

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

ORIGINAL

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

CASE NO. 15168

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 10, 2014

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER

RECEIVED OGD
2014 JUL 21 P 2:51

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, on Thursday, July 10, 2014, at the
New Mexico Energy, Minerals and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

INDEX

PAGE
3

Case Number 15168 Called	3
Mewbourne Oil Company's Case-in-Chief:	
Witnesses:	
Paul Haden:	
Direct Examination by Mr. Bruce	3
Cross-Examination by Examiner McMillan	17
Nate Cless:	
Direct Examination by Mr. Bruce	18
Cross-Examination by Examiner McMillan	24
Proceedings Conclude	25
Certificate of Court Reporter	26

EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 8	17
Mewbourne Oil Company Exhibit Numbers 9 through 12	24

1 (8:46 a.m.)

2 EXAMINER McMILLAN: Next case we are going
3 to call is Case Number 15168, application of Mewbourne
4 Oil Company for approval of a nonstandard oil spacing
5 and proration unit and unorthodox well location and
6 compulsory pooling, Eddy County, New Mexico.

7 Call for appearances.

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

11 EXAMINER McMILLAN: Any other appearances?
12 If the witnesses would please stand up and
13 be sworn in.

14 (Mr. Haden and Mr. Cless sworn.)

15 PAUL HADEN,
16 after having been first duly sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

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

22 A. My name is Paul Haden.

23 Q. And where do you reside?

24 A. I reside in Midland, Texas.

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

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

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

5 A. Yes, I have.

6 Q. And have your credentials as an expert
7 petroleum landman been accepted as a matter of record?

8 A. Yes, they were.

9 Q. And are you familiar -- does your area or
10 responsibility at Mewbourne include the area of
11 southeast New Mexico we're here for today?

12 A. Yes.

13 Q. And are you familiar with the land matters
14... involved in this application?

15 A. Yes, I am.

16 MR. BRUCE: Mr. Examiner, I tender
17 Mr. Haden as an expert petroleum landman.

18 EXAMINER McMILLAN: So qualified.

19 Q. (BY MR. BRUCE) Mr. Haden, could you briefly
20 identify Exhibit 1 for the Examiner and describe the
21 lands that we're here for today and the zone you are
22 seeking to pool?

23 A. Yes. Exhibit Number 1 is a land plat taken
24 from the Midland Map Company. It indicates the township
25 and range of 23 South, 28 East, and also Section 35,

1 also the nonstandard proration unit, which is in the
2 west half-west half of Section 35, which is covered --
3 or shaded in yellow.

4 It also indicates the surface location in
5 the southwest-southwest quarter and the bottom-hole
6 location in the northwest-northwest quarter. The
7 bottom-hole location is the Layla 35 B2MD Fee #3H well,
8 135 feet from the south line, 470 feet from the west
9 line and 330 from the north line and 660 feet from the
10 west line, which would be the bottom-hole location.

11 Q. And what formation are you seeking to pool?

12 A. This is the Bone Spring Formation.

13 Q. And will the beginning of the producing
14 interval and the terminus of the well unit be orthodox?

15 A. Yes, it will.

16 MR. BRUCE: Mr. Examiner, in the
17 application and in the proposed ad, I requested an
18 unorthodox oil well location. The pool that we're
19 talking about today is the South Culebra Bluff-Bone
20 Spring pool. And it used to have special pool rules,
21 but those were abolished upon the application of
22 Mewbourne about a year and a half ago. So it is
23 governed by statewide rules.

24 Q. (BY MR. BRUCE) Could you identify Exhibit 2 for
25 the Examiner?

1 A. Exhibit Number 2 is a tract ownership of the
2 nonstandard proration unit, and it indicates Tract
3 Number 1, Tract Number 2 Tract Number 3, Tract Number 4,
4 Number 5, Number 6, Number 7, 8 and 9. It also
5 indicates the ownership in each one of these tracts.

6 And in Tract Number 2, for example, the
7 asterisk beside those names, those are the parties being
8 pooled. The same thing goes for Tract Number 8; has the
9 asterisk by those names. Those parties are being
10 pooled. Collectively, these parties own approximately
11 12.50975 net acres, which corresponds to a 7.81859
12 percent interest in the nonstandard unit.

13 Q. And, Mr. Haden, has Mewbourne drilled other
14 wells in this section?

15 A. Yes, we have.

16 Q. And other Bone Spring wells and Delaware wells,
17 I believe?

18 A. Bone Spring, Delaware and Wolfcamp wells.
19 We've previously drilled five wells, which are force
20 pooled, being the same parties that are being pooled
21 here.

22 Q. And we'll get into this in a minute, and I
23 don't think Examiner McMillan has heard one of these --
24 one of these Layla cases before. But is the main issue
25 that the title is extremely messed up, to put it

1 legally?

2 A. To put it legally and to put it lightly.

3 EXAMINER McMILLAN: It's a quiet title?

4 THE WITNESS: It would require quiet title
5 suits to get it corrected, if it could ever be
6 corrected. The problems associated with the
7 ownership -- over the years, this ownership caused --
8 well, some owners were conveying way too much interest,
9 over-conveyances. They were misdescribing the
10 interests. They were misdescribing the parties who they
11 were conveying interests to. And over a period of 15
12 years, there have been five quiet title suits associated
13 with this problem, and during those quiet title suits,
14 .. apparently all those representing the clients further
15 messed up the title, again misdescribing interests, the
16 parties that are subject to the quiet title suit and the
17 interest being conveyed. And it hasn't been solved thus
18 far. That's why our title attorney, who rendered a
19 title opinion, said these interests were -- were in a
20 confused state of title. You could not determine the
21 ownership. And we have Exhibit Number 3.

22 Q. Before you move on, though, as to the parties
23 we are seeking to pool today, you are seeking to pool
24 the ones that are noted by an asterisk, correct?

25 A. Yes, that's correct.

1 Q. And Mewbourne did obtain a title opinion on the
2 entire section of lands?

3 A. Yes, we did.

4 Q. And are portions of that included in Exhibit 3?

5 A. Yes, they are.

6 Q. And I believe that -- I forget exactly. This
7 opinion was well over 80 pages long, I believe?

8 A. Oh, yes.

9 Q. And, Mr. Haden, if you could -- looking at
10 Exhibit 3 --

11 MR. BRUCE: And the page numbers are at the
12 top, Mr. Examiner.

13 Q. (BY MR. BRUCE) -- do pages 48 through 60 of the
14 opinion set forth the issues regarding the matters --
15 set forth in detail the matters at issue which have,
16 shall we say, confused the title of the tracts that are
17 mentioned on Exhibit 2?

18 A. Yes, that's correct. It shows the ownership
19 and the problems associated with those interests and the
20 possible parties who could claim an interest.

21 Q. And was the title attorney, John Nelson, even
22 able to determine -- in looking at the opinion, he
23 says -- he lists the people who may claim an interest in
24 these tracts?

25 A. Yes. Correct.

1 Q. Was he able at all to determine even vaguely
2 what each of these parties may own?

3 A. Not at all.

4 Q. So the interest is fixed? For instance --

5 MR. BRUCE: Mr. Examiner, if you'll look at
6 page 53 of the opinion.

7 Q. (BY MR. BRUCE) Mr. Haden, in looking at Tracts
8 8 and 9, the interest that is issued is not
9 questioned -- I mean the total interest, right?

10 A. Right. Yeah.

11 Q. It is simply who owns it?

12 A. Correct.

13 On that same page, 53, it lists, in
14 photograph 15, "12.6350." That's the interest that is
15 uncertain, which is in Tracts 8 and 9. Tracts 8 and 9
16 are described on the front page of the title opinion.

17 Q. And as a result, is it possible for Mewbourne
18 to take a lease from these people or even determine what
19 they own based on this?

20 A. No. It's not possible for us to even take a
21 lease from these people, as we don't know exactly what
22 they own. I guess we could take a lease from them, but
23 the lease would mean nothing because we'd have to place
24 that interest in suspense until it is finally determined
25 judicially what the ownership is, if it ever can be

1 determined.

2 Q. And have you informed certain interest owners,
3 including the Panagopoulos family and the Gregory
4 family -- have you spoken with them about this issue and
5 requested them to do a quiet title suit?

6 A. Yes. Over the course of these five previous
7 pooling hearings, we've discussed that matter. I've
8 advised them it's going to take a quiet title suit in
9 which to determine their ownership. This would be
10 extremely expensive. So what I've told them, the
11 interests that are being placed in suspense attributable
12 to the one-eighth royalty under the terms of the pooling
13 order, I would notify them periodically how much money
14 it is in suspense for that interest in question. And
15 then at some point in time, when the amount of money
16 gets substantial, then they may want to pursue this
17 quiet title action.

18 Q. And these interest owners we're talking about,
19 they do own -- these interests that are set forth here,
20 they own these interests in the Delaware Formation which
21 Mewbourne is drilling, correct?

22 A. Correct.

23 Q. And in the Bone Spring Formation and in the
24 Wolfcamp Formation?

25 A. All formations.

1 Q. So you've already drilled five wells. We're
2 here for four more, and there may well be additional
3 wells drilled?

4 A. Possibly additional wells, yes.

5 Q. And, again, anybody who has asked for
6 information on the suspense -- the amounts held in
7 suspense are being given that information?

8 A. Yes, they are.

9 Q. Let's move on to your Exhibit 4, Mr. Haden.
10 What is that?

11 A. Exhibit 4 is a summary of communications in
12 regard to the pooled parties. It lists all the owners
13 that we could find, and it just sets forth the dates in
14 which we sent our well proposal. And with this well
15 proposal, we sent an AFE describing the estimated well
16 cost of the proposed well.

17 Q. And are there a number of unlocatable interest
18 owners?

19 A. There are a number of unlocatable interest
20 owners, and I did not list them in this summary of
21 communications.

22 Q. Now, the title opinion is dated in 2011, so
23 over three years have passed. Since then, what steps
24 have you taken to try to locate these people besides the
25 ones listed in Exhibit 4?

1 A. Over the years, we've obviously tried to find
2 them via Internet and/or send letters to the last known
3 address, which in a lot of cases were back in the early
4 '80s, and obviously those were returned undeliverable.
5 And we've done just about everything we can to locate
6 these people to advise them of the problems associated
7 with their possible ownership.

8 Q. And have you conducted searches on telephone
9 databases?

10 A. Yes, we have.

11 Q. Have you contacted people who might be in the
12 same family to determine where these other interest
13 owners may be?

14 A. Yes, we have.

15 Q. And in your opinion, has Mewbourne made a
16 good-faith effort to obtain the voluntary joinder of the
17 locatable interest owners in the well?

18 A. We have.

19 Q. And in your opinion, has Mewbourne made a
20 good-faith effort to locate the whereabouts of all of
21 the people who may own an interest in the well?

22 A. Yes, we have.

23 Q. Mr. Haden, could you identify Exhibit -- oh.
24 And is Exhibit 5 merely backed-up copies of
25 correspondence and e-mails and letters backing up the

1 summary of Exhibit 4?

2 A. Yes, that's correct.

3 Q. And what is Exhibit 6?

4 A. Exhibit 6 is a copy of our AFE for the proposed
5 Layla 35 B2MD Fee #3H well. It lists, again, the
6 surface and bottom-hole locations. It also lists the
7 estimated costs for this well. The cost casing point is
8 estimated at \$2,105,300. The total well cost is
9 estimated at \$4,009,300.

10 Q. And are these costs in line with the costs of
11 other wells drilled to this depth in this area of
12 New Mexico?

13 A. Yes, it is.

14 Q. And, again, Mewbourne has drilled other Bone
15 Spring wells in this section?

16 A. Yes, we have. And these costs are in line with
17 those. In fact, the costs are starting to come down a
18 little bit.

19 Q. Do you request that Mewbourne be appointed
20 operator of the well?

21 A. We are so requesting.

22 Q. And do you have a recommendation for the
23 supervision and administrative expenses?

24 A. Yes. We're recommending a 7,000 per month
25 drilling well rate and \$700 per month for producing well

1 rates. These costs are consistent with the cost in the
2 operating agreement with our partners in these wells
3 with us.

4 Q. And are they also equivalent to those normally
5 charged by other operators in the area of wells of this
6 depth?

7 A. Yes, they are.

8 Q. Do you request that these rates be adjusted
9 periodically as provided by the COPAS accounting
10 procedure?

11 A. Yes, we do.

12 Q. And does Mewbourne request the maximum cost
13 plus 200 percent risk charge against nonconsenting
14 interest owners?

15 A. Yes, we do.

16 Q. And insofar as notice, was notice mailed to
17 those persons with last known addresses?

18 A. That's correct.

19 Q. And is that reflected in Exhibit 7?

20 A. That is correct.

21 MR. BRUCE: Mr. Examiner, everybody we had
22 an address for received notice. If you look at the last
23 page of Exhibit 7, there are -- there were three people
24 that we haven't gotten green cards back from yet. At
25 least two of these have received notice of the prior

1 hearings, and we got green cards back, but this time
2 they disappeared again.

3 Q. (BY MR. BRUCE) Mr. Haden, have you had
4 correspondence with people where you've known the
5 address is correct, but they refused to pick up the
6 certified mail?

7 A. Yes. That's happened, especially with this
8 prospect.

9 MR. BRUCE: And, Mr. Examiner, at the end
10 of this hearing, I'd request -- because of these
11 returned e-mails, I had to submit another -- I had to
12 amend my publication of notice, and I had to submit --
13 or send to the newspaper another notice to be published.
14 And it wasn't done in time for this hearing, so I'm
15 going to ask that the case be continued for two weeks
16 just to make sure we have everybody notified by
17 publication.

18 EXAMINER McMILLAN: So accepted.

19 Q. (BY MR. BRUCE) And, Mr. Haden, was notice given
20 to the offset operators as required by Division
21 regulations?

22 A. Yes, they were.

23 Q. And is that reflected in my notice submitted as
24 Exhibit 8?

25 A. Yes, it is.

1 Q. And Exhibit 8 does list all of the 40-acre
2 offsets to this well?

3 A. Correct.

4 MR. BRUCE: And, Mr. Examiner, every offset
5 did receive notice. The very last page, again, is just
6 from the U.S. Postal Service Web site. The notice to
7 Chevron shows it was delivered, but in the last two
8 weeks, I have not gotten the green card back. But I
9 will submit that whenever --

10 Q. (BY MR. BRUCE) And with respect to Chevron,
11 Mr. Haden, is Chevron a working interest in this well?

12 A: Yes, they are. They have participated in these
13 wells.

14 MR. BRUCE: So at the next hearing,
15 Mr. Examiner, I'll submit the Affidavits of Publication,
16 and hopefully the Chevron green card will spriggle [sic]
17 in somehow.

18 Q. (BY MR. BRUCE) Mr. Haden, were Exhibits 1
19 through 8 either prepared by you or under your
20 supervision or compiled from company business records?

21 A. Yes, they were.

22 Q. And in your opinion, is the granting of this
23 application in the interest of conservation and the
24 prevention of waste?

25 A. Yes.

1 MR. BRUCE: Mr. Examiner, I'd move the
2 admission of Exhibits 1 through 8.

3 EXAMINER McMILLAN: So accepted.

4 (Mewbourne Oil Company Exhibit Numbers 1
5 through 8 were offered and admitted into
6 evidence.)

7 MR. BRUCE: And I have no further questions
8 of the witness.

9 CROSS-EXAMINATION

10 BY EXAMINER McMILLAN:

11 Q. I need to clarify a couple of things. Is this
12 100 percent fee? Is there any state?

13 A. This is all fee throughout the sections, fee
14 ownership.

15 And also, Mr. Examiner, for your
16 information, I've got the API number for this well.
17 It's 30-015-42406.

18 Q. Okay. I have no further questions for you.

19 EXAMINER McMILLAN: I have a question.
20 This is for Mr. Bruce. If you look at the special pool
21 rules for Culebra, is this how you kind of want to set
22 it up, where you're essentially leaving the vertical
23 wells existing in that field? I guess --

24 MR. BRUCE: Yes.

25 EXAMINER McMILLAN: -- another way of

1 asking this question: Is this kind of the template you
2 would like to use in the future for doing field
3 revisions?

4 MR. BRUCE: If we're doing that, what --
5 what we've done in the past is as to existing wells in
6 the pool that are still producing, we leave them on
7 whatever spacing they are with whatever allowable they
8 have. And in this one, we said every new well would be
9 governed by statewide rules, because, you know, if
10 somebody's spaced on 80 acres and they down-space,
11 somebody's going to get mad, and there's going to be a
12 lawsuit filed over being cut out of production, which
13 I've seen happen in the past (laughter).

14 EXAMINER McMILLAN: Thank you very much.

15 THE WITNESS: Thank you, Mr. Examiner.

16 NATE CLESS,

17 after having been previously sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Would you please state your name and city of
22 residence?

23 A. Nate Cless. I live in Midland, Texas and work
24 for Mewbourne Oil Company.

25 Q. And what is your job with Mewbourne?

1 A. I'm a geologist.

2 Q. Have you previously testified before the
3 Division as a geologist?

4 A. Yes, sir.

5 Q. And were your credentials as an expert
6 geologist accepted as a matter of record?

7 A. Yes, sir.

8 Q. And does your area of responsibility at
9 Mewbourne include this portion of southeast New Mexico?

10 A. Yes, sir, it does.

11 Q. And are you familiar with the application --
12 or, actually, with all of the applications we're here
13 for today in Section 35?

14 A. Yes, I am.

15 MR. BRUCE: Mr. Examiner, I tender
16 Mr. Cless as an expert petroleum geologist.

17 EXAMINER McMILLAN: So qualified.

18 Q. (BY MR. BRUCE) Mr. Cless, could you identify --
19 first of all, Mr. Cless, we're here today for -- two of
20 the wells we're here for today are Bone Spring wells,
21 correct?

22 A. That's correct.

23 Q. And one is the well involved in this case, the
24 west half-west half. Is the other one an east half-west
25 half well?

1 A. Yes, it is.

2 Q. And will your testimony in this case also
3 pertain -- the geologic testimony pertain to Case 15170,
4 which is the other Bone Spring well?

5 A. Yes, it will.

6 Q. Could you identify Exhibit 9 for the Examiner
7 and discuss the wells and what this exhibit shows?

8 A. Yeah. Exhibit 9 is an isopach structure map.
9 The isopach is of the lower 2nd Bone Spring sand, and
10 the structure map is on the base of the 2nd Bone Spring
11 sand. Here I've highlighted all of the Bone Spring
12 production around Section 35, 23 South, 28 East. You
13 can see we've drilled -- the wells with the green
14 ... laterals are the two 2nd Bone Spring sand wells that
15 we've already drilled, and then the wells with the gray
16 laterals are the Avalon Shale wells that we have drilled
17 and Chevron has drilled up in Section 26. And then the
18 two red arrows highlight the two proposed locations that
19 we're here for today.

20 Q. And what is the approximate thickness of --
21 again, both wells will test the 2nd Bone Spring?

22 A. Yes, it will. It'll approximately be about 50
23 feet. The lower 2nd Bone Spring is what we're calling
24 the pay, so it will be approximately 50 feet thick in
25 this area.

1 Q. What is Exhibit 10?

2 A. So Exhibit 10 is a cross section -- a
3 three-well cross section. The location of that cross
4 section is on Exhibit 9, A to A prime, and it's the
5 three closest wells -- three offset wells to both of
6 these -- to these two proposed wells. The first well is
7 over to the west in Section 34, and then the next two
8 wells are both in Section 35. This cross section covers
9 the 2nd Bone Spring sand.

10 You can see we've differentiated between
11 upper sand and lower sand, and here we're targeting the
12 lower 2nd Bone Spring sand. You can see that the gross
13 interval is consistent across this interval. The
14 porosity is roughly 10 to 12 percent throughout this
15 area, so you can just see it's very consistent and
16 uniform across these three vertical wellbores.

17 Q. And in your opinion, in both of the wells, will
18 each quarter-quarter section in each well unit
19 contribute more or less equally to production?

20 A. Yes, they will.

21 Q. And is there any type of impediment such as
22 faulting or anything that would prevent the proper
23 drilling of these wells?

24 A. We don't believe so.

25 Q. And will either of these wells have a pilot

1 hole?

2 A. No.

3 Q. You've already drilled several wells out here?

4 A. We've drilled several wells. We have good
5 control in this area.

6 Q. And move on to Exhibit 11 and identify it.

7 A. Exhibit 11 is the Bone Spring production. It's
8 just a data table with all the Bone Spring production in
9 this area. It has all -- you can see there are a number
10 of vertical wells. I guess, first off, I've listed the
11 name of the operator, the API and the location, as well
12 as whether they're vertical or horizontal, how much oil,
13 gas and water they've produced out of the Bone Spring
14 interval and then what part of the Bone Spring they're
15 produced out of.

16 So you'll notice that the last five wells
17 on this data table are all horizontal wells and that
18 either Mewbourne has drilled or Chevron has drilled.

19 And so the last well that I've highlighted
20 is the Layla 35 OB Fee Com #1H. It's the 2nd -- it's
21 the 2nd Bone Spring horizontal that was drilled in the
22 west half-east half of Section 35. So we'll be
23 offsetting this well. It was drilled in May of 2013, so
24 about a year ago. And in that time, it made almost
25 50,000 barrels of oil, and you can see that's pretty

1 significant compared to some of the other vertical
2 wells. On average, the other vertical wells might make
3 50,000 barrels in their life span. And so we definitely
4 see an improvement with horizontal drilling in this
5 particular area.

6 Q. And in particular, for this section at least,
7 because of the previous wells you've drilled, stand-up
8 units have been pretty well established?

9 A. Yes, they have.

10 Q. And in your opinion, is drilling stand-up
11 units -- Bone Spring units in this section reasonable?

12 A. Yes, it is. We've seen the difference with the
13 stand-up units. We have no reason to think otherwise
14 that an east-west horizontal would be more effective.

15 Q. And finally, Exhibit 12, what is that?

16 A. Exhibit 12 is just the horizontal well plan for
17 this proposed well. You can see that the first page
18 shows our surface location of 135 from the south, 470
19 from the east, a landing point of 612 from the south,
20 490 from west, and then our bottom location of 330 from
21 the north, 660 from west.

22 Q. And approximately how many completion stages do
23 you use?

24 A. We tend to run a packers and port system in the
25 2nd Bone Spring sand. We'll use about 20 completion

1 stages. That's what we've done in the previous two 2nd
2 sand wells, and that's what we'll do in these other two.

3 Q. And were Exhibits 9, 10 and 11 -- 9, 10, 11 and
4 12 prepared by you or compiled from company business
5 records?

6 A. Yes, they were.

7 Q. And in your opinion, is the granting of this
8 application in the best interest of conservation and the
9 prevention of waste?

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I'd move the
12 admission of Exhibits 9, 10, 11 and 12.

13 EXAMINER McMILLAN: So anticipated.

14 (Mewbourne Oil Company Exhibit Numbers 9
15 through 12 were offered and admitted into
16 evidence.)

17 MR. BRUCE: I have no further questions of
18 the witness.

19 CROSS-EXAMINATION

20 BY EXAMINER McMILLAN:

21 Q. Has there been any east-west wells in this
22 area?

23 A. Not in this -- you know, not in this immediate
24 nine-section area, but in the adjacent townships there
25 have been, and the results were not good as to

1 north-south. So it's been pretty well established that
2 north-south is the dominant -- predominant way to drill
3 these wells.

4 Q. And then I'm just kind of curious. On your
5 cross section, are you perforating the lower sand, which
6 you call the sea sand or sea base?

7 A. Yeah. That's exactly right. We land in the --
8 we land just above where that marker is, the 2nd Bone
9 Spring sea base, and so that'll be the interval. But
10 then we'll -- you know, we'll put a big frack on these.
11 So we believe that all of -- specifically all of the
12 lower 2nd Bone Spring sand is definitely contributing to
13 production.

14 Q. I have no further questions at this time.

15 EXAMINER McMILLAN: For the record, this
16 case will be continued to the 24th.

17 MR. BRUCE: Correct. Please.

18 EXAMINER McMILLAN: Thank you.

19 (Case Number 15168 concludes, 9:18 a.m.)

20

21

22

23

24

25

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15168
heard by me on July 10 2014

Michael McMILLAN, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

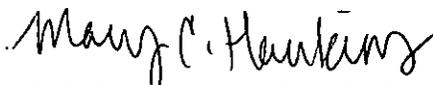
5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced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

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

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

19

20



21

MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014

22

23

24

25