

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

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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

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

REPORTED BY: Lisa Reinicke  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

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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 do 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 like 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 stratigraphically 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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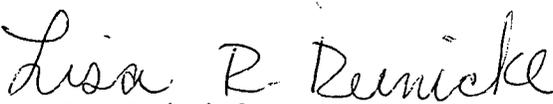
I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on 4/26/12  
[Signature], Examiner  
Oil Conservation Division

## 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.

  
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