

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

ORIGINAL

APPLICATION OF MEWBOURNE OIL COMPANY FOR A
NONSTANDARD PROJECT AREA AND TWO UNORTHODOX WELL
LOCATIONS, EDDY COUNTY, NEW MEXICO.

CASE NO. 15396

OCTOBER 15, 2015
1220 S. St. Francis Drive
Santa Fe, NM 87505

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LEGAL COUNSEL: GABRIEL WADE

APPEARING FOR THE APPLICANT:

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1 (Note: In session at 10:50.)

2 HEARING EXAMINER MCMILLAN: Case No.
3 15396, Application of Mewbourne Oil Company for a
4 Non-standard Project Area and Two Unorthodox Oil
5 Well Locations, Eddy County, New Mexico. Call for
6 appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the applicant. I have three
9 witnesses. The first two, Mr. Pearson and
10 Mr. Cless, have been sworn and qualified but I have
11 one additional witness.

12 HEARING EXAMINER MCMILLAN: Any other
13 appearances?

14 (Note: Witness sworn.)

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

18 EXAMINATION

19 Q. Please state your name for the record?

20 A. Clay Pearson.

21 MR. BRUCE: He was previously sworn and
22 qualified.

23 HEARING EXAMINER MCMILLAN: So qualified.

24 Q. Mr. Pearson, could you identify Exhibit 1
25 and describe the lands we are here for today?

1 A. Exhibit 1 is Midland map plat showing
2 Section 15, Township 18 South, Range 30 East, Eddy
3 County, New Mexico. Highlighted in yellow are 560
4 acres subject to this communitization agreement, and
5 also in red are the wellbores of the two Leo wells
6 we previously drilled.

7 Q. Now, you are seeking approval of this 560
8 non-standard project area, correct?

9 A. That's correct.

10 Q. You are not seeking to force pool anyone?

11 A. That is correct.

12 Q. And this land has been communitized?

13 A. Yes.

14 Q. You will present that later. What type of
15 land is in this section, first of all?

16 A. It is all federally owned minerals and
17 surfaces.

18 Q. Several -- looks like maybe three
19 different leases?

20 A. There are several different federal leases
21 covering this acreage.

22 Q. Now, the west half southwest quarter of
23 Section 15 is also federal land, right?

24 A. Federal unleased land.

25 Q. Even though the Midland map company plat

1 shows EOG Resources. That lease has expired?

2 A. That's correct.

3 Q. Okay. Has Mewbourne requested the BLM to
4 put that 80 acres up for lease sale?

5 A. We have.

6 Q. Is the BLM doing that?

7 A. They have not listed it.

8 Q. So to this point they have refused to
9 lease it?

10 A. Correct.

11 Q. That's why that acreage is not in this
12 project area?

13 A. Correct.

14 Q. What is Exhibit 2?

15 A. Exhibit 2 is a completion report of the
16 Leo 15 B2DH Fed Com No. 1H well, which was started
17 on January 23rd, 2015 and completed on March 26,
18 2015.

19 Q. Let's turn to the plat, the final page of
20 Exhibit 2. Now, there are currently or are planned
21 what, five wells on this project area?

22 A. That's correct.

23 Q. Where is the surface location for all of
24 these wells?

25 A. We were limited to the northwest northwest

1 quarter for all of our surface operations.

2 Q. Is that due to potash reasons?

3 A. Surface stipulations and issues with the
4 surface.

5 Q. So --

6 HEARING EXAMINER MCMILLAN: Potash?

7 THE WITNESS: I believe so. It's also in
8 an environmentally sensitive area for the prairie
9 chickens.

10 MR. BRUCE: The next exhibit, Mr.
11 Examiner, another APD shows it is in the R-111
12 potash area.

13 HEARING EXAMINER MCMILLAN: You have a
14 lease with potash?

15 THE WITNESS: We tried to have it listed,
16 nominated to lease from the BLM but they have not
17 listed it.

18 Q. (By Mr. Bruce) Anyway, this well, the
19 Leo, in Exhibit 2 this well, the final take point is
20 at a slightly unorthodox location?

21 A. That's correct.

22 Q. It's 330 feet from the project area but
23 pretty close to the center section line?

24 A. Correct.

25 Q. And which well is reflected in Exhibit 3?

1 A. Exhibit 3 is the Leò 15 B2DN Fed Com No.
2 1H well.

3 Q. And again, this well has a surface
4 location in the northwest quarter northwest quarter?

5 A. Correct.

6 Q. Looking at the Page 2 of the APD, looking
7 at the C-102, this well is unorthodox again because
8 it's kind of close to the center line of the
9 section, correct?

10 A. Correct.

11 Q. But it also comes close to the federal
12 unleased land?

13 A. Yes.

14 Q. And the BLM has approved all these APDs?

15 A. That is correct.

16 Q. So they are aware that you are slightly
17 encroaching on their unleased land?

18 A. They are aware, yes.

19 Q. And those Exhibits 2 and 3 are the wells
20 that need unorthodox location approval?

21 A. That is correct.

22 Q. And will data be submitted by subsequent
23 witnesses showing all the wells in the project area?

24 A. Correct.

25 Q. What is Exhibit 4?

1 A. Exhibit 4 is copies of communication we
2 have had with the BLM regarding the subject acreage,
3 anything from our approved com agreement that we
4 sent them to discussions asking them to list the
5 unleased 80 acres, and also we mentioned that we
6 would be willing to have a no-surface lease issued
7 if that would help, but they did not agree.

8 Q. Okay. Did the BLM request Mewbourne to
9 communitize this 560 acres?

10 A. They did request that, yes.

11 Q. Did they request this 560 project area?

12 A. They did.

13 LEGAL COUNSEL WADE: May I just ask since
14 we're on this particular exhibit, is there any
15 communication regarding what you just mentioned
16 previously and unleased BLM land? Is there anything
17 reflecting the communication that you might have had
18 with them?

19 THE WITNESS: We had sent a couple of
20 e-mails. I'll try to guide you is to the page.

21 LEGAL COUNSEL WADE: If you could point
22 them out, that would be great.

23 MR. BRUCE: Mr. Examiner, if you go to the
24 last couple pages of Exhibit 4, you can see a
25 letter. Page 2 from the back.

1 LEGAL COUNSEL WADE: You are going to have
2 to describe it to me.

3 MR. BRUCE: Letter dated October 30, 2012
4 from Mewbourne to Schutz Abstract, but he was -- the
5 company -- let me ask a follow-up question.

6 Q. (By Mr. Bruce) Schutz Abstract Company
7 makes abstracts of federal and state records?

8 A. Correct.

9 Q. Do they often nominate lands on behalf of
10 Mewbourne to the BLM for lease sale?

11 A. They do.

12 Q. So that's what the request of this was?

13 A. Yes.

14 Q. Often companies have a third party
15 nominate lands, including me, just so it's unknown
16 who the applicant or who the proposer is?

17 A. That's correct.

18 Q. And --

19 LEGAL COUNSEL WADE: I might be missing
20 something. I don't know that that answers the
21 question that I had. Specifically, I believe, you
22 said that the BLM was aware of the encroachment on
23 to the unleased lands? And --

24 THE WITNESS: Yes, we had a meeting on
25 September 3, 2014 in which we discussed the issues.

1 So I guess we met in person with them and discussed
2 these issues.

3 LEGAL COUNSEL WADE: So you might not have
4 any written communications regarding the unleased
5 lands but you did have a meeting?

6 THE WITNESS: I believe we just have
7 communication from Mewbourne to the BLM asking them
8 if they would consider -- after they denied our
9 initial request to put it up for lease, if they
10 would consider leasing it with a non-surface
11 disturbance issued as well. So I guess to answer
12 your question, no, there's nothing back in writing
13 to us.

14 MR. BRUCE: Nothing in writing but the
15 final page of Exhibit 4 is an e-mail to the BLM
16 requesting again that they put the lands up for
17 sale.

18 Q. But besides the meeting, Mr. Pearson, the
19 BLM approved the APDs for these wells?

20 A. That's correct.

21 Q. And what is Exhibit 5?

22 A. Exhibit 5 is our communication with our
23 working interest parties in this well. They are
24 waivers so they would not object to the larger
25 communitized acreage. Actually, it's a waiver so

1 they are not objecting to the non-standard location
2 for the Leo 15 B2DN, and all parties signed the
3 waiver.

4 Q. And all working interest owners are tied
5 up under a JOA?

6 A. That's correct.

7 Q. Is that reflected in the operating
8 agreement, Exhibit 6?

9 A. Yes. Exhibit 6 is a portion of our JOA
10 covering this acreage where all parties have agreed
11 and signed off.

12 Q. And let me first skip Exhibit 7 for a
13 second but go to Exhibit 8. What is Exhibit 8?

14 A. Exhibit 8 is the approved communitization
15 agreement covering the 560 acres of Section 15.

16 Q. And it's approved by the BLM and it has
17 been executed by all working interest owners in the
18 560 acres; is that correct?

19 A. Correct.

20 Q. What about overrides?

21 A. All overriding royalty interest owners
22 have ratified this com agreement.

23 Q. Is that shown in Exhibit 7?

24 A. Yes.

25 Q. So whether it was the 560-acre project

1 area or unit or any other type of unit, there's no
2 one to -- everybody is committed so there's no one
3 to force pool?

4 A. That's correct.

5 Q. And what is Exhibit 9?

6 A. Exhibit 9 is a list of the parties, offset
7 parties that we have noticed regarding this case.

8 Q. Offset to the project area and to the
9 unorthodox locations?

10 A. Correct.

11 Q. And all of these parties were given
12 written notice; is that correct?

13 A. That's correct.

14 Q. And is that reflected in Exhibit 10?

15 A. Yes.

16 MR. BRUCE: Mr. Wade, the BLM was sent
17 notice of and received actual notice. Once again,
18 Mr. Wade, the final page of Exhibit 10.

19 LEGAL COUNSEL WADE: Going back to
20 overrides, you mentioned they all ratified the com
21 agreement? Were overrides noticed as well?

22 MR. BRUCE: Since everybody has joined up,
23 we didn't notify interest owners within the project
24 area. They are already signed up and committed to
25 it. Everybody received written notice of this --

1 all offsets received written notice of this
2 application. Once again, COG resources did not --
3 their green card has not been delivered back to me.

4 LEGAL COUNSEL WADE: I think just like the
5 last case, we will probably just have to continue
6 it.

7 MR. BRUCE: I might contact somebody in
8 this room about that. But were Exhibits 1 through
9 10 either prepared by you or compiled from the
10 company business records, Mr. Pearson.

11 A. They were.

12 Q. And again, just to summarize, the BLM
13 requested that you propose a 560-acre project area?

14 A. Correct.

15 Q. They requested you to communitize it?

16 A. Yes.

17 Q. And all interest owners in the 560 acres
18 have signed the communitization agreement?

19 A. That is correct.

20 Q. So they will all share equally in
21 production from all wells in the project area?

22 A. Yes.

23 HEARING EXAMINER MCMILLAN: I assume BLM
24 signed?

25 MR. BRUCE: Yes. Exhibit 8, the first

1 page.

2 HEARING EXAMINER MCMILLAN: I'm confused.
3 What were you trying to say in Exhibit 5? I missed
4 that. I apologize. What were you trying to say?

5 THE WITNESS: This is communication with
6 all of the working interest parties in the Leo 15
7 B2DN. We had a 160-acre non-standard location
8 approved for that well and we were just notifying
9 them and getting waivers from them regarding the new
10 non-standard location.

11 MR. BRUCE: Mr. Examiner, I guess the
12 thing is, they wanted their working interest
13 partners to be aware they were encroaching on BLM
14 land.

15 HEARING EXAMINER MCMILLAN: Yeah, I
16 couldn't figure that out.

17 MR. BRUCE: Could I do one thing, Mr.
18 Examiner?

19 HEARING EXAMINER MCMILLAN: Sure.

20 MR. BRUCE: Move the introduction of
21 Exhibits 1 through 10.

22 HEARING EXAMINER MCMILLAN: Exhibits 1
23 through 10 may now be accepted as part of the
24 record.

25 (Note: Exhibits 1 through 10 admitted.)

1 HEARING EXAMINER MCMILLAN: Okay. I need
2 this point clarified. There were surface
3 restrictions, right?

4 THE WITNESS: Correct.

5 HEARING EXAMINER MCMILLAN: That's
6 essentially how the surface location was determined,
7 right?

8 THE WITNESS: Correct.

9 HEARING EXAMINER MCMILLAN: Whether it be
10 for potash or sagebrush lizard?

11 MR. BRUCE: I don't remember.

12 HEARING EXAMINER MCMILLAN: Is that a safe
13 statement?

14 THE WITNESS: Yes.

15 HEARING EXAMINER MCMILLAN: And my next
16 question is: If you did not have these surface
17 restrictions, would you have drilled the radial
18 pattern or is that an engineering question?

19 MR. BRUCE: I think our geologist or
20 engineer could handle that.

21 HEARING EXAMINER MCMILLAN: Okay. So the
22 next question I have here is do you want -- you have
23 two NSL applications, right?

24 THE WITNESS: Correct.

25 HEARING EXAMINER MCMILLAN: One for the

1 Leo B2DN Fed Com 18. Where is the other NSL? Which
2 well?

3 THE WITNESS: B2D -- did you say DH first
4 or DN?

5 HEARING EXAMINER MCMILLAN: The first one
6 I said was the B2DN. Where is the other one?

7 THE WITNESS: The second is the B2DH?

8 MR. BRUCE: Exhibits 2 and 3, Mr.
9 Examiner.

10 HEARING EXAMINER MCMILLAN: Why are you
11 applying -- if you're asking for 560-acre project
12 area, why are you asking for the NSL for the B2DH?

13 MR. BRUCE: Mr. Examiner, simply because
14 assuming you were having an odd-shaped just one well
15 unit, you would have several quarter quarter
16 sections in it, but it would be too close to the
17 east west center line of section --

18 HEARING EXAMINER MCMILLAN: Yeah, but if
19 you have a 568 non-standard project area why are you
20 applying for it? That seems silly.

21 MR. BRUCE: I am testifying here I was
22 told by another member of Mewbourne that the OCD
23 office, local office, required Mewbourne to get
24 unorthodox location approval for these two wells.

25 HEARING EXAMINER MCMILLAN: But

1 technically, looking at the 560, the project area,
2 you are greater than 330 feet from the boundaries.

3 MR. BRUCE: I agree.

4 HEARING EXAMINER MCMILLAN: And a similar
5 situation came up in the northwest where we --

6 LEGAL COUNSEL WADE: Well, I think that
7 what we are hearing is that if OCD may not be in
8 line with itself --

9 MR. BRUCE: The district office requested
10 Mewbourne to get it so that's why we're here.

11 LEGAL COUNSEL WADE: This order might be
12 able to reflect what the OCD does require for future
13 applications and we can either deny part of the
14 application asking for -- something to that effect.

15 HEARING EXAMINER MCMILLAN: Or dismiss it.

16 MR. BRUCE: That's why we are here for
17 that portion.

18 HEARING EXAMINER MCMILLAN: Okay. Because
19 it didn't make sense to me when I looked at that.
20 Thank you.

21 MR. BRUCE: Mr. Examiner, I think your
22 question about drilling the well, if the other
23 acreage had been leased east west, I think both of
24 our next two witnesses can answer that for you.

25 NATE CLESS

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

3 EXAMINATION

4 BY MR. BRUCE

5 Q. Mr. Cless -- if the record could reflect
6 he was previously sworn and qualified?

7 HEARING EXAMINER MCMILLAN: So qualified.

8 Q. Mr. Cless, could you identify -- first of
9 all, how many wells are in the project area?

10 A. Four wells in the project area.

11 Q. Four wells. What is the current status of
12 those wells?

13 A. The two northern wells have been drilled
14 and completed. The DI, the third well, has been
15 drilled and waiting on completion. Then the fourth
16 well, the BN, is currently drilling right now. So
17 the two northern wells have been completed.

18 MR. BRUCE: Mr. Examiner, you can look at
19 Exhibit 11. Mr. Cless' exhibits start with Exhibit
20 15. I got out of order yesterday but they are
21 showing the same data so it doesn't matter with
22 respect to your question but I will start with
23 Exhibit 15 with Mr. Cless.

24 Q (By Mr. Bruce) Could you identify that for
25 the examiner?

1 A. That's a map of the lower second Bone
2 Springs sand interval. I used the porosity greater
3 than 10 percent in this area. I've shown all four
4 of the locations of the four proposed wells in this
5 project area as well as the location of the
6 cross-section, which would be my next exhibit.

7 All of the horizontal wells outlined in
8 green are all Second Bone Spring horizontals that
9 have been drilled in this area. Most of them, for
10 the most part, these wells are drilled east west.
11 The north south well, I will let our engineer get
12 into the details of the north south versus the east
13 west. We believe the east west is the preferred way
14 to go, but I will let them get into the details of
15 that and move to the next exhibit.

16 Q. All of the wells in the project area,
17 these four wells are all Second Bone Spring?

18 A. That's correct.

19 Q. And so answering the examiner's last
20 question, if you had your preference you would have
21 just drilled four wells across the four 160-acre
22 tracts east west?

23 A. That's correct. I will also point out
24 here, I identified all of the 40-acre tracts in this
25 section and you will see every 40-acre tract in the

1 section will be penetrated and will be produced from
2 by these four wells.

3 Q. And what is Exhibit 16?

4 A. Exhibit 16 is a three-well cross-section
5 covering the Second Bone Springs sand interval in
6 this area. It runs from the northwest to the
7 southeast. The first two wells are to the northwest
8 of the project area and the last well was to the
9 southeast of the project area.

10 Because there is potash restrictions in
11 this area, the well control is not the best going
12 across the interval. Like I said, this is the
13 Second Bone Springs sand interval. I labeled the
14 second, the middle and the lower and you can see the
15 red arrow indicating the horizontal target. We land
16 in the lower part of the Second Bone Springs sand
17 interval in this area.

18 You can see really the middle and the
19 lower interval are very consistent across this area
20 as far as gross interval and even the consistency of
21 the porosity. For the most part we are seeing 10 to
22 12 percent porosity throughout this interval.

23 Q. So the reservoir is continuous across the
24 project area?

25 A. Yes, sir.

1 Q. And even on Exhibit 16 when you look at
2 the little map in the upper right-hand corner, every
3 quarter quarter section in the project area will be
4 produced, correct?

5 A. That's correct.

6 Q. And three wells are drilled. One is not
7 yet completed and the fourth one is being drilled?

8 A. Yes, that's correct.

9 Q. So there will be no acreage left out?

10 A. That's correct.

11 Q. And finally, what is Exhibit 17?

12 A. Exhibit 17 is just the horizontal drilling
13 plan that we have for this. This is just for the
14 last well, the DN, which we are currently drilling.
15 It shows the surface location again up in Unit D,
16 and then you can see, as the flip to the second page
17 of it, you can see kind of the path that we're
18 having to take to make this well. It shows the
19 kickoff point, the landing point and the bottom hole
20 location.

21 Q. How many completion stages in the wells?

22 A. I will defer that question to the
23 engineer.

24 Q. In your opinion, is the granting of the
25 application in the interest of conservation and the

1 prevention of waste?

2 A. Yes.

3 Q. And were Exhibits 15, 16 and 17 prepared
4 by you or under your supervision or compiled from
5 the company business records?

6 A. Yes.

7 Q. Pass the witness, Mr. Examiner.

8 HEARING EXAMINER MCMILLAN: Exhibits 15,
9 16 and 17 now may be accepted as part of the record.

10 (Note: Exhibits 15, 16 and 17 admitted.)

11 HEARING EXAMINER MCMILLAN: On your part,
12 I don't have -- I mean, I really don't have any
13 questions. It's pretty straightforward.

14 LEGAL COUNSEL WADE: No questions.

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

18 EXAMINATION

19 BY MR. BRUCE

20 Q. For the next witness, we will backtrack to
21 exhibits 11 through 14. State your name and city of
22 residence for the record.

23 A. Travis Cude; Midland Texas.

24 Q. For the examiner, spell your last name.

25 A. C-U-D-E.

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

2 A. Mewbourne Oil Company, engineer.

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

5 A. No.

6 Q. Can you summarize your educational and
7 employment background?

8 A. Yes. I graduated from the University of
9 Oklahoma in 2012 with a Bachelor of Science in
10 petroleum engineering. I have started interning
11 with Mewbourne in 2009. I interned with them for
12 two summers and then worked for Devon for a summer
13 in 2011, and then I started full-time with Mewbourne
14 Oil Company in June of 2012 and have been working in
15 drilling completions and production in the Anadarko
16 Basin in Northwest Oklahoma, and then for about a
17 year and then now going on two years in the Permian
18 Basin in Texas.

19 Q. Does your area of responsibility at
20 Mewbourne include engineering matters in this
21 portion of southeast New Mexico?

22 A. It does.

23 Q. And are you familiar with the engineering
24 matters related to this application?

25 A. Yes, sir.

1 MR. BRUCE: Mr. Examiner, I tender
2 Mr. Cude as an expert petroleum engineer.

3 HEARING EXAMINER MCMILLAN: My only
4 problem is I have kin folks who graduated with you.
5 I don't know about that. So qualified.

6 Q (By Mr. Bruce) Mr. Cude, could you identify
7 Exhibit 11 and describe the wells in the project
8 area?

9 A. So the well in the north half north half
10 is the Leo 15 DA Fed Com 1H. So essentially this
11 plot shows the completed interval of the two wells
12 that we have completed, so the 15 DA and then the
13 completed interval of the Leo 15 B2DH. And then it
14 shows the well path of the Leo 15 B2DP that we have
15 drilled and the proposed completed interval of that
16 well and then the Leo 15 B2DN.

17 Q. Now, on this plat you show the completed
18 intervals and every quarter quarter section will be
19 producing from the various wells, correct?

20 A. That's correct.

21 Q. Looking at it, the two middle wells, why
22 were they not completed, say, further to the
23 northwest?

24 A. We were worried that because they were
25 encroaching on each other we would have

1 communication between the two wells, so that's why
2 we chose to only complete the 2950 feet towards the
3 toe of the DH, thinking that with the well we were
4 currently drilling we would be able to produce the
5 rest of those.

6 Q. You didn't want any competition among the
7 wells?

8 A. That's correct.

9 Q. And next two exhibits we will address
10 Mr. McMillan's question. Could you identify Exhibit
11 12 and discuss the drilling of Second Bone Spring
12 wells in this general area?

13 A. So Exhibit 12 just shows the Second Bone
14 Spring activity in the area, and really the majority
15 of the wells on the map were drilled by Mewbourne.
16 In Section 21 it will show the Phoenix. I guess
17 it's surfaced in D of Section 28 but terminates in D
18 of 21 that we drilled north/south pretty early on in
19 our development of this area, and it was a poor well
20 compared to all of the wells that have subsequently
21 been drilled east/west.

22 Q. So from an engineering basis, you would
23 rather drill them east/west or more or less
24 east/west?

25 A. That's correct.

1 Q. And is some of that data reflected on
2 Exhibit 13?

3 A. It is.

4 Q. What does that show?

5 A. So on Exhibit 13, I took all of the Second
6 Bone Spring horizontal wells, drilled in Townships
7 18 South 29 East to 18 South 31 East, so three
8 townships. There was 57 east/west wells and 16
9 north/south wells and what I'm showing is a
10 five-year oil trim plot and four-year total fluid
11 trim plot of these wells.

12 So starting with the first curve, the dark
13 green, that's going to show your north/south oil so
14 it's an average of the 16 wells drilled north/south.
15 The monthly production available on the OCD. So you
16 can see that the north/south oil compared -- and the
17 north/south total fluid is the dark blue curve just
18 above that.

19 When you compare those to the wells
20 drilled east/west, the 57 wells drilled east/west,
21 you can see the double line in green. So that's a
22 comparison of the oil rates between north/south and
23 then even more so the total fluid, the blue double
24 strike line compared to the solid dark blue line.

25 Then I have also plotted on there our

1 Phoenix 21 well that I mentioned that was drilled
2 north/south. The total fluid from that, you can
3 see, lines up right on the average of all wells
4 drilled north/south, the total fluid of those. Then
5 I included the Leo 15 DH in our project area. You
6 can see the total fluid on that is in black. It
7 even exceeds the average of the wells drilled
8 east/west. So just further evidence that we believe
9 east/west is the preferred as far as productivity.

10 Q. Is some of the well data put in tabular
11 form on Exhibit 14?

12 A. It is. So these are Mewbourne-operated
13 Second Bone Springs sand wells in the area with the
14 date of first production and then their cumes and
15 their orientation. As you can see, we have
16 highlighted the north/south well, the Phoenix 21.
17 You can see in nearly four years of production here
18 the cume is only 52,000 barrels where that's going
19 to be the lowest cume of any of these wells and
20 really one of the oldest, so it's been much less
21 productive than the wells drilled east/west.

22 Q. So from an engineering standpoint, number
23 one, is the 560-acre project area justified?

24 A. Yes, it is.

25 Q. And the project area will be fully

1 developed by the Second Bone Spring wells?

2 A. They will.

3 Q. Based on the data you have, the general
4 east/west or west to east trends of these wells is
5 beneficial from a production standpoint?

6 A. That's correct.

7 Q. Were Exhibits 11 through 14 prepared by
8 you or under your supervision?

9 A. They were.

10 Q. And in your opinion is the granting of
11 this application in the interest of conservation and
12 the prevention of waste?

13 A. It is.

14 MR. BRUCE: Mr. Examiner, I move the
15 admission of 11 through 14.

16 HEARING EXAMINER MCMILLAN: Exhibits 11
17 through 14 may now be received as part of the
18 record.

19 (Note: Exhibits 11 through 14 admitted.)

20 HEARING EXAMINER MCMILLAN: Do you expect
21 the drilling of any other wells in the Bone Spring
22 in the 560-acre project area?

23 THE WITNESS: Not in the Second Bone
24 Spring.

25 HEARING EXAMINER MCMILLAN: In this pool?

1 THE WITNESS: We are evaluating it. It's
2 possible in the First Bone Springs sand or in the
3 third. But today we don't have any plans to drill
4 any.

5 LEGAL COUNSEL WADE: No questions.

6 MR. BRUCE: I do not have any further
7 questions. Thank you very much and we are
8 continuing this until October 29th.

9 (Note: The proceedings were concluded.)

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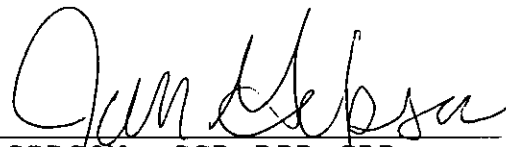
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____

_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State 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 in the final disposition of this case.



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
License Expires: 12/31/15