

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: )  
APPLICATION OF MEWBOURNE OIL COMPANY )  
FOR COMPULSORY POOLING, EDDY COUNTY, )  
NEW MEXICO )

CASE NO. 13,364

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

November 4th, 2004

Santa Fe, New Mexico

2004 NOV 18 AM 10 49

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, November 4th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

4/9/8/11 CEM

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## I N D E X

November 4th, 2004  
Examiner Hearing  
CASE NO. 13,364

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APPLICANT'S WITNESS:	
<u>D. PAUL HADEN</u> (Landman)	
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\* \* \*

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\* \* \*

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

## FOR THE DIVISION:

GAIL MacQUESTEN  
 Deputy General Counsel  
 Energy, Minerals and Natural Resources Department  
 1220 South St. Francis Drive  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE  
 Attorney at Law  
 P.O. Box 1056  
 Santa Fe, New Mexico 87504

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:53 a.m.:

3           EXAMINER JONES: And let's call Case 13,364,  
4 Application of Mewbourne Oil Company for compulsory  
5 pooling, Eddy County, New Mexico.

6           Call for appearances.

7           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
8 representing the Applicant. I have one witness.

9           EXAMINER JONES: Any other appearances?

10          Will the Applicant please stand to be sworn -- or  
11 the witness, please stand to be sworn?

12          (Thereupon, the witness was sworn.)

13                         D. PAUL HADEN,

14 the witness herein, after having been first duly sworn upon  
15 his oath, was examined and testified as follows:

16                         DIRECT EXAMINATION

17 BY MR. BRUCE:

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

19           A.    My name is Paul Haden.

20           Q.    Where do you reside?

21           A.    I reside in Midland, Texas.

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

23           A.    I work for Mewbourne Oil Company as a senior  
24 landman.

25           Q.    Have you previously testified before the

1 Division?

2 A. Yes, I have.

3 Q. And were your credentials as an expert petroleum  
4 landman accepted as a matter of record?

5 A. Yes, they were.

6 Q. And are you familiar with the land matters  
7 involved in this Application?

8 A. Yes, I am.

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

11 EXAMINER JONES: Mr. Haden is qualified as an  
12 expert petroleum land manager.

13 Q. (By Mr. Bruce) Mr. Haden, could you go to your  
14 exhibit booklet and go to Exhibit 1 and describe briefly  
15 what is shown by that exhibit?

16 A. Exhibit Number 1 is a land plat of the area, more  
17 specifically of Township 18 South, Range 28 East, in Eddy  
18 County, New Mexico.

19 It also indicates our proposed spacing unit,  
20 being the east half of Section 26. That designation is  
21 outlined in yellow.

22 It also indicates our proposed well location,  
23 which is indicated by a red dot, which location is 660 from  
24 the north line and 1650 feet from the east line of Section  
25 26.

1 Q. And you seek to force pool units spaced on 320  
2 acres, correct?

3 A. That's correct.

4 Q. And the northeast quarter for 160-acre units?

5 A. Yes, sir.

6 Q. And the west half, northeast quarter, I believe,  
7 for 80-acre units?

8 A. That's correct.

9 MR. BRUCE: And I think, Mr. Examiner, there is  
10 an 80-acre pool, the Travis-Upper Pennsylvanian Pool --

11 EXAMINER JONES: Okay.

12 MR. BRUCE: -- within a mile.

13 And Mr. Examiner, the advertisement also lists  
14 the -- no, I'm sorry, I was looking at the wrong thing. We  
15 are not seeking to force pool any 40-acre units in this  
16 well.

17 Q. (By Mr. Bruce) What is the footage location of  
18 the well, Mr. Haden?

19 A. It's 660 from the north line and 1650 feet from  
20 the east line --

21 Q. Okay.

22 A. -- of Section 26.

23 Q. What is the ownership of the well unit? And I  
24 refer you to your Exhibit Number 2.

25 A. Exhibit Number 2 indicates the ownership in the

1     respective tracts, of which all the east half consists of  
2     state minerals. It indicates more specifically the unit  
3     ownership on the bottom of the plat.

4             Q.     For the 320-acre unit?

5             A.     Yes, sir, for the 320 acres.

6             Q.     Okay, and Mewbourne is the largest. Of these  
7     parties, who does Mewbourne seek to force pool at this  
8     time?

9             A.     Mewbourne seeks to force pool Devon Energy  
10    Corporation as to their 12-1/2-percent unit interest, also  
11    Xeric Oil and Gas Corporation as to their 12-1/2-percent  
12    interest, and also the T.J. and Mary Ray Sivley Trust as to  
13    their 4.6875-percent unit interest.

14            Q.     Okay. One thing, with respect to an 80-acre  
15    unit, Xeric would have 50 percent of that unit; is that  
16    correct?

17            A.     That's correct.

18            Q.     Okay. Now, you are continuing to work with these  
19    people, correct?

20            A.     Yes, we are.

21            Q.     And if you obtain their voluntary joinder, will  
22    you notify the Division?

23            A.     Absolutely.

24            Q.     Okay. Oh, and on page 2 of this exhibit, you  
25    have broken down the 160- and 80-acre well units also?

1           A.    Yes, I have, as to the percentage ownership in  
2 each one of those units.

3           Q.    Okay.  Let's discuss Mewbourne's efforts to  
4 obtain the voluntary joinder of these interest owners.  
5 Would you move to your Exhibit 3 and briefly go over that  
6 exhibit?

7           A.    Exhibit Number 3, first off, gives a summary of  
8 my communications with the poolees.  It lists Devon Energy  
9 Corporation, Xeric Oil and Gas Corporation, and also lists  
10 Yates Petroleum Corporation, who we are dismissing as they  
11 have executed our AFE and operating agreement.  And also it  
12 lists the communications with Bank of America, which they  
13 are the trustee for the T.J. and Mary Ray Sivley Trust.

14          Q.    When were these parties first contacted,  
15 approximately?

16          A.    Devon Energy was contacted with a -- they were  
17 sent a letter via certified mail September 8th, '04.  Xeric  
18 Oil and Gas Corporation was mailed a letter August 19th,  
19 '04, actually to Mr. Ronald R. Miles, who was Xeric's land  
20 broker at the time they acquired this interest at a state  
21 land sale.  Also on August 18th, '04, the Sivley trust sent  
22 a letter proposing the well, with AFE enclosed.

23          Q.    And were follow-up contacts made with these  
24 parties?

25          A.    Yes, they were.



1 Q. And are those summarized in Exhibit 3?

2 A. That's correct.

3 Q. And are copies of the actual written letters and  
4 your handwritten notes included as backup in Exhibit 3?

5 A. Correct.

6 Q. In your opinion, has Mewbourne made a good-faith  
7 effort to obtain the voluntary joinder of the interest  
8 owners in the well?

9 A. I think we have.

10 Q. Could you identify Exhibit 4 and discuss the cost  
11 of your proposed well?

12 A. Exhibit Number 4 is an AFE of our proposed  
13 Beretta 26 State Com Number 1 well. It's an 11,000-foot  
14 test. It lists a dryhole cost of \$732,600, a completed  
15 well cost of \$1,232,900.

16 Q. And is this cost in line with the cost of other  
17 wells drilled to this depth in this area of Eddy County?

18 A. That's correct.

19 Q. Does Mewbourne request that it be designated  
20 operator of the well?

21 A. Yes, sir.

22 Q. Do you have a recommendation for the overhead  
23 rates?

24 A. We're recommending overhead rates for drilling,  
25 \$6000, and producing well rate of \$600 per month.

1 Q. And are these amounts typical to those normally  
2 charged by other operators for wells in this area of this  
3 depth?

4 A. Yes, sir, as well as those parties who have  
5 executed our operating agreement dated October 13th of '04.

6 Q. Do you request that any overhead rate provided  
7 for in the order be adjusted periodically under the COPAS  
8 accounting procedure?

9 A. Correct.

10 Q. And do you request that the maximum cost-plus-  
11 200-percent risk charge be assessed against any  
12 nonconsenting interest owners?

13 A. We so request.

14 Q. And finally, were the nonconsenting interest  
15 owners notified of this hearing?

16 A. Yes, sir.

17 Q. And is that shown on Exhibit 5?

18 A. That's correct.

19 Q. Were Exhibits 1 through 5 prepared by you or  
20 under your supervision or compiled from company business  
21 records?

22 A. They were.

23 Q. And in your opinion is the granting of  
24 Mewbourne's Application in the interests of conservation  
25 and the prevention of waste?

1 A. Yes.

2 MR. BRUCE: Mr. Examiner, I'd move the admission  
3 of Exhibits 1 through 5.

4 EXAMINER JONES: Exhibits 1 through 5 will be  
5 admitted to evidence.

6 MR. BRUCE: That's all I have.

7 EXAMINATION

8 BY EXAMINER JONES:

9 Q. I'm sorry, Mr. Haden, will you state one more  
10 time the companies that -- or the entities that have not  
11 signed so far? You said Xeric, T.J. --

12 A. Xeric Oil and Gas Corporation, Devon Energy  
13 Corporation, and the T.J. and Mary Ray Sivley Trust. All  
14 these parties have indicated they want to participate,  
15 however they have not signed an AFE or operating, and we're  
16 continuing to work with them.

17 Q. Okay. And the original Application, did it ask  
18 for the 40 acres?

19 A. I believe it did, but actually all the parties  
20 are committed there.

21 Q. So you would ask that be dropped from the --

22 MR. BRUCE: Yeah, we do not need to force pool  
23 the --

24 THE WITNESS: No.

25 MR. BRUCE: -- northwest quarter, northeast

1 quarter.

2 EXAMINER JONES: Is there any special pool rules  
3 that we need to be aware of?

4 MR. BRUCE: Just that Travis-Upper Penn for the  
5 80-acre units. The rest are all statewide rules.

6 EXAMINER JONES: Okay. Gail, do you have  
7 anything?

8 MS. MacQUESTEN: No questions.

9 EXAMINER JONES: I think that's it for us. Thank  
10 you very much.

11 THE WITNESS: Thank you.

12 EXAMINER JONES: So let's take Case 13,364 under  
13 advisement.

14 (Thereupon, these proceedings were concluded at  
15 10:02 a.m.)

16 \* \* \*

17  
18 I do hereby certify that the foregoing is  
19 a complete record of the proceedings in  
20 the Examiner hearing of Case No. \_\_\_\_\_  
21 heard by me on \_\_\_\_\_  
22 \_\_\_\_\_, Examiner  
23 Oil Conservation Division  
24  
25

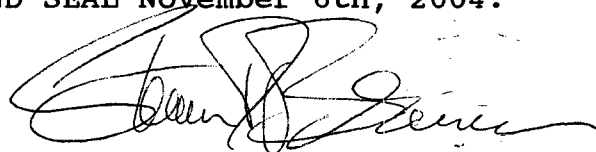
## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                   )    ss.  
 COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 6th, 2004.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006