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2	EXHIBIT						ADMITT	ED	
3	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	1	12		
4	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	2	12		
5	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	3	12		
6	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	4	12		
7	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	5	12		
8	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	6	12		
9	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	7	12		
10	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	8	21		
11	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	9	21		
12	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	10	21		
13	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	11	21		
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15	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	1	12		
16	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	2	12		
17	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	3	12		
18	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	4	12		
19	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	5	12		
20	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	6	12		
21	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	7	12		
22	APPLICANT	MEWBOURNE	OIL	COMPANY	EXHIBIT	А	21		
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- 1 (Time noted 9:45 a.m.)
- MR. BRUCE: My witnesses are Mr. Mitchell
- 3 and Mr. Cless, and if the record could simply reflect they
- 4 have previously been sworn and qualified.
- 5 THE HEARING EXAMINER: The record shall
- 6 reflect that the witnesses have been previously sworn.
- 7 And we are calling Cases Nos. 15407 and
- 8 15418. Those cases are the Applications of Mewbourne Oil
- 9 Company for a non-standard oil spacing and proration unit
- 10 and compulsory pooling in Eddy County, New Mexico.
- MR. BRUCE: Mr. Examiner, Jim Bruce of
- 12 Santa Fe representing the Applicant.
- Before we begin, these cases involve
- 14 adjoining well units and it is the same interests being
- 15 force pooled. The Geology is the same. And then later
- 16 there are two case cases 15419 and 15420 that are
- immediately adjacent to them, so what I intend to do is,
- 18 especially with the geology, is just present Mr. Cless
- once to do a full run through, and I'll have him available
- 20 in the other cases in case something comes up and that you
- 21 want to ask Mr. Cless. But try to handle four cases with
- 22 one geologic presentation.
- 23 THE HEARING EXAMINER: That sounds like a
- 24 plan.
- 25 COREY MITCHELL,

- 1 having been duly sworn, testified as follows:
- 2 EXAMINATION
- 3 BY MR. BRUCE:
- 4 Q. Please state your name for the record.
- 5 A. Corey Mitchell.
- 6 Q. Mr. Mitchell, could you identify Exhibit 1 and
- 7 describe the well unit being pooled and the formation
- 8 being pooled.
- 9 A. Our Exhibit 1 is a Midland Map Company land
- 10 plat. It's Township 18 South, Range 29 East, Eddy County.
- 11 And we're -- I guess the unit is highlighted in Section
- 12 31.
- Do we need to settle all of the wells or focus
- 14 on one?
- 15 Q. For now just focus on this well.
- 16 A. It's the south half of the south half of Section
- 17 31. The unit is highlighted and we've marked our planned
- 18 well.
- 19 O. And what is the name of the well?
- 20 A. It will be the Pavo Macho "31" B2MP Federal No.
- 21 1H.
- Q. And what formation is being pooled?
- 23 A. The Bone Spring formation.
- Q. Who -- identify Exhibit 2 and describe who is
- 25 being pooled in the well unit.

- 1 A. Exhibit 2 is our tract ownership that sets out
- 2 the ownerhip of this well. The parties being pooled are
- 3 noted with an asterisk. In this particular case it is
- 4 owned by Southwest Royalties, Inc.
- 5 Q. Okay. Could you identify Exhibit 3 and describe
- 6 your effort to obtain the voluntary joinder of Southwest
- 7 Royalties in the well unit.
- 8 A. Exhibit 3 is a summary of our communications
- 9 along with copies of the respective documentation. We
- 10 have made a proposal to Southwest, as well as proposed the
- 11 well to them. We have exchanged emails and talked to
- 12 them, and basically this area is -- they are not active in
- 13 this area, and it's low priority for them, and so we have
- 14 been unable to get any movement out of Southwest.
- Okay. No term assignment or offer or anything?
- 16 A. Correct.
- 17 Q. In your opinion, has Mewbourne made a good faith
- 18 effort to obtain voluntary joinder of Southwest Royalties
- 19 in this well?
- A. We have.
- Q. Would you identify Exhibit 4 and the amounts
- 22 contained for the proposed well.
- 23 A. Exhibit 4 is the AFE which sets out the
- 24 estimated cost for drilling this well. We have the drill
- 25 hole cost at \$1,989,400 and completed cost of \$4,614,600.

- 1 Q. Are those costs fair and reasonable and in line
- 2 with the costs of other well drills to this depth by
- 3 Mewbourne in this area?
- 4 A. Yes, sir.
- 5 Q. What overhead rates do you request?
- A. We are requesting 7,500 a month for drilling and
- 7 then \$750 a month for producing.
- 8 O. Are those the rates that are set forth in your
- 9 agreement with the other working interests in this well?
- 10 A. Yes, sir.
- 11 Q. Do you request -- and are those, in your
- 12 opinion, fair and reasonable rates for wells of this
- 13 depth?
- 14 A. Yes, sir.
- 15 Q. Do you request a 200 percent risk charge in the
- 16 event Southwest Royalties was non-consenting in this well?
- 17 A. Yes, sir.
- 18 Q. Do you request the overhead rates are adjusted
- 19 periodically, as provided by the COPAS accounting
- 20 procedure?
- 21 A. Yes, sir.
- Q. Was Notice of this application given to
- 23 Southwest Royalties?
- A. Yes, sir, it was.
- Q. And is that reflected in Exhibit 5, my Affidavit

- 1 of Notice?
- 2 A. It is.
- 3 Q. Is Exhibit 6 -- and I hope I put it in here.
- 4 Does Exhibit 6 --
- 5 THE HEARING EXAMINER: I've got it.
- 6 MR. BRUCE: Okay. It's missing from mine.
- 7 Q. Does Exhibit 6 list the offset operators to the
- 8 proposed well unit?
- 9 A. Yes, sir.
- 10 Q. Was Notice given to all of these parties?
- 11 A. Yes, sir.
- 12 Q. Is that reflected in Exhibit 7?
- 13 A. It is.
- 14 Q. In your opinion, is the granting of the
- 15 application in Case 15407 in the interests of conservation
- 16 and the prevention of waste?
- 17 A. It is.
- 18 Q. And were Exhibits 1 through 7 prepared by you or
- 19 compiled from company business records?
- 20 A. Yes, sir.
- Q. In case 15418, Mr. Mitchell, can you identify
- 22 Exhibit 1 and describe the well unit and the name of the
- 23 well.
- 24 A. Exhibit 1 is a Midland Map Company land plat
- 25 which shows Section 31, Township 18 South, Range 29 East.

- 1 This particular well is Pavo Macho "31" B2LI Federal Com
- 2 No. 1H. It's spacing unit is the north half of the south
- 3 half of Section 31.
- 4 Q. And is the Bone Spring formation being pooled in
- 5 this case?
- 6 A. Yes, sir.
- 7 Q. Who is being pooled? And I refer you to
- 8 Exhibit 2.
- 9 A. Exhibit 2 is our tract ownership, and it's
- 10 Southwest Royalties, Inc., is being pooled.
- 11 Q. And does Exhibit 3 contain a summary of your
- 12 communications with Southwest, as well as copies of the
- 13 correspondence between the parties?
- 14 A. Yes, sir.
- 15 Q. And again, like in the other hearing, have you
- 16 been able to get any response from Southwest Royalties?
- 17 A. No, sir, we have not.
- 18 Q. In your opinion, has Mewbourne made a good faith
- 19 effort to obtain the voluntary joinder of Southwest in
- 20 this well?
- 21 A. Yes, sir.
- O. What is Exhibit 4?
- 23 A. Exhibit 4 is an AFE for this well, which sets
- out our estimated cost. Again you have \$1,989,400 as a
- 25 dry hole cost, and \$4,614,600 as completed cost

- 1 Q. And again are these costs fair and reasonable
- 2 for wells of this depth in this area?
- 3 A. Yes, sir, they are.
- 4 Q. What overhead rates do you request in this case?
- 5 A. \$7,500 a month for drilling and \$750 a month for
- 6 producing.
- 7 Q. And again, are those amounts reasonable for
- 8 wells of this depth in this area of New Mexico?
- 9 A. Yes, sir.
- 10 Q. And do you request that the overhead rates be
- 11 periodically adjusted under the COPAS accounting
- 12 procedure?
- 13 A. Yes, sir.
- Q. And do you request a cost plus 200 percent risk
- 15 charge in the event Southwest goes non-consent in the
- 16 well?
- 17 A. Yes, sir.
- 18 O. And does Exhibit 5 reflect that Notice of this
- 19 hearing was given to Southwest Royalties?
- 20 A. It does.
- Q. And does Exhibit 6 list the offset operators to
- 22 the well unit?
- 23 A. It does.
- Q. And does Exhibit 7 reflect all of the offsets
- 25 received Notice of this hearing?

- 1 A. Yes, sir, it does.
- Q. Were Exhibits 1 through 7 prepared by you or
- 3 under your supervision, or compiled from company business
- 4 records in Case 15418?
- 5 A. Yes, sir.
- 6 MR. BRUCE: Mr. Examiner, I moved admission
- 7 of Exhibits 1 through 7 in both Case 15407 and 15418.
- THE HEARING EXAMINER: Exhibits 1 through 7
- 9 in Cases 15407 and 15418 are admitted.
- MR. BRUCE: And I have no further questions
- 11 of the witness.
- 12 THE HEARING EXAMINER: Okay.
- 13 EXAMINATION
- 14 BY THE HEARING EXAMINER:
- 15 Q. So this is a bit irregular, this Section 31.
- 16 It's all federal land?
- 17 A. Yes, sir. It consists of lots.
- Q. So you've got some lots in it. So your spacing
- 19 units in these wells are a little smaller than 160, looks
- 20 like.
- 21 A. Yes, sir.
- Q. Southwest Royalties seems to operate -- I mean,
- 23 they were one of your offset operators that you Noticed,
- 24 also, so -- but they are -- I guess they just decided they
- 25 are not doing anything right now?

- 1 A. Right. They operate some deeper formations.
- 2 Q. Oh, okay.
- 3 A. And, yeah, they are just not -- I guess -- they
- 4 are older wells they have, so they are not currently
- 5 active in this area.
- We did talk with them and it's just low
- 7 priority for them at this point in time.
- 8 Q. But if you did get the compulsory pooling, they
- 9 will be living with a 1/8 royalty -- well, no, they are
- 10 owners. They are 57 percent owners, so they are the major
- 11 owner of this well.
- 12 A. Uh-huh.
- Q. But you'll have to carry them, then?
- 14 A. Yes, sir.
- 15 Q. Okay. These locations on the AFEs, are they --
- 16 this is going to be federally permitted and I don't see
- 17 APIs for these two wells yet.
- 18 A. Yeah.
- 19 Q. Do you think they are going to move these well
- 20 locations?
- 21 A. No. We have had them staked and approved by the
- 22 BLM. And so we filed our permit or APD; we just haven't
- 23 received it back yet. But we feel pretty comfortable
- 24 those locations will stay the same.
- Q. Okay. I guess the location will be standard.

- 1 A. Yes, sir.
- Q. But I guess it's a little cleaner if we just
- 3 mention that they are going to be standard and they are
- 4 going to begin in one unit letter and end in another unit
- 5 letter.
- But I have my instructions on that, so...
- I think I needed to ask you about those
- 8 wells.
- And the measured depth is about 7650 feet.
- 10 Okay. Thanks a lot.
- 11 NATE CLESS,
- having been duly sworn, testified as follows:
- 13 EXAMINATION
- 14 BY MR. BRUCE:
- 15 Q. Could you please state your name for the record.
- 16 A. Nate Cless.
- 17 Q. Mr. Cless, can you identify Exhibit 8 and
- 18 discuss its content for the examiner.
- 19 A. Exhibit 8 is an Isopach/Structure map as well as
- 20 a Net Isopach Lower 2nd Bone Spring Sand, and a Structure
- 21 Base of 2nd Bond Spring Sand intervals. On this map the
- 22 yellow acreage is the acreage we are talking about here,
- 23 for these two particular cases. It's the south half of
- 24 Section 31.
- 25 I've also identified where these locations

- 1 are. They are identified by the red arrows of these
- 2 horizontal wells, identifying the location of these
- 3 horizontal wells. I've also identified the Bone Spring
- 4 producers in this area.
- 5 The Bone Spring formation consists of many
- 6 different producing members. For these horizontal wells
- 7 we target the 2nd Bone Spring Sand producers so the wells
- 8 we have highlighted with the yellow circles are 2nd Bone
- 9 Spring Sand producers.
- There's also pretty good 2nd Bone Spring
- 11 standard production in this area. There's also horizontal
- 12 Bone Spring Sand wells. One of those wells was drilled
- down in the south half of the south half of Section 5,
- 14 which Mewbourne drilled, and it is a good well.
- 15 O. Now, in looking at this, the south half/south
- 16 half 31 well is involved in case 15407, correct?
- 17 A. Correct.
- 18 O. The north half south half well is Case 15418.
- Then you have two other wells. Are those
- 20 wells in cases that we will present in a little while,
- 21 15419 and 15420?
- 22 A. Correct.
- Q. Is the geology you are presenting in Case 15407
- 24 identical to the geology which would be present in all the
- 25 subsequent three cases?

- 1 A. Yes, it is. And I made a cross section which
- 2 covers all the offset wells in this area to show the
- 3 geology for this area.
- 4 Q. Why don't you move to the cross section and
- 5 discuss its content.
- A. So this Exhibit 9, I believe, is a five-well
- 7 cross section running from the west to the east. It's a
- 8 stratographic cross section hung together by the 2nd Bone
- 9 Spring Sand formation, and this cross section comprises
- 10 just the 2nd Bone Spring Sands. We kind of divided it
- into the Upper 2nd Bone Spring Sand and the Lower 2nd Bone
- 12 Spring Sand interval. In this area we are talking about,
- 13 the Lower 2nd Bone Spring Sand interval site is more
- 14 consistent. The gross interval through the lower part of
- 15 the 2nd Bone Spring Sand is about 100 feet with good
- 16 porosity ranging from 12 to 14 percent pretty consistently
- 17 through this area. We can see on the right-hand side I
- 18 have identified the horizontal target with a red arrow.
- 19 This is also the shale where we have drilled our well in
- 20 Section 5, has been the lower part of the 2nd Bone Spring
- 21 Sand formation
- Q. Based on Exhibits 8 and 9 will each quarter
- 23 section in the well unit contribute more or less equally
- 24 to production, in your opinion?
- 25 A. I believe so.

- 1 Q. Could you discuss why these are Laydown wells
- 2 rather than Standup wells.
- 3 A. Yes. We have drilled -- we drilled on the south
- 4 half/south half Section 5 as a Laydown well. The only
- 5 other horizontal well in this area is a little half-mile
- 6 well that Cimarex drilled in the west half of the
- 7 southwest of Section 32.
- 8 O. Just to the east of these wells?
- 9 A. That's correct. And it's a -- it's a
- 10 north/south well, a Standup horizontal well, and the
- 11 production between that well and our well in Section 5 is
- 12 dramatically different. We made a much better, much more
- 13 economic well by doing this Laydown.
- Q. And because of the existing Cimarex well in the
- 15 west half of the southwest quarter of Section 32, is that
- 16 at least one of the reasons you are not drilling these two
- 17 wells with longer laterals?
- 18 A. That's correct.
- 19 Q. Could you identify Exhibit 10 for the examiner.
- 20 A. Exhibit 10 is a Production Data Table of just
- 21 the horizontal wells in this area. So the first well that
- 22 I have on there is the Cimarex well that I was just
- 23 talking about. It's a half mile -- it's a half-mile
- 24 horizontal well. It was drilled back in 2012, and it's a
- 25 north/south well, and it's cum'd 16,000 barrels of oil,

- 1 11,000 barrels of water.
- The second well on there, the Gobbler 5
- 3 82PM State 1H was drilled by Mewbourne, completed earlier
- 4 this year in April of 2015, and it has made 150,000
- 5 barrels of oil in those few months.
- 6 So you can see there's a dramatic
- 7 difference between the Laydowns versus Standup.
- 8 We've got quite a bit more acreage further
- 9 south here, and we have drilled pretty much all Laydown
- 10 horizontals.
- 11 Q. So the Gobler 5 well produced 150,000 in roughly
- 12 seven months or so?
- 13 A. Correct.
- Q. Finally, what is Exhibit 11?
- 15 A. Exhibit 11 is the horizontal well plan for the
- south half/south half well, which is the Macho 31 B2MP,
- 17 shows our service location as 450 from the south, 215 from
- 18 the west, and the bottom hole location is 445 from south,
- 19 330 from east.
- 20 So we will be -- where our perforations
- 21 will be, they will be at a legal location. We will at a
- vertical depth of approximately 76- to 7700 feet, and then
- our total measured depth will be at about 11,900 feet.
- Q. And how many completion stages?
- A. Here we'll again run a plug-and-perf-type

- 1 completion, and in these sand wells we typically run 15 to
- 2 20 completion stages.
- 3 Q. And does the testimony in Case 15407 apply to
- 4 Case 15418, as well?
- 5 A. Yes, it does.
- 6 Q. In looking at 15418, the only other exhibit that
- 7 would be different would be what I have marked as
- 8 Exhibit A. What is exhibit A in Case 15418?
- 9 A. It's just -- Exhibit A is the Horizontal Well 31
- 10 B2LI Fed 1H. And surface location 1980 feet from south
- and 185 from west, and a bottom hole location of 1650 from
- 12 south, 330 from the east of Section 31. And again both
- 13 were -- our entire completion interval will be a legal
- 14 location
- 15 Q. Okay. What is the name of this well again?
- 16 B2?
- 17 A. The B2LI.
- 18 Q. So the first page contains the correct surface
- 19 and bottom hole locations?
- 20 A. Correct.
- MR. BRUCE: I would note, Mr. Examiner, I
- 22 was looking at page 2 of Exhibit A, and I was a little
- 23 confused. Those are --
- 24 THE WITNESS: Those are for a different
- 25 well.

- 1 Q. (BY MR. BRUCE) Those footages are for a
- 2 different well?
- 3 A. The horizontal plan that is on there is the
- 4 correct plan.
- 5 Q. It's just a wrong well name?
- 6 A. That's right.
- 7 Q. Not well name.
- 8 A. But the location on page 2.
- 9 MR. BRUCE: So page 1 contains the correct
- 10 location.
- 11 THE HEARING EXAMINER: Okay. Thanks for
- 12 telling me that.
- Q. (BY MR. BRUCE) Mr. Cless, did you prepare
- exhibits, or compile from company business records
- 15 Exhibits 8 through 11 in Case 15407?
- 16 A. I did.
- 17 Q. And was Exhibit A in case 15418 compiled from
- 18 company business records?
- 19 A. Yes, it was.
- 20 Q. In your opinion is the granting of these two
- 21 applications in the interest of conservation and the
- 22 prevention of waste?
- 23 A. Yes.
- MR. BRUCE: Mr. Examiner, I'd move the
- 25 admission of Exhibits 8 through 11 in case 15407, and

- 1 Exhibit A in Case 15418.
- THE HEARING EXAMINER: Exhibits 8 through
- 3 11 in case No. 15407 are admitted, and in Case 15418,
- 4 Exhibit No. A is admitted.
- 5 MR. BRUCE: And I have no further questions
- 6 of the witness.
- 7 EXAMINATION
- 8 BY THE HEARING EXAMINER:
- 9 Q. So why is it such a dramatic -- why is it so
- 10 much better in drilling the Laydown wells versus Standup?
- 11 A. A lot of it has to do with the frac orientation.
- 12 We have done some -- in the Township further south we have
- done some microseismic which shows pretty much north/south
- 14 frac orientations.
- Also, we have put -- this Cimarex well
- 16 again, it was really under a half-mile lateral and was a
- 17 smaller fracking. As we have evolved in the industry,
- 18 we've kind of honed in on the better fracking
- 19 bore-completion styles, and a Laydown significantly helps.
- Q. Okay. So this stress business really works,
- 21 really matters.
- 22 A. Yes, it really does.
- Q. How long does it take to frac these 20 stages?
- A. Probably at least three or four days.
- 25 Q. Three or four days?

- 1 A. We got a crew out there that runs 24/7, so for a
- 2 15-stage frac, probably three days. Usually do about five
- 3 stages a day
- 4 Q. These wells that you're going to drill to the
- 5 north that are going to go two miles, is it going to be
- 6 40-stage fracking?
- 7 A. It will be pretty much double, yeah.
- 8 Q. Wow. So hopefully you have it sent in to your
- 9 house while you're --
- 10 A. That's right.
- 11 Q. Instead of having to be out there all that time.
- 12 And the reasoning for -- what is the
- 13 reasoning for drilling the two mile/the one mile? Is this
- 14 just a trial situation?
- 15 A. We've drilled -- further to the south we've
- 16 drilled some mile-and-a-half and two-mile laterals and
- 17 just seen better success, economically better success with
- 18 the longer laterals. It's more cost efficient to drill
- 19 the vertical portion just once, and we still see
- 20 significant reserves by doing the increased lateral.
- So where we can and where we have the
- 22 acreage, we try to do the longer laterals.
- Q. Okay. I had read something in North Dakota that
- 24 said that there was a little bit of a decrease in the
- 25 efficiency of the longer ones versus shorter ones.

- 1 A. And I think there is a certain point. We
- 2 haven't gone farther than two miles, but we have seen --
- 3 we've seen it's worth -- the two-mile laterals seem like
- 4 they are worth the cost. The increased up-front cost, you
- 5 still get the same results had you gone and drilled two
- 6 separate one-mile laterals.
- 7 Q. What kind of casings design would you do for
- 8 these?
- 9 A. We run a 4 1/2 half inch string all the way down
- 10 through the DSD (phonetic) and a little thicker swale
- 11 design in the vertical part, but then also separate the 4
- 12 1/2-inch casing.
- 13 Q. So a 4 1/2 liner?
- 14 A. Uh-huh.
- 15 Q. In the intermediate set through the curve, or is
- 16 it set on the final production?
- 17 A. We will usually set it in the vertical portion.
- 18 Usually before we kick off to build our curve we set the
- 19 intermediate.
- Q. Okay. Okay. Well, and then as far as watching
- 21 this while it's being drilled, this is a major investment
- 22 that Mewbourne is making out here. Are you going to watch
- 23 all these wells --
- A. We will, yeah.
- 25 Q. -- being drilled?

- So you'll be watching -- you'll be getting
- 2 mud logger reports?
- 3 A. We have the mud loggers that come on at a pretty
- 4 shallow vertical depth, and then we also have MWD tools
- 5 that will give us real time gamma ray. So that would also
- 6 help us stay in zone.
- 7 Q. And so just a gamma ray not really anything --
- 8 A. Yeah, that's all -- when we first started
- 9 drilling horizontals we ran a few other tools, but as we
- 10 have gotten more comfortable with them we try to cut costs
- 11 wherever we can, and so we found gamma is really all we
- 12 need to stay in zone and know where we're at.
- Q. Okay. So once you pull that bit out, no logging
- 14 of that well?
- 15 A. On these federal wells I believe we will log the
- 16 vertical portion with a cased hole log, but we won't log
- 17 the horizontals, won't do open hole logs. We don't do
- 18 them very often. You can see there is quite a bit of
- 19 vertical control around here. We feel comfortable to
- 20 knife into the hole where we are at.
- 21 Q. Okay. The general location, in the other case
- 22 we were talking about, Cholo (phonetic), how close it is
- 23 to Eddy County. Is this a similar deal?
- A. We are in Eddy County here. We are kind of in
- 25 the northern part. This is 29 so we're getting to --

- 1 really closer to the shelf edge on the northern part of
- 2 the Delaware Basin. If we were to move a Township to the
- 3 north really you'd have your Bone Spring Sand would start
- 4 to pinch out up against the shelf edge.
- 5 Q. You know, I had this written as Lea County. I
- 6 guess I forgot to change that. It helps if I have the
- 7 right county. Just makes it a little less embarassing.
- Okay. Well, do you confer with any of your
- 9 other professionals and other companies around here --
- 10 like Southwest Royalties has the big interest out here.
- 11 A. We will certainly do that. We keep track of
- 12 what everybody is doing, especially the horizontal
- 13 activity, and, you know, we talk with -- EOG has a big
- 14 acreage position just to the northeast of us up here, so
- 15 we follow what they are doing, and other operators in the
- 16 Conejo (phonetic). Devon are in the area. So we have
- good communications with all those guys. We definitely
- 18 try to learn from each other.
- 19 Q. Okay. So all these wells will be standard, even
- 20 though two miles?
- 21 A. That's correct.
- Q. And the AFE for the two-mile ones, is that going
- 23 to be about twice?
- A. It shouldn't be about twice. I don't have it in
- 25 front of me. I think our landman will have it for the

	Page 25
1	next case, but it won't be twice as much. It will be more
2	but not twice as much.
3	THE HEARING EXAMINER: Okay. Okay. Thank
4	you very much.
5	THE WITNESS: Thank you.
6	(Time noted 10:10 a.m.)
7	
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9	
10	
11	
12	
13	whereby certify that the foregoing is sample report of the proceedings in
14	the fix a charge the crips of Case 140.
15	hes. a by as , Examiner
16	OW Conservation Division
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	Page 26					
1	STATE OF NEW MEXICO)					
2) SS.					
3						
4	COUNTY OF TAOS)					
5						
6	REPORTER'S CERTIFICATE					
7	I, MARY THERESE MACFARLANE, New Mexico					
8	Reporter CCR No. 122, DO HEREBY CERTIFY that on Thursday,					
9	August 17, 2015, the proceedings in the above-captioned					
10	matter were taken before me, that I did report in					
11	stenographic shorthand the proceedings set forth herein,					
12	and the foreoing pages are a true and correct					
13	transcription to the best of my ability and control.					
14	I FURTHER CERTIFY that I am neither employed by					
15	nor related to nor contracted with (unless excepted by the					
16	rules) any of the parties or attorneys in this case, and					
17	that I have no interest whatsoever in the final					
18	disposition of this case in any court.					
19	200 and 20					
20	MARY THERESE MACFARLANE, CCR					
21	NM Certified Court Reporter No. 122 License Expires: 12/31/2016					
22	Elective Explication 12/31/2010					
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