

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

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

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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
500 Fourth Street, NW, Suite 105
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For the Applicant Mewbourne Oil Company:

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By: William F. Carr

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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, 31O 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. Booth, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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3 I, Lisa Reinicke, New Mexico Provisional Reporter,
4 License #P-405, working under the direction and direct
5 supervision of Paul Baca, New Mexico CCR License #112,
6 Official Court Reporter for the US District Court,
7 District of New Mexico, do hereby certify that I
8 reported the foregoing proceedings in stenographic
9 shorthand and that the foregoing pages are a true and
10 correct transcript of those proceedings and was reduced
11 to printed form under my direct supervision.

12 I FURTHER CERTIFY that I am neither employed by nor
13 related to any of the parties or attorneys in this case
14 and that I have no interest whatsoever in the final
15 disposition of this case in any court.

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Lisa R. Reinicke,
Provisional License P-405
License expires: 8/21/2011

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22 Ex count:

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