 Any questions?

4 [Exhibits A through D admitted.]

5 MR. HALL: No questions.

6 EXAMINER BROOKS: No questions.

7 MR. EXAMINER: Let's go back to one thing
8 that interested me here a little bit. Your Exhibit
9 Number D, where you have C, that's another thing that
10 really tickled my fancy, you know, when you have
11 vertical and horizontal wells. And I'm looking at these
12 sections and the ranges. Most of the horizontal wells,
13 the orientation is north/south, right?

14 MR. CLESS: Yes, they are.

15 MR. EXAMINER: Now, that's one point I
16 wanted to make, the one you highlighted there about the
17 vertical well and the horizontal well, and this is the
18 Wyatt Draw 24M Number 1, 2425LE Number 1H. So even if
19 you apply that it's not going to give you 68, and I'm
20 trying to point out why horizontal wells are more
21 important. I mean, they are better than the vertical
22 wells. So I think it's clear from what you just
23 indicated, I like that. I like to have that so I can
24 begin to evaluate why we need these horizontal wells.

25 MR. CLESS: Yeah, we've seen, not only in

1 this place but in other places, these horizontal wells
2 are a lot better.

3 MR. EXAMINER: In other examples, but I like
4 that example you gave there. That is very good. Okay.
5 We know your intention is going to be north/south and
6 that is already happening there.

7 MR. BRUCE: Excuse me, Mr. Examiner, I
8 didn't --

9 MR. EXAMINER: You want me to repeat what I
10 said?

11 MR. BRUCE: Yeah.

12 MR. EXAMINER: I said the orientation is
13 going to be north/south because of the geology. And if
14 you look at the cross sections and everything, because I
15 want them to tell me whether the north/south or
16 east/west is better orientation. You want to change it
17 now?

18 MR. BRUCE: No, no. No, no. I didn't hear
19 your comment is all I'm saying.

20 MR. EXAMINER: Oh, okay. Okay. But you are
21 satisfied with what I said?

22 MR. BRUCE: Yes.

23 MR. EXAMINER: And, again, you are just
24 pooling the Yeso formation from the surface?

25 MR. CLESS: Yes, just the Yeso formation.

1 MR. EXAMINER: Just the Yeso formation?

2 MR. CLESS: Just Yeso, yes, sir.

3 MR. EXAMINER: I just want to know. In
4 regards to this we looked at everybody, in particular
5 this 14818, did we look at everybody?

6 MR. BRUCE: Yes.

7 MR. EXAMINER: So there's no need for the
8 next one?

9 MR. BRUCE: Yes.

10 MR. EXAMINER: And on all four it was 6,000
11 and 600 for all four. Okay. All four, you have only
12 one well that has an API number. The rest have not been
13 given any API number?

14 MR. CLESS: Yes.

15 MR. EXAMINER: Okay, very good. Is there
16 anyone here that we have to mail again or is that the
17 other case? I'm confused now.

18 MR. BRUCE: Well, that was that Bradley, the
19 Bone Spring well, the first case that --

20 MR. EXAMINER: So the first case. Okay.
21 Anyway, it's good.

22 MR. BRUCE: One request per hearing only,
23 Mr. Examiner.

24 MR. EXAMINER: Okay. Mr. Hall, do you have
25 any comments or anything that you need to say?

1 MR. HALL: No, sir. Thank you.

2 MR. EXAMINER: First off, what I need to do
3 now is case number 14817 will be continued to May 24th,
4 2012 to do some publications.

5 MR. BRUCE: Just one mailing notice, which I
6 will present at that time.

7 MR. EXAMINER: Okay, very good. Then we
8 have case 14801, 14816, and 14818 will be taken under
9 advisement, right?

10 MR. BRUCE: That is correct.

11 [Case 14817 continued until May 24, 2012.]

12 [Case 14801 taken under advisement.]

13 [Case 14816 taken under advisement.]

14 [Case 14818 taken under advisement.]

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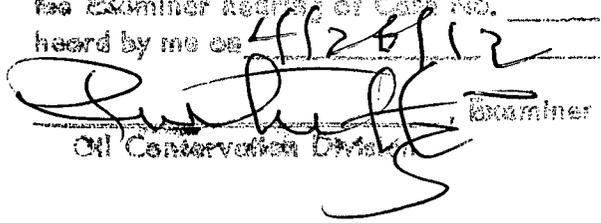
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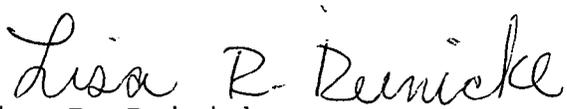
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on 4/26/12

Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District of New Mexico, 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 and was reduced to printed form under my direct supervision.

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 whatsoever in the final disposition of this case in any court.


Lisa R. Reinicke,
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Ex count: