

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 NOS. 14603  
14604

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 6-11

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BEFORE: DAVID K. BROOKS, Hearing Examiner  
WILLIAM V. JONES, Technical Examiner

MARCH 3, 2011

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, DAVID K. BROOKS,  
Hearing Examiner, and WILLIAM V. JONES, Technical  
Examiner, on THURSDAY, MARCH 3, 2011, 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  
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Albuquerque, NM 87102

## 1 A P P E A R A N C E S

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For the Applicant Mewbourne Oil Company:

3

HOLLAND &amp; HART

4

110 North Guadalupe, Suite 1

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5

(505) 988-4421

By: William F. Carr

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DIRECT EXAMINATION OF PAUL HADEN

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12. Survey Calculation Report

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1                   EXAMINER BROOKS: At this time we will call  
2 Case Number 14603, the Application for Mewbourne Oil  
3 Company for a non-standard spacing and proration unit  
4 unorthodox well location and compulsory pooling, Eddy  
5 County.

6                   Call for appearances.

7                   MR. CARR: May it please the Examiner. My  
8 name is William F. Carr with the Santa Fe office of  
9 Holland & Hart. We represent Mewbourne Oil Company, and  
10 I have two witnesses. Initially, Mr. Examiner, I would  
11 request that this case be consolidated with the  
12 following case: The applications involve adjacent  
13 spacing units, and much of the testimony is the same and  
14 it would facilitate presentation if they're consolidated  
15 with separate orders to issue.

16                   EXAMINER BROOKS: Very good. Then at this  
17 time I will call Case Number 14604, application of  
18 Mewbourne Oil Company for a non-standard spacing and  
19 proration unit, unorthodox well location and compulsory  
20 pooling, Eddy County, New Mexico.

21                   Call for appearances.

22                   MR. CARR: Mr. Examiner, William F. Carr  
23 with the Santa Fe office of Holland & Hart appearing for  
24 Mewbourne Oil Company. I have two witnesses.

25                   EXAMINER BROOKS: Very good. Any other

1 appearances in these two cases?

2 Very good. The witnesses should please stand,  
3 identify yourselves, and be sworn.

4 MR. HADEN: My name is Paul Haden.

5 MR. CLESS: Nate Cless.

6 EXAMINER BROOKS: I'm sorry?

7 MR. CLESS: Nate Cless.

8 [Whereupon the witnesses were duly sworn.]

9 EXAMINER BROOKS: You may proceed, Mr. Carr.

10 MR. CARR: Thank you, Mr. Examiner.

11 PAUL HADEN

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

14 DIRECT EXAMINATION

15 BY MR. CARR:

16 Q. Would you state your name for the record, please?

17 A. My name is Paul Haden.

18 Q. Where you do you reside?

19 A. Midland, Texas.

20 Q. By whom are you employed?

21 A. Mewbourne Oil Company.

22 Q. Mr. Haden, what's your position with Mewbourne  
23 Oil Company?

24 A. Senior landman.

25 Q. Have you previously testified before this

1 division?

2 A. Yes, I have.

3 Q. Have you testified before Examiners Jones and  
4 Brooks?

5 A. Yes, I have.

6 Q. At the time of your prior testimony, were your  
7 credentials as an expert petroleum landman accepted and  
8 made a matter of record?

9 A. Yes, they were.

10 Q. Are you familiar with the status of the lands  
11 that are the subject of this application?

12 A. Very familiar.

13 MR. CARR: We tender Mr. Haden as an expert  
14 witness in petroleum land matters.

15 EXAMINER BROOKS: So qualified.

16 Q. (By Mr. Carr) Could you briefly summarize for  
17 the Examiners what it is that Mewbourne seeks with this  
18 application?

19 A. Mewbourne Oil Company seeks an order creating a  
20 non-standard spacing proration unit, approval for an  
21 unorthodox location and compulsory pooling. This is for  
22 Case Number 14603 with the east half of the west half of  
23 Section 6 of 20 South, 29 East, Eddy County, New Mexico  
24 for its Ruger its Federal Com Number 5H well.

25 Q. And the other case?

1           A. The other case, again, approval creating a  
2 non-standard proration unit and unorthodox location, and  
3 approval for compulsory pooling for the west half of the  
4 east half of Section 6, Township 20 South, Range 29  
5 East, Eddy County, New Mexico for our Ruger 6 Federal  
6 Com Number 4H well.

7           Q. Mr. Haden, what we have is we have two adjoining  
8 horizontal well or adjacent horizontal well project  
9 areas?

10          A. Yes, we do.

11                   EXAMINER BROOKS: What was the well name in  
12 03?

13                   MR. HADEN: 03 it's the Ruger 6 Federal Com  
14 Number 5H well. Ruger is spelled R-u-g-e-r.

15                   EXAMINER BROOKS: Okay.

16                   MR. CARR: And then the other case is  
17 the 4H. They're reversed as it relates to the case  
18 numbers.

19          Q. (By Mr. Carr) Mr. Haden, you're also seeking an  
20 unorthodox surface location for both wells?

21          A. Yes, we are.

22          Q. And even though the surface location is  
23 unorthodox, the wellbores will be in the producing  
24 horizontal setbacks for the outer boundary?

25          A. Yes, sir, they will.

1 Q. And you're seeking pooling of all mineral  
2 interests of Bone Spring formation?

3 A. Bone Spring formation, yes.

4 Q. Let's go to what has been marked as Exhibit  
5 Number 1. Will you identify these plats for the  
6 Examiner?

7 A. Exhibit Number 1 in each one of these cases  
8 illustrates the proposed proration unit in yellow. It  
9 also indicates, actually, on the map the lateral for  
10 each one of these wells, opposed lateral.

11 Q. Does Mewbourne own working interest in each of  
12 the oil spacing units that's combined in each of these  
13 horizontal well project areas?

14 A. Yes, sir, we do.

15 Q. Is there a Bone Spring pool in which you're going  
16 to be developing this interval?

17 A. Yes, sir. This will be the Winchester Bone  
18 Spring Pool.

19 Q. Let's go to what has been marked as Mewbourne  
20 Exhibit Number 2. Would you identify this, please?

21 A. Exhibit Number 2 is an ownership of the spacing  
22 unit for each one of these wells. It also shows the  
23 interest owner, whom we are force pooling, which is the  
24 heirs or devisees of Howard C. Warren, owning a .334390  
25 percent working interest, and each one of these proposed

1 proration units.

2 Q. And, Mr. Haden, this exhibit identifies one of  
3 the two cases. But the ownership is identical in both  
4 of the horizontal well project areas?

5 A. Correct.

6 Q. And in both of those the only interest you're  
7 pooling is the interest of Howard C. Warren, which is  
8 .33 percent --

9 A. Correct, yes.

10 Q. -- of the entire project area?

11 A. Right.

12 Q. Are all other interest owners voluntarily  
13 committed?

14 A. Yes, sir. We have signed AFEs and the signed  
15 operating agreement.

16 Q. Could you refer to what has been marked your  
17 Exhibit Number 3. And using this exhibit, review for  
18 the Examiners your efforts to locate and obtain the  
19 voluntary participation of the Warren interest.

20 A. In both of these cases we've attempted to locate  
21 the Warren heirs. We've dealt with this interest owner  
22 in the past in several of our wells, some of which he  
23 was under an operating agreement and he just simply  
24 non-consented well proposals. We've drilled several  
25 wells in adjoining Sections 5 and 4.

1 Q. Have you pooled this interest previously?

2 A. Yes, sir, we have.

3 Q. When did you start working on this particular  
4 prospect?

5 A. We started working on this one in mid December of  
6 last year.

7 Q. Would you just summarize the efforts you've made  
8 to locate this individual. What was the nature of your  
9 search?

10 A. We've tried to locate this individual. We knew  
11 the letters would come back due to previous dealings  
12 with him. We've looked through phone books and in the  
13 area in which we thought he lived in Illinois,  
14 Kenilworth, Illinois, in which he did live there at one  
15 time. We've also checked the Internet trying to locate  
16 him. They checked the public records in Eddy County and  
17 also the federal records.

18 Q. In your opinion, have you made a good faith  
19 effort to locate the holders of the Warren interest?

20 A. Yes, we have.

21 Q. Could you identify what has been marked Mewbourne  
22 Exhibit Number 4?

23 A. Exhibit Number 4 for each one of these cases is  
24 an AFE, which is an estimated well cost for each of  
25 these proposed wells.

1 Q. And are the AFEs identical other than the  
2 designation of the well?

3 A. That's correct.

4 Q. Could you review the totals set forth on this  
5 exhibit?

6 A. Okay. Our estimated total for a dry hole is  
7 \$2,168,100 for each one of these wells. A completed  
8 estimated cost is \$3,774,000 for each one of these  
9 wells.

10 Q. And you have drilled wells in the immediate area?

11 A. Yes, sir. These numbers are in line with what  
12 we've found to be cost.

13 Q. In fact, you've drilled in the adjoining section,  
14 have you not?

15 A. Yes, we have.

16 Q. Have you made an estimate of the overhead of the  
17 administrative costs to be incurred while drilling the  
18 well and also while producing if it is a success?

19 A. Yes, sir.

20 Q. What are those?

21 A. \$6,500 for a drilling well rate and \$650 per  
22 month should it produce. These rates were approved by  
23 the other interest owners who joined in the well and in  
24 their operating agreement dated February 1st, 2011.

25 Q. Do you recommend these figures be incorporated

1 into the order that results from today's hearing?

2 A. Yes, I do.

3 Q. In this joint operating agreement, does it  
4 provide periodic adjustments of the overhead and  
5 administrative costs in accordance with the COPAS form?

6 A. Yes, sir. The COPAS accounting procedure is  
7 attached as Exhibit C to the operating agreement, it so  
8 provides.

9 Q. Your request that the order that was entered in  
10 this case provide for adjustments in accordance with  
11 those COPAS procedures?

12 A. Yes, sir, we do.

13 Q. Does Mewbourne request that a 200 percent risk  
14 charge be assessed against the Warren interest if it  
15 does not voluntarily commit to this well?

16 A. Yes, we do.

17 Q. And Mewbourne seeks to be designated as operator  
18 of the well?

19 A. That's correct.

20 Q. Could you identify Exhibit Numbers 5 and 6?

21 A. Exhibit Numbers 5 and 6 are the notice and the  
22 affidavit.

23 Q. You've testified that we can't find Mr. Warren.  
24 Who have you notified?

25 A. We've notified Yates Petroleum Corporation and

1 also Devon Energy Production Company, LP.

2 Q. And who are they?

3 A. They are offset owners to our proposed spacing  
4 units.

5 Q. Mr. Haden, were Exhibit Numbers 1 through 6  
6 prepared by you or compiled under your direction?

7 A. Yes, they were.

8 MR. CARR: May it please the Examiners, at  
9 this time we move the admission into evidence of  
10 Mewbourne Exhibit Numbers 1 through 6.

11 EXAMINER BROOKS: 1 through 6 are admitted.

12 [Exhibits 1 through 6 admitted.]

13 MR. CARR: That concludes my direct  
14 examination of Mr. Haden.

15 EXAMINER BROOKS: Okay. You're seeking to  
16 pool only the Bone Spring?

17 MR. HADEN: Yes, sir, we are.

18 EXAMINER BROOKS: Now, you spoke about  
19 Mr. Warren and the Warren estate and their previous  
20 address. How did you serve notice on them?

21 MR. HADEN: We could not serve notice on  
22 them.

23 EXAMINER BROOKS: So you did a publication?

24 MR. HADEN: We did a publication?

25 EXAMINER BROOKS: And then which exhibit is

1 that? Is that affidavit of publication in here?

2 MR. HADEN: Well, it's right here. Copy of  
3 the publication.

4 MR. CARR: It's attached, Mr. Examiner, to  
5 each of the affidavits, Exhibit Numbers 5 and 6.

6 EXAMINER BROOKS: So that would be  
7 Exhibit Number 5 here and Exhibit Number 6. And you  
8 have separate affidavits of publication for the two  
9 cases, I see. But each affidavit of publication covers  
10 both the offsets and the pooled parties.

11 MR. HADEN: Yes, sir, they do.

12 EXAMINER BROOKS: Okay. Now, what are the  
13 footage locations of the well? I see you've got surface  
14 hole location here, 150 from the north, 1755 from the  
15 east down in number -- which one are we talking about?

16 MR. HADEN: Okay. Why don't I just go  
17 through these.

18 EXAMINER BROOKS: Okay.

19 MR. HADEN: In Case Number 14603, a surface  
20 location is 150 feet from the north line and 1400 feet  
21 from the west line. And the proposed bottom hole  
22 location is 330 feet from the south line and 1400 feet  
23 from the west line.

24 In Case Number 14604, the surface location is  
25 150 feet from the north line and 1755 feet from the east

1 line.

2 EXAMINER BROOKS: 1755?

3 MR. HADEN: Yes, sir, 1755 from the east  
4 line. And the bottom hole location of 320 feet from the  
5 south line and 2130 feet from the east line.

6 EXAMINER BROOKS: Would you go over the  
7 bottom hole again?

8 MR. HADEN: 330 from the south and 2130 from  
9 the east line.

10 EXAMINER BROOKS: Okay. Now, is the point  
11 of penetration at the top of the Bone Spring, is that  
12 going to be in the vertical hole or is that going to be  
13 after you start your curve?

14 MR. HADEN: I'll have to defer that to  
15 our --

16 MR. CARR: We have a geologist.

17 EXAMINER BROOKS: Okay. We'll get to that.

18 MR. HADEN: Each one of these locations were  
19 approved by the Bureau of Land Management. And part of  
20 the reason for the surface locations was the existence  
21 of Aphia.

22 EXAMINER BROOKS: And also, of course, when  
23 drilling horizontal, you always want to build the curve  
24 before they get into the bay zone so they can get the  
25 maximum distance in there.

1 MR. HADEN: Right. Right. Absolutely.

2 EXAMINER BROOKS: So you're encroaching to  
3 the north, which is in Section 31 of 19 South, 21 East.

4 MR. HADEN: Yes, sir.

5 EXAMINER BROOKS: And who has that lease?

6 MR. HADEN: Mewbourne Oil Company is the  
7 operator for that lease in Section 31.

8 EXAMINER BROOKS: And is the working  
9 interest identical to that in Section 6?

10 MR. HADEN: No, it is not.

11 EXAMINER BROOKS: And is that where Yates --  
12 and what's the other company?

13 MR. HADEN: Actually, Yates is to the south  
14 in Section 7 in the north half.

15 EXAMINER BROOKS: Okay. What is the  
16 ownership in the Section 31?

17 MR. HADEN: It's Mewbourne and its various  
18 partners. I don't have the exact working interest  
19 ownership.

20 EXAMINER BROOKS: But you say it's not  
21 identical to Section 6?

22 MR. HADEN: No, it is not. That Section 31  
23 is operated by Mewbourne Oil Company.

24 EXAMINER BROOKS: Okay. But did you notify  
25 the working interest owners in that section?

1 MR. HADEN: No, sir, we did not. Because we  
2 are the operator.

3 EXAMINER BROOKS: Yeah. Well, that's going  
4 to have to be done. So we're going to have to continue  
5 the case. Under the non-standard location rule you're  
6 required to notify the operator unless the applicant is  
7 the operator, in which case you have to notify working  
8 interest owners. The exception to that, of course, is  
9 that you don't have to notify anybody if the ownership  
10 is identical.

11 MR. HADEN: Okay. I understand.

12 EXAMINER BROOKS: Now, what about the other  
13 offsetting units or the other offsetting units around  
14 there, which that would be the south half or the  
15 southeast quarter, the southwest quarter of 31 and then  
16 the west half of the east half of 6. I see Yates is  
17 drawn on this Exhibit Number 1. They have the north  
18 half of the northwest quarter of Section 7; is that  
19 correct?

20 MR. HADEN: They have the north half of  
21 Section 7. That well is dedicated to the north half.

22 EXAMINER BROOKS: Okay. Yeah, it's shown as  
23 being the north half of the northwest quarter -- oh,  
24 yeah, but they're shown as gabbing another lease there.

25 MR. HADEN: Right.

1 EXAMINER BROOKS: Okay. And the other party  
2 you notified was Devon. And what did they operate?

3 MR. HADEN: They are in the north half of  
4 Section 8. They are a co-operator with us. They  
5 operate the well in the northwest quarter. Mewbourne  
6 Oil Company operates the well in the northeast quarter.

7 EXAMINER BROOKS: Of what section?

8 MR. HADEN: Section 8.

9 EXAMINER BROOKS: Section 8. And that would  
10 be 8 of 29 East?

11 MR. HADEN: 29 East, yes, sir.

12 EXAMINER BROOKS: But that one doesn't  
13 actually adjoin in either of your proposed non-standard  
14 units. Okay. Is the ownership uniform throughout  
15 Section 6?

16 MR. HADEN: Yes.

17 EXAMINER BROOKS: All of Section 6?

18 MR. HADEN: Yes, sir.

19 EXAMINER BROOKS: So I think the only people  
20 you really need to be concerned about are in 31.

21 MR. HADEN: Okay. We will notify those  
22 ones.

23 EXAMINER BROOKS: So both the NSL and the  
24 NSP, you need to notify the working interest owners in  
25 31.

1 MR. HADEN: How long will this be continued?

2 EXAMINER BROOKS: Well, you've got to give  
3 them 20 days notice. So we'd have to continue it for  
4 four weeks. And that would be until March 31st.

5 MR. HADEN: That will be fine.

6 EXAMINER BROOKS: Okay. I believe that's  
7 all I have.

8 MR. CARR: Mr. Examiner, at this time I wish  
9 to call Nate Cless, C-l-e-s-s.

10 EXAMINER BROOKS: You may proceed.

11 NATE CLESS

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

14 DIRECT EXAMINATION

15 BY MR. CARR:

16 Q. Would you state your name for the record, please?

17 A. Nate Cless.

18 Q. Where do you reside?

19 A. Tyler, Texas.

20 Q. By whom are you employed?

21 A. Mewbourne Oil Company.

22 Q. And what is your position with Mewbourne Oil  
23 Company?

24 A. Geologist.

25 Q. Have you previously testified before the Oil --

1 A. No, sir, I have not.

2 Q. You need to wait until I finish so the court  
3 reporter can get it all.

4 Could you briefly summarize for the Examiners  
5 your educational background and your work experience?

6 A. I graduated from Kansas State University in 2007  
7 with a Bachelor of Science in geology. I then graduated  
8 from the University of Oklahoma with a Master's of  
9 Science in geology in 2009. I began interning with  
10 Mewbourne Oil Company in January of 2008, and I became  
11 full time with Mewbourne Oil Company in December of  
12 2009.

13 Q. Mr. Cless, are you familiar with the applications  
14 filed in these cases?

15 A. Yes, sir.

16 Q. Have you prepared a geological study of the area  
17 that's involved in this application?

18 A. Yes, sir, I have.

19 Q. And are you prepared to review that work with the  
20 Examiners?

21 A. Yes, sir.

22 MR. CARR: We enter Mr. Cless as an expert  
23 witness in petroleum geology.

24 EXAMINER BROOKS: So qualified.

25 Q. (By Mr. Carr) You prepared exhibits for

1 presentation here today?

2 A. Yes, sir, I have.

3 Q. Let's go to what has been marked as Mewbourne  
4 Exhibit Number 7. Would you identify that and review it  
5 for the Examiners?

6 A. Exhibit Number 7 is a structure map of what I  
7 call the third Bone Spring Brown Shale Marker. And I'll  
8 show you in a second on my cross section on the next  
9 exhibit what that marker is. But as you can see, the  
10 structure here dips to the southeast. Also on this map  
11 I've identified wells producing in the Bone Spring  
12 formation. They are outlined in yellow. I've also  
13 identified Bone Spring production in this area. So the  
14 wells that produce from the Bone Spring have their cum,  
15 gas cum, oil cum, and water next to the well.

16 Q. What we have is these are really identical pay  
17 structure maps?

18 A. Yes, sir, they are.

19 Q. And you have one for each of the two wells?

20 A. Yes, sir, I do.

21 Q. And it shows the location of the well that's the  
22 subject of each of these cases?

23 A. Yes. The Ruger 600 4H is on the west half of the  
24 east half. And the Ruger 600 5H is on the east half of  
25 the west half.

1 Q. And on each of these exhibits you show a trace  
2 for the cross sections which are the following exhibits?

3 A. Yes, I do.

4 Q. Let's go to what has been marked for  
5 identification as Mewbourne Exhibit Numbers 8 and 9.  
6 Would you identify these and review them for the  
7 Examiners?

8 A. Yes. Mewbourne Exhibit Number 8 is what I've  
9 labeled cross section A to A prime. It goes through the  
10 wells that are adjacent to the proposed Ruger 6 Fed Com  
11 4H. As you can see, these wells are located in 6J and  
12 6H. And our horizontal target is what I call the third  
13 Bone Spring Tan Sand. Again, what I made my structure  
14 map on is just below that tan sand. It's called the  
15 third Bone Spring brown shale marker and it's a pretty  
16 consistent marker throughout this area. So it's a good  
17 structure and it makes a good structure map.

18 As you can see as you look at both of these  
19 wells, it shows that the zone of interest is continuance  
20 throughout the four 40s that this well will go through.

21 Q. These are two vertical wells that produce from  
22 the subject of the horizontal?

23 A. These do not produce from Bone Spring formation.

24 Q. And you have one cross section for each of the  
25 proposed wells?

1 A. Yes.

2 Q. Are they virtually identical?

3 A. They are. The second cross section B to B prime  
4 also shows the third Bone Spring tan sand. And it also  
5 shows that sand is continuous through the four 40s that  
6 the Ruger 6 5H go through.

7 Q. Let's go to what has marked Exhibit Number 10.  
8 Would you identify it first and then review it for the  
9 Examiners?

10 A. Exhibit Number 10 is a Bone Spring production  
11 table. This shows all the wells in this immediate area  
12 that produce from the Bone Spring formation, identify  
13 the name, the operator, their API number, the location  
14 that they're at, and whether they're vertical or  
15 horizontal. It also identifies the date of the Bone  
16 Spring completion and then what interval of the Bone  
17 Spring it is producing from, whether it be the first  
18 sand, the second sand, or the third or the first,  
19 second, or third Bone Spring carbonate.

20 I also identify the production from the Bone  
21 Spring formation, the cum oil, the cum gas, and the  
22 water.

23 Q. Based on this production information, do you have  
24 an opinion as to whether or not each of the quarter  
25 quarter sections combined for these wells project areas

1 will be productive?

2 A. Yes, I do believe that these will be productive.  
3 Immediately due north in Section 31, 310 and 31P, you  
4 can see those two wells both are productive from our  
5 third Bone Springs sand. So I do believe that all four  
6 40s will be productive.

7 Q. Would you refer to Mewbourne Exhibits 11 and 12  
8 and identify those and then briefly review what they  
9 show?

10 A. Mewbourne Exhibits 11 and 12 are the horizontal  
11 drilling plans for each of these wells. Exhibit 11 is  
12 the horizontal drilling plan for the Ruger 6 Fed Com 4H.  
13 If you'll flip to the third page of this exhibit, it's  
14 kind of an overview of everything. It shows the surface  
15 location of 150 from the north, 1755 from the east. It  
16 shows our elevation on the surface location, the landing  
17 point, so basically where our first port will be. It  
18 will be 710 from the north and 1766 from the east. And  
19 then it shows our bottom hole location, which will be  
20 330 from the south and 2130 from the east.

21 And if you do the same thing for Exhibit  
22 Number 12, again, this is for the Ruger 6 Fed Com 5H.  
23 The surface location is 150 from the north, and 1400  
24 from the west. Our landing point is 712 from the north  
25 and 1400 from the west. Our bottom hole is 330 from the

1 south, 1400 from the west.

2 Q. In both cases, even though the surface location  
3 is unorthodox, the producing portion of the wellbore  
4 will be confined to the producing area within that  
5 horizontal project area; is that correct?

6 A. That is correct.

7 Q. In your opinion, will approval of the application  
8 and the drilling of these wells be in the best interest  
9 of conservation and prevention of waste and the  
10 protection of correlative rights?

11 A. Yes, sir.

12 Q. Were Exhibits 7 through 12 prepared by you or  
13 compiled at your direction?

14 A. Yes, sir.

15 MR. CARR: Mr. Examiner, we move the  
16 admission of Mewbourne Exhibits 7 through 12.

17 EXAMINER BROOKS: Exhibits 7 through 12 are  
18 admitted.

19 [Exhibits 7 through 12 admitted.]

20 MR. CARR: That concludes my direct  
21 examination, Mr. Examiner.

22 EXAMINER BROOKS: Do you have the footages  
23 for the points of penetration of the top of the Bone  
24 Spring for each of these wells?

25 MR. CLESS: The top of the Bone Spring will

1 be at 150 from the north. We'll still be in the  
2 vertical part of the well.

3 EXAMINER BROOKS: You're penetrating the  
4 Bone Spring in the vertical part of the well?

5 MR. CLESS: Yes, sir.

6 EXAMINER BROOKS: Mr. Jones?

7 EXAMINER JONES: Well, your target in these  
8 vertical wells, you don't have ultimates here, but it  
9 looks like some of them were kind of older. But your  
10 target sand, did you pick this zone because it's the  
11 best in the vertical wells?

12 MR. CLESS: No, sir. We believe that there  
13 are no third Bone Spring horizontal sands in this  
14 immediate area. However, we have had good mud log show  
15 through this hole. And like I said, it is productive to  
16 the north so we believe that it will be a good  
17 horizontal candidate.

18 EXAMINER JONES: So it's the best mud log  
19 shows of all the Bone Spring?

20 MR. CLESS: I wouldn't say -- maybe in this  
21 immediate area.

22 EXAMINER JONES: Okay. So just depending on  
23 what area you're at --

24 MR. CLESS: Yes, sir.

25 EXAMINER JONES: -- you have to narrow it

1 down.

2 MR. CLESS: Yes, sir.

3 EXAMINER JONES: And is the sand easier to  
4 drill in -- well, it's all sand; is that right?

5 MR. CLESS: Yes. And it's just a matter of  
6 what we thought was the best looking sand.

7 EXAMINER JONES: Okay. The pool is the  
8 Winchester Bone Spring?

9 MR. CLESS: Yes, sir.

10 EXAMINER JONES: And the top and bottom pool  
11 would be the top and bottom of the bone spring?

12 MR. CLESS: Yes, sir. I believe so.

13 EXAMINER JONES: That's it.

14 EXAMINER BROOKS: Very good. If there's  
15 nothing further then Case Numbers 14603 and 14604 will  
16 be continued until March 31 for purposes of notice.

17 [Cases 14603 and 14604 were continued at 8:48 AM.]

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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. 14603/14604  
heard by me on 3-3-11  
David K. [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.

Lisa R. Reinicke,  
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Ex count: