

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

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

7 APPLICATION OF MEWBOURNE OIL CASE NO. 15681
8 COMPANY FOR A NONSTANDARD PROJECT
9 AREA AND AN UNORTHODOX GAS WELL
10 LOCATION, EDDY COUNTY, NEW MEXICO.

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 April 27, 2017

14 Santa Fe, New Mexico

15 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
16 DAVID K. BROOKS, LEGAL EXAMINER

17 This matter came on for hearing before the
18 New Mexico Oil Conservation Division, William V. Jones,
19 Chief Examiner, and David K. Brooks, Legal Examiner, on
20 Thursday, April 27, 2017, at the New Mexico Energy,
21 Minerals and Natural Resources Department, Wendell Chino
22 Building, 1220 South St. Francis Drive, Porter Hall,
23 Room 102, Santa Fe, New Mexico.

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

1 APPEARANCES
 2 FOR APPLICANT MEWBOURNE OIL COMPANY:
 3 JAMES G. BRUCE, ESQ.
 4 Post Office Box 1056
 5 Santa Fe, New Mexico 87504
 6 (505) 982-2043
 7 jamesbruc@aol.com

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1 (10:11 a.m.)

2 EXAMINER JONES: We have two Mewbourne
3 cases. Everybody ready to go on those?

4 Call the first one, Case Number 15681,
5 application of Mewbourne Oil Company for a nonstandard
6 project area and an unorthodox gas well location, Eddy
7 County, New Mexico.

8 Call for appearances.

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

12 EXAMINER JONES: Any other appearances?
13 Will the court reporter please swear in the
14 witnesses?

15 (Mr. Pearson and Mr. Cless sworn.)

16 CLAYTON PEARSON,
17 after having been first duly sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Will you please state your name for the record?

22 A. Clayton Pearson.

23 Q. And where do you reside?

24 A. In Midland, Texas.

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

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

2 Q. And have you previously testified before the
3 Division as a landman?

4 A. I have.

5 Q. And were your -- were you acknowledged to be an
6 expert petroleum landman in those --

7 A. I was.

8 MR. BRUCE: Mr. Examiner, I'd tender
9 Mr. Pearson as an expert petroleum landman.

10 EXAMINER JONES: He is so qualified.

11 Q. (BY MR. BRUCE) Mr. Pearson, could you identify
12 Exhibit 1 for the Examiner and briefly described what
13 Mewbourne seeks in this case?

14 A. Exhibit 1 is a plat showing the proposed
15 project area and wellbore of the Rio Bravo 17/20 W2AP
16 Fed Com #1H well, which is located in Sections 17 and
17 20, in Township 21 South, Range 25 East, Eddy County,
18 New Mexico. Mewbourne Oil Company seeks an unorthodox
19 location and a nonstandard project area comprised of
20 both Sections 17 and 20 containing 1,280 acres.

21 Q. And the project area is south of the Wolfcamp
22 Formation?

23 A. Correct.

24 Q. Which is what the first well will test?

25 A. Correct.

1 Q. And does our next witness have information on
2 development plans and information regarding this?

3 A. He does.

4 Q. Okay. And I believe this is has been placed by
5 the Division in a wildcat Wolfcamp gas pool?

6 A. That is correct.

7 Q. So normally the footages would be 660 feet off
8 of the well unit lineup?

9 A. Correct.

10 Q. You are not seeking pooling. Have all interest
11 owners signed a joint operating agreement?

12 A. Yes. All interest owners have agreed to a
13 joint operating agreement.

14 Q. And what is Exhibit 2?

15 A. Exhibit 2 is a copy of limited pages of the
16 joint operating agreement that all parties have agreed
17 to covering this proposed project area.

18 Q. And have you attempted -- have you contacted or
19 attempted to contact the Bureau of Land Management and
20 the Artesia office regarding this proposal?

21 A. We have.

22 Q. And what has been -- what have they said?

23 A. We have not heard back from the BLM regarding
24 our inquiries. We've left several voice messages but
25 have not heard any response to date. We have heard back

1 from Ray with the OCD, and after his first -- after
2 first learning of this, his initial response was that it
3 sounded okay, but he would look a little further into
4 the issue.

5 Q. And the BLM has received notice of this
6 application; have they not?

7 A. That is correct.

8 Q. And is Exhibit 4 my Affidavit of Notice?

9 A. It is.

10 MR. BRUCE: Mr. Examiner, if you'd look at
11 the Affidavit of Notice, there are a number of offset
12 tracts involved, and they are identified on pages --

13 EXAMINER BROOKS: Which exhibit number is
14 this?

15 MR. BRUCE: Exhibit 4. If you go three
16 pages in, you will see the names of the offsets with the
17 tract numbers listed. If you go a couple more pages
18 back, you'll see the land plat that identifies the
19 tracts. So you can see that notice was given to all
20 parties.

21 There was -- if you turn to the last page
22 of Exhibit 4, you can see there are several parties that
23 we did not receive green cards back from yet.

24 Q. (BY MR. BRUCE) And, Mr. Pearson, on that last
25 page, are those true and accurate addresses for these

1 parties?

2 A. As far as we are aware, yes, those are their
3 correct addresses.

4 Q. And Nadel and Gussman, Crump Energy and Crown
5 Oil all office together with BC Operating?

6 A. That is correct.

7 MR. BRUCE: And I don't know why -- if
8 necessary, we will continue for notice purposes,
9 Mr. Examiner.

10 But marked as Exhibit 5 -- we originally
11 sought administrative approval of this nonstandard
12 project area and were told by Mr. Lowe that we had to go
13 to hearing. And the only reason I'm submitting this
14 administrative-approval letter is that you will see that
15 all of the parties who haven't returned a green card did
16 receive actual notice a couple of months ago by this.
17 There were two companies at the administrative level
18 whose certified notices were returned. So,
19 unfortunately, I only gave publication notice to those
20 two companies, Ocsura and Rio Bravo Resources, but they
21 did sign their green cards.

22 But if we want to continue for notice
23 purposes, that's fine, but I did receive -- everybody
24 does know what's going on here.

25 EXAMINER BROOKS: So you still have these

1 outstanding from these BC people?

2 MR. BRUCE: BC and a couple of other
3 people. And if you'd like to continue for two weeks,
4 I'm kind of guessing we'll get at least an email from
5 them acknowledging receipt.

6 EXAMINER BROOKS: I would think so,
7 although I don't know. Oil companies are unresponsive.

8 MR. BRUCE: Well, at least with the Crump
9 Energy and those, I know someone that I can get ahold of
10 there.

11 EXAMINER BROOKS: Yeah. I know they're
12 still in business.

13 MR. BRUCE: Yeah. Yeah.

14 EXAMINER BROOKS: Okay. Well, I think we
15 probably should continue it or else it might create a
16 hardship.

17 Q. (BY MR. BRUCE) Okay. Mr. Pearson, in your
18 opinion, is the granting of this application in the
19 interest of conservation and the prevention of waste?

20 A. Yes.

21 Q. And were Exhibits 1 through 6 either prepared
22 by you or under your supervision or compiled from
23 company business records?

24 A. They were.

25 MR. BRUCE: Mr. Examiner, I'd move the

1 admission of Exhibits 1 through 6.

2 EXAMINER JONES: Exhibits 1 through 6 are
3 admitted.

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

7 CROSS-EXAMINATION

8 BY EXAMINER JONES:

9 Q. Is there anything prohibiting from you -- I see
10 that the Division might have placed this in the Avalon
11 Wolfcamp pool as one of those old special rules that
12 gave it 320 spacing about the same time 320 spacing came
13 in for everything anyway in the Wolfcamp -- Wolfcamp
14 gas, I understand. So is there -- have you seen anybody
15 in the southeast just lay down the 320s here and
16 dedicate the acreage that way, or has that not been
17 allowed?

18 MR. BRUCE: I think our next witness will
19 talk about that more. It's pretty a wildcat area for a
20 Wolfcamp out here.

21 EXAMINER JONES: Yeah. But I take it
22 nobody -- once you confirm that at the next hearing,
23 nobody is objecting?

24 MR. BRUCE: Nobody -- yeah. When we filed
25 the administrative application, no one objected to that.

1 EXAMINER JONES: To forming the 1280?

2 MR. BRUCE: Correct. Or for the unorthodox
3 location.

4 EXAMINER JONES: Yeah, or for the
5 unorthodox location.

6 Q. (BY EXAMINER JONES) And those are -- let's see.
7 Just on the north and the south is unorthodox, is that
8 correct, because it's less than 660 from the north and
9 660 from the south?

10 A. That's correct.

11 CROSS-EXAMINATION

12 BY EXAMINER BROOKS:

13 Q. How far is it from the east?

14 A. It will be 660 from the east.

15 Q. So it's standard?

16 A. Yes, on the east line.

17 Q. On the east line. It looked really close from
18 glancing at it.

19 A. Yes, sir.

20 Q. I was looking for a figure, and I couldn't find
21 one.

22 EXAMINER JONES: But isn't it -- is it the
23 legal opinion here that there's nothing prohibiting
24 people from standing up -- or laying down a 320 and
25 drilling a well north-south?

1 EXAMINER BROOKS: There is nothing under
2 the present rules that prevents that.

3 EXAMINER JONES: There is nothing under the
4 rules that stops that.

5 Because if you drill a vertical well, you
6 could do a stand-up or a lay-down 320 no matter where
7 that well is.

8 MR. BRUCE: Correct. Correct.

9 EXAMINER BROOKS: The present rules clearly
10 allow it.

11 EXAMINER JONES: But was that proposed in
12 the administrative application, the -- that it was --
13 was it clearly stated that it would be a lay-down 320?

14 MR. BRUCE: No. It was stand-up.

15 EXAMINER JONES: Stand-up.

16 MR. BRUCE: Stand-up two-mile.

17 EXAMINER JONES: The well is stand-up two
18 miles, but, I mean, the spacing units that would be
19 included in the well.

20 MR. BRUCE: Well, it would be north-south
21 well units.

22 EXAMINER BROOKS: So this is a 1280 --
23 1280 --

24 MR. BRUCE: It is a 12- -- well, a 1280
25 project area. I mean, if we were, I guess, just filing

1 a C-102 and I don't -- I don't -- I don't know if we
2 have -- I forgot to copy one for you. But if necessary,
3 the spacing would be 320 or a 640 for the well. But
4 we're seeking an entire project area.

5 EXAMINER JONES: Right. So you're putting
6 together spacing units to make a project area. And I
7 see in the district office actually -- Ray probably put
8 this in as -- yeah. He put this in as an east half --
9 two east halves. So right now that's the way it's
10 entered.

11 MR. BRUCE: That's how it is right now
12 because we don't have the approval for the two-section
13 project area.

14 EXAMINER BROOKS: Okay. So what is the
15 spacing on this?

16 EXAMINER JONES: 320.

17 EXAMINER BROOKS: Is it 320? Yeah. You
18 can do the -- you can do the lay-downs. That's what I
19 was saying. Under the present rules, there is nothing
20 to prevent -- nothing to prevent you doing lay-downs.
21 There are some people in the Division that don't like
22 it, but there is no rule against it. We may change
23 that, new rules, but they don't apply to this one.

24 EXAMINER JONES: But the way it -- the way
25 it stands now, the application is for a 1280 project

1 area consisting of four stand-up spacing units.

2 MR. BRUCE: Correct.

3 EXAMINER BROOKS: Four stand-up? Okay. I
4 thought you said four lay-downs. It's a stand-up well,
5 right.

6 EXAMINER JONES: That's the way they're
7 proposing it here, four stand-ups, 320-acre spacing
8 units, to make it a project --

9 EXAMINER BROOKS: Well, you can't do that
10 because --

11 EXAMINER JONES: Well, but they're going to
12 hearing to do that because nobody objects.

13 EXAMINER BROOKS: Nobody objects. Well, I
14 don't know if the order's going to get signed. I
15 wonder. Because you can do it with -- with lay-down --
16 lay-down 320s.

17 MR. BRUCE: Okay. Once we get -- if we get
18 approval, then, for the project area, we can do that.

19 EXAMINER BROOKS: Yeah. Well, that's --
20 you can do your 1280 spacing unit --

21 MR. BRUCE: Okay.

22 EXAMINER BROOKS: -- but you've got to
23 include three -- you've got to include four --

24 MR. BRUCE: Four well units.

25 EXAMINER BROOKS: -- lay-down 320s, is the

1 only way you can do it.

2 MR. BRUCE: We'll just file a new C-102.

3 EXAMINER BROOKS: There wasn't a provision
4 in the rule, but it must develop all the spacing units.
5 Now, of course, under the -- under the general exception
6 rule, we could grant an exception in a hearing order,
7 but I don't think -- I don't think David would sign it.

8 RECROSS EXAMINATION

9 BY EXAMINER JONES:

10 Q. Are there plans to drill over on the western
11 side?

12 A. We do have later development plans to develop
13 this entire project area. We do have a lot of surface
14 constraints in this area into topography, which the next
15 witness will go into further detail, but there are
16 plans. We'll likely have to utilize pad drilling and
17 multiwell pads to develop the acreage, but we do have
18 further development plans.

19 Q. Pretty create plans.

20 A. Well, I guess it depends. Because this is a
21 wildcat, it depends on the results of this well, but we
22 do have future plans.

23 Q. Okay. Thanks very much.

24 A. Thank you.

25

1 NATE CLESS,
2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Would you please state your name and city of
7 residence for the record?

8 A. Nate Cless. I live in Midland, Texas.

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

10 A. I'm a geologist for Mewbourne Oil Company.

11 Q. And have you previously testified before the
12 Division?

13 A. Yes, sir.

14 Q. Were your credentials as an expert petroleum
15 geologist accepted and made a matter of record?

16 A. Yes, they were.

17 Q. And are you familiar with the geology involved
18 in this case?

19 A. Yes, sir.

20 MR. BRUCE: Mr. Examiner, I'd tender
21 Mr. Cless as an expert petroleum geologist.

22 EXAMINER JONES: He is so qualified.

23 Q. (BY MR. BRUCE) Could you identify Exhibit 7 for
24 the Examiner?

25 A. Yeah. Exhibit 7 is a regional structure map on

1 the top of the Wolfcamp Formation, and then I've also
2 highlighted the Wolfcamp Shale horizontal activity in
3 this area. You can see on the upper left-hand part of
4 the this map, I've outlined our proposed -- our proposed
5 unit in Sections 17 and 20, with our proposed lateral
6 being on the east half-east half of Sections 17 and 20.

7 You can see on the bottom right of this map
8 are the closest horizontal Wolfcamp Shale -- or the
9 closest horizontal Wolfcamp Shale wells. So we're a
10 good 15, 20 miles away from the nearest -- from the
11 nearest Wolfcamp horizontals, and so this is a -- it's a
12 pretty wildcat idea that we're kind of chasing, you
13 know, through here.

14 I've also identified a line of section,
15 which is the two wells that we'll be testing in Sections
16 17 and 20. That'll be my next exhibit.

17 Q. One thing on the northwest corner of this plat,
18 I see a lot of directionally drilled wells. Are there a
19 lot of surface issues out here?

20 A. Yes. Yeah. There is -- there is quite a bit
21 of relief and quite bit of remains and just topography
22 out in this general area, so getting surface locations
23 has been quite difficult.

24 Q. Would you move on to your cross section,
25 please?

1 A. Yes. So this is just -- Exhibit 8 is a
2 two-well cross section of two wells, the only two deep
3 wells in these two sections that we have control, and it
4 goes through the Wolfcamp Formation. It's a north-south
5 cross section. So the first well is going to be closest
6 to our surface location. And the second well located in
7 Section 20, that'll be somewhat near -- we'll pass that
8 well about halfway through the lateral.

9 This cross section covers the Wolfcamp
10 Formation. The top blue line is the top of the
11 Wolfcamp, with the 3rd Bone Spring Sand sitting right on
12 top of it. And then I've just identified what we call
13 the Wolfcamp A, the Wolfcamp B, the Wolfcamp C and the
14 Wolfcamp D.

15 And further down to the southeast, we
16 typically -- we call the Wolfcamp C and the Wolfcamp D
17 our W2 or our Middle Wolfcamp Shale. That's typically
18 where we've landed all our of laterals, further down to
19 the southeast. We've seen, just based off of these
20 logs -- the log characteristics exhibit some similar
21 details that we've seen further to the southeast. So
22 that's kind of why we're chasing this Wolfcamp up in
23 this area. We think it looks productive based off of
24 the logs. And we've had -- we've had numerous -- we've
25 got numerous mud logs in this area where we've seen some

1 pretty good gas shows through this area and a few
2 mud-log shows in the Wolfcamp, so that's kind of why
3 we're chasing this up in here.

4 But you can see that -- that Middle
5 Wolfcamp Shale is really pretty consistent all way the
6 across this interval.

7 Q. But it is definitely a wildcat?

8 A. It is definitely a wildcat.

9 Q. And depending on the results, Mewbourne does
10 have other development plans in these two sections?

11 A. Yes, we do.

12 Q. What is Exhibit 9?

13 A. Exhibit 9 is just a horizontal well plan for
14 this particular well. Our surface location is 190 from
15 the north, 1,225 from the east of Section 17. We will
16 deviate over and land at 330 from the north, 660 from
17 the east, and then we plan to drill straight south to a
18 bottom-hole location of 330 from the south, 660 from the
19 east in Section 20.

20 Q. With respect to the north and south unorthodox
21 beginning and end of the horizontal well, do you
22 anticipate any adverse effect upon offsets?

23 A. No, I don't. This is -- again, what we're
24 seeing further to the southeast -- it's not just us, but
25 most operators are taking these Wolfcamp Shale

1 horizontals to 330 from the lease line. So it's just
2 a -- it's a tight gas play.

3 Q. What is Exhibit 10?

4 A. So Exhibit 10 is a topographic map of this
5 particular area. You can see again I've outlined our
6 proposed 1280 unit. The well that we'll be drilling is
7 the east half-east half of Sections 17 and 20. And then
8 I've just drawn in there six others wells going across.
9 So right now we don't really have a firm grasp on what
10 we're going to get as far as the GOR of this area.

11 You know, about five miles to the northeast
12 of us, there are some Upper Wolfcamp vertical producers
13 which have a very low GOR, at about 1,000. But then
14 five miles to the northwest of us, there is almost dry
15 gas. And so we think we're going to be somewhere in
16 there, but we just don't know. And so right now we're
17 tentatively planning on about six wells across the
18 section, but, you know, that could go up to eight or
19 even more. A lot of operators further to the south are
20 testing as much as 16 wells per section in these
21 Wolfcamp shales. And so there is just a lot of
22 variability right now.

23 Q. And I notice in the northern part of Section
24 17, assuming you do drill up to, say, six wells, you're
25 going to have very limited surface pads?

1 A. That's correct. And, again, we -- we've staked
2 a couple of wells up here, and every well we've tried to
3 stake has been moved for various reasons. You can see
4 on this exhibit, there is a highway. It's Highway 137,
5 I believe. Yeah. State Highway 137 kind of runs from
6 the northeast to the southwest across Section 8 and then
7 down into 18 and just across the northern part --
8 northwest part of Section 17. But that is -- that's
9 considered a scenic highway.

10 Whenever our guys were out there staking
11 with the BLM, they told them that's a scenic highway and
12 this whole area is part of a Visual Resource Management
13 area. So basically they don't want -- they want to be
14 able to see the well -- the wells and the tank batteries
15 from the highway to kind of keep it --

16 Q. It's for the future luxury hotels down there.

17 EXAMINER JONES: I lived there ten years,
18 and I don't remember a scenic highway or any kind of --

19 THE WITNESS: This is just what we were
20 told when they were out there. But basically we had to
21 find places where we could hide our locations. So,
22 again, it made for some -- some difficult stakings. But
23 I guess with that, you know, we'll probably be drilling
24 the majority of these wells off the same pads. And
25 we'll have, I guess, limited areas with our surface

1 facilities, and so we'll probably be having to do some
2 surface commingling of the tank batteries and stuff like
3 that.

4 Q. (BY MR. BRUCE) Having a large project area will
5 facilitate the surface commingling?

6 A. That's correct.

7 Q. And what are Exhibits 11 and 12?

8 A. So Exhibits 11 and 12 -- Exhibit 11 is just a
9 little more detailed topographic map of just Section 17.
10 So you can see the location. That red line indicates
11 the location of our -- of our surface location. But you
12 can see the topography through this area. Basically,
13 the only place in Section 17 where we're able to get a
14 surface location is up on the north half. There is kind
15 of a draw that runs -- that runs kind of
16 northeast-southwest, and then on the other side of that
17 draw, there is a big -- a lot of topography going
18 through there.

19 And so I guess if you were to look back at
20 Exhibit 10, you can see -- you can just see those peaks
21 and valleys coming through here. So if you were to look
22 at Section 20, as far as getting a surface location in
23 there, pretty much the half of Section 20 is off limits.
24 There is a little spot down in the southeast quarter of
25 Section 20, but in order to -- west half of Section 20

1 from the north of Section 17. That's also one of the
2 reasons why we are doing these longer laterals, is just
3 for surface reasons. It's hard to get these surface
4 locations down to -- it's hard to get surface locations
5 in this area in general.

6 And then Exhibit 12 is just a satellite
7 image of these four sections around -- around Section
8 17. So Section 17 is going to be in the -- it's going
9 to be the bottom right section on this map. And, again,
10 you can see the location of our -- of our surface
11 location, and you can kind of see that little draw that
12 runs through about the middle part of that section. And
13 then again you can see where that state highway -- State
14 Highway 137, you can see the location of that on there.

15 Q. In your opinion, is the granting of this
16 application in the interest of conservation and the
17 prevention of waste?

18 A. Yes, sir.

19 Q. And were Exhibits 9 through 12 prepared by you
20 or under your direction?

21 A. Yes, they were.

22 MR. BRUCE: Mr. Examiner, I'd move the --
23 not 9 -- yeah, 8 through 12 -- 7 through 12.

24 THE WITNESS: 7 through 12.

25 EXAMINER JONES: Exhibits 7 through 12 are

1 admitted.

2 (Mewbourne Oil Company Exhibit Numbers 7
3 through 12 are offered and admitted into
4 evidence.)

5 MR. BRUCE: I have no further questions of
6 the witness.

7 EXAMINER BROOKS: I don't think I have any
8 questions for this witness either -- oh, I did have one
9 not really relevant to this case.

10 CROSS-EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. I was surprised at your saying 16 people were
13 drilling 16 wells across a section. Is that what you
14 said?

15 A. Yes, down in -- down in -- a little deeper in
16 the Basin. I believe it's -- I want to say Cimarex.
17 But we've seen their press releases, and we've talked to
18 them. But they're doing pilot programs to test spacing
19 for how densely they can space these wells. And they'll
20 stagger them about 150 feet or so, but it's all within
21 a -- it's all within a 2- or 300-foot zone, I guess,
22 that they're targeting. And so, on average, I would
23 say -- on average, I would say eight wells per section
24 is pretty common, is what a majority of operators are
25 currently looking at. But there are a lot of people who

1 are testing different density and spacing.

2 Q. And this is in the Wolfcamp, right?

3 A. It is in the Wolfcamp.

4 Q. Eight wells per section is probably what you
5 need to efficiently drain this reservoir?

6 A. That's correct. That's correct.

7 Q. What about the Bone Spring? Does it -- from
8 the Bone Spring to the Wolfcamp?

9 A. It is. Your porosity and permeability is a
10 little bit better in the Bone Spring Sand. It's more of
11 a conventional reservoir. And so right now the current
12 thinking is, I would say, four wells per section. Some
13 people are pushing five wells per section. But for the
14 most part, kind of industry standard right now in the
15 Bone Spring is four wells per section.

16 Q. Thank you.

17 CROSS-EXAMINATION

18 BY EXAMINER JONES:

19 Q. So this test well, if it's successful, you
20 could possibly drill all these wells --

21 A. Correct. We could.

22 Q. -- in this -- in this proposed project area?

23 So the well in Section 8, over on the west
24 half-west half --

25 A. Uh-huh.

1 Q. -- is that -- is that your well?

2 A. The well in --

3 Q. In Section 8.

4 A. -- Section 7?

5 Q. I thought there was a well in Section 8.

6 A. There is a horizontal well in Section 7 which
7 is our well. It's a 3rd Bone Spring Sand well that we
8 drilled, and it has a little higher water cut than we
9 anticipated. So that's why -- we initially put this
10 block of acreage together looking at the 3rd Sand. And
11 then we also knew it was the Wolfcamp in through here,
12 so we're now going back and testing the Wolfcamp.

13 Q. Okay. So basically you've got facilities to
14 get your gas handled?

15 A. We do, yes. We have -- but that's another, I
16 guess -- it was -- with the terrain and topography, it
17 was difficult getting pipelines in through here, and so
18 that's why, again, we're trying to consolidate all of
19 our facilities into one location. One surface location
20 is a big benefit.

21 Q. And I noticed there is a big -- that your
22 horizontal target has -- has a pretty decent separation
23 on the resistivity curves. So that would imply
24 permeability, I take it, but hopefully not too much
25 water.

1 A. Right. Right. And I guess if you look at the
2 porosity, the porosity is typically 8 to 10 percent,
3 density porosity in through here, and we see -- and so I
4 guess down further southeast, we see a little bit -- a
5 little bit higher density porosity. And so, again, we
6 just -- we just don't really know exactly what we're
7 going to get up through here.

8 Q. Okay. Thanks very much.

9 EXAMINER JONES: No more witnesses -- I
10 mean, no more in this case?

11 MR. BRUCE: No.

12 EXAMINER JONES: Okay. We've heard this
13 case, and this is Case Number 15681, and we're
14 continuing it for two weeks, to May the 11th. And at
15 that point, maybe we could also be real clear about what
16 spacing units are going to be included --

17 MR. BRUCE: We will work on that.

18 EXAMINER JONES: -- orientation.

19 (Case Number 15681 concludes, 10:40
20 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters

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