

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

6 APPLICATION OF MEWBOURNE OIL  
7 COMPANY FOR APPROVAL OF A  
8 NONSTANDARD OIL SPACING AND  
9 PRORATION UNIT AND UNORTHODOX  
10 LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 14977

ORIGINAL

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 July 11, 2013

14 Santa Fe, New Mexico

15 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER  
16 DAVID K. BROOKS, LEGAL EXAMINER  
17 PHILLIP GOETZE, TECHNICAL EXAMINER

18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Richard Ezeanyim,  
20 Chief Examiner, David K. Brooks, Legal Examiner, and  
21 Phillip Goetze, Technical Examiner, on Thursday, July  
22 11, 2013, at the New Mexico Energy, Minerals and Natural  
23 Resources Department, 1220 South St. Francis Drive,  
24 Porter Hall, Room 102, Santa Fe, New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR  
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12 ALSO PRESENT: Adam G. Rankin, Esq.

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1 (2:30 p.m.)

2 EXAMINER EZEANYIM: At this point, I call  
3 Case Number 14977, application of Mewbourne Oil Company  
4 for approval of a nonstandard oil spacing and proration  
5 unit and unorthodox location, Eddy County, New Mexico.

6 Call for appearances, please.

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

10 EXAMINER EZEANYIM: Any other appearances?

11 MR. CHAVEZ: David Chavez on behalf of the  
12 Tibo Chavez Law Firm in Belen, New Mexico, and, also,  
13 Mr. Tommy Parker has entered his appearance as well.  
14 I'm appearing on their behalf. With me at the table is  
15 Pavlos Panagopoulos and Magdalena Panagopoulos.

16 EXAMINER EZEANYIM: What is your name?

17 MR. CHAVEZ: David.

18 EXAMINER EZEANYIM: Are you Tibo?

19 MR. CHAVEZ: No. I'm an associate of Tibo.

20 EXAMINER EZEANYIM: Oh.

21 Any other appearances?

22 Mr. Bruce, I need all the witnesses to  
23 stand up and say their names -- their full names for the  
24 record. Anybody who is going to testify should stand  
25 up.

1 MR. HADEN: My name is Donald Paul Haden.

2 MR. HILL: Tyler Hill.

3 MR. PANAGOPOULOS: Pavlos Panagopoulos.

4 MS. PANAGOPOULOS: Magdalena Panagopoulos.

5 EXAMINER EZEANYIM: All of you are going to  
6 testify?

7 MR. CHAVEZ: They may.

8 (Mr. Haden, Mr. Hill, Ms. Panagopoulos,  
9 Mr. Panagopoulos and Mr. Tommy Parker  
10 sworn.)

11 D. PAUL HADEN,  
12 after having been previously sworn under oath, was  
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Mr. Haden, where do you reside?

17 A. I reside in Midland, Texas.

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

19 A. Mewbourne Oil Company, as a petroleum landman.

20 Q. Have you previously testified before the  
21 Division?

22 A. Yes, I have.

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

25 A. Yes, they were.

1 Q. Are you familiar with the land matters involved  
2 in this application?

3 A. Absolutely.

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

6 EXAMINER EZEANYIM: So qualified.

7 Q. (BY MR. BRUCE) Mr. Haden, would you identify  
8 Exhibit 1 and describe briefly what Mewbourne seeks in  
9 this case?

10 A. Exhibit Number 1 is a land plat taken from the  
11 Midland Map Company. It shows our Section 35, which is  
12 in Township 30 South, Range 28 East, Eddy County. It  
13 also shows a proposed spacing unit, nonstandard unit,  
14 which is in the west half of the east half of Section  
15 35. It also depicts the surface location and the bottom  
16 location.

17 Q. And what is the name of the proposed well?

18 A. The well is the Layla 35 OB #1H well.

19 Q. And the footage locations were identified in  
20 the application. As of today, is this location  
21 unorthodox?

22 A. It is unorthodox. However, we do have an  
23 Administrative Order that has been issued, which is  
24 Order NSL-6825, which approved this nonstandard location  
25 here recently.

1 Q. This well is in the South Culebra Bluff-Bone  
2 Spring pool, correct?

3 A. Yes.

4 Q. Which has special pool rules?

5 A. Yes, which has 80-acre proration units, and it  
6 provides that the well location be within 150 feet of  
7 the center of the quarter-quarter section line.

8 Q. Even though you got an administrative approval,  
9 what is Exhibit 1A?

10 A. It is the copy of the labors [sic] from the  
11 offset owners.

12 Q. To the location?

13 A. To the location.

14 Q. What is the working ownership in the well unit?  
15 And I refer you to Exhibit 2.

16 A. Exhibit 2 is the tract ownership. And Tract  
17 Number 1 lists the owners on there. Also in Tract  
18 Number 2, it has the ownership of companies on an  
19 interest. Tract Number 3 has ownership, as well as  
20 procedures reference being the unleased uncertain  
21 ownership subject to this pooling. Tract Number 4 has  
22 ownership, as well as the unleased uncertain owners that  
23 are subject to this.

24 Q. So there are 100 acres with uncertain mineral  
25 ownership?

1 A. Correct.

2 Q. And the Panagopoulos family is part of that  
3 uncertain ownership?

4 A. That's correct.

5 Q. And does Exhibit 2 identify all the persons who  
6 might claim ownership of that interest?

7 A. Yes.

8 Q. And do you seek to pool everybody on page 2 of  
9 Exhibit 2?

10 A. Yes, sir.

11 Q. What is Exhibit 3?

12 A. Exhibit 3 is a copy of the -- first of all, it  
13 has a summary of the communications between the parties  
14 being pooled as far as the ones that we could find. And  
15 it also has copies of the correspondence with these  
16 parties, whereby Mewbourne proposed this well be by  
17 certified mail.

18 Q. Mewbourne has force pooled a couple of other  
19 wells in this section, correct?

20 A. Yes, we have.

21 Q. Including these same interest owners?

22 A. Correct.

23 Q. And has Mewbourne made an effort to not only  
24 try to determine the working interests, the mineral  
25 interest ownership in these tracts, but also to



1 determine the names and addresses of these people?

2 A. Yes, we have.

3 Q. What is Exhibit 3A?

4 A. 3A is a copy of a portion of our drilling title  
5 opinion dated May 16th, 2011. This same information was  
6 furnished to all the poolees where we could find them,  
7 and it describes the problems associated with this  
8 mineral interest.

9 Q. And this title opinion was prepared by the  
10 Atwood, Malone law firm, who has prepared a large number  
11 of title opinions, correct?

12 A. That's correct.

13 Q. And I see that -- this isn't the whole opinion,  
14 is it?

15 A. No. This is -- this opinion is very large due  
16 to the complexity involved of ownership.

17 Q. And what you're seeking to show here is simply  
18 the portion of the opinion that deals with the ownership  
19 of the Panagopoulos family and other people listed on  
20 page 2 of Exhibit 2?

21 A. Right. It describes the problems associated  
22 with this ownership, because our title attorney just  
23 simply could not determine the ownership because it was  
24 a confused state of title. There were over-conveyances.  
25 The acreage was misdescribed. The interests being

1 conveyed were wrong. This involves an interest -- if  
2 you'll look at page 13, it has various owners. It  
3 involves a 12.6 over 350 as mineral interests. This is  
4 in Tracts 8 and 9, and Tracts 8 and 9 are described on  
5 page 1 of the title opinion.

6 Q. And this was based on an examination of the  
7 records of Eddy County, correct?

8 A. Yes, it was.

9 MR. BRUCE: Mr. Examiner, what I've handed  
10 you is page 60, which should have been stapled to this  
11 exhibit.

12 EXAMINER EZEANYIM: It goes with 3A?

13 MR. BRUCE: Yeah, 3A. The page I just  
14 handed you should have been stapled to the back of this  
15 exhibit.

16 Q. (BY MR. BRUCE) But when you're looking at pages  
17 59 and 60 of the opinion, Mr. Haden, does the opinion  
18 identify all of the parties who might claim an interest  
19 to this 3.6-percent interest?

20 A. Yes. If you'll look on the bottom of page 59,  
21 under requirement Y, it lists all the parties that could  
22 claim an interest.

23 Q. Now, assuming any of these interest owners --  
24 whether or not they want to join in the well or they did  
25 join in the well or they went nonconsent, what would

1 Mewbourne have to do with production proceeds regarding  
2 this interest?

3 A. We would have to suspend payment of the  
4 proceeds attributable to that interest.

5 Q. Until the title was cleared up by the interest  
6 owners?

7 A. That's correct.

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

11 A. Yes, we have.

12 Q. And that has continued over the course of a  
13 couple of years?

14 A. Yes, sir.

15 Q. Would you identify Exhibit 4 for the Examiner?

16 A. Exhibit Number 4 is a copy of our AFE, which is  
17 an Authorization for Expenditure. It lists the  
18 estimated well costs of this well, with a dry-hole cost  
19 estimated at \$2,021,400, and a total completed cost of  
20 \$4,655,600.

21 Q. And are these costs in line with the cost of  
22 other wells drilled to this depth in this area of  
23 New Mexico?

24 A. Yes, it is.

25 Q. And Mewbourne has drilled other wells in this

1 township?

2 A. Yes, we have.

3 Q. And does Mewbourne have a good handle on the  
4 cost of these wells?

5 A. Yes.

6 Q. Do you request that Mewbourne be appointed  
7 operator of the well?

8 A. Yes, we do.

9 Q. Do you have a recommendation for the amount  
10 Mewbourne should be paid for supervision and  
11 administrative expenses?

12 A. It would be \$7,500 for drilling overhead and  
13 \$750 for producing well.

14 Q. And are these amounts equivalent to those  
15 normally charged by Mewbourne to other operators in this  
16 area for wells of this depth?

17 A. Yes, sir, it is.

18 Q. Do you request that the rates be periodically  
19 adjusted as provided by the COPAS accounting procedure?

20 A. Yes, we do.

21 Q. And do you request the maximum cost plus  
22 200-percent risk charge if any interest owner goes  
23 nonconsent in the well?

24 A. Yes, we do.

25 Q. Finally, as to notice of parties you had valid

1 addresses on, you sent a certified-mail notice?

2 A. Yes, they were.

3 Q. Is that reflected in Exhibit 5?

4 A. That's correct.

5 Q. And as to the parties who either had returned  
6 mail or you couldn't locate an address, were they  
7 notified by publications?

8 A. Yes, they were.

9 Q. And is that reflected by the Affidavits of  
10 Publication submitted as Exhibits 6 and 7?

11 A. Yes, sir.

12 Q. And what is Exhibit 8, Mr. Haden?

13 A. Exhibit 8 is a listing of the offset operators  
14 to the well unit, which includes Chevron, COG,  
15 Kaiser-Francis and Southwest Royalties.

16 Q. And were these parties given notice of this  
17 application?

18 A. Yes, they were.

19 Q. And is that reflected on Exhibit 9?

20 A. That's correct.

21 Q. Were Exhibits 1 through 9 either prepared by  
22 you or under your supervision or compiled from company  
23 business records?

24 A. They were prepared by me.

25 Q. Is the granting of this application in the

1 interest of conservation and the prevention of waste?

2 A. That's correct.

3 MR. BRUCE: Mr. Examiner, I move the  
4 admission of Exhibits 1 through 9, and pass the witness.

5 EXAMINER EZEANYIM: Any objection?

6 MR. CHAVEZ: No.

7 EXAMINER EZEANYIM: Exhibits 1 through 9  
8 will be admitted.

9 (Mewbourne Oil Exhibit Numbers 1, 1A, 2, 3,  
10 3A through 9 were offered and admitted into  
11 evidence.)

12 MR. RANKIN: I'm sorry to interrupt. I was  
13 in the hall, and I didn't realize this case was called  
14 out of order. If I may enter my appearance on behalf  
15 of -- at this moment or a time that is convenient.

16 EXAMINER EZEANYIM: Are you appearing in  
17 this case?

18 MR. RANKIN: Yes. Forgive me. I wasn't  
19 sure the case was called.

20 EXAMINER EZEANYIM: You know you can appear  
21 in any case if you want to.

22 (Laughter.)

23 MR. RANKIN: Here I am.

24

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CROSS-EXAMINATION

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BY MR. CHAVEZ:

Q. Mr. Haden, so you've got 100 acres of uncertain ownership; is that correct?

A. That's correct.

Q. Is it approximately?

A. Yeah, it's approximately. It's approximately two-and-a-half-percent interest in the proposed unit.

Q. I thought you said 3.6. Did I misunderstand?

A. No, no, no. If you'll look on this exhibit (indicating), it has the ownership -- the tract ownership. It has 3.6 percent in Tract Number 3 and 3.6 percent in Tract Number 4. And these percentages, it's 2 -- wait -- 2.25 percent of the unit.

Q. So 2.25 percent of the unit?

A. Correct.

Q. And that's the unknown ownership. Is that a fair statement?

A. Yes, sir.

Q. And the communication that counsel asked you about, the attempted communication which you've had specifically with the Panagopouloses, that would be set forth in your summary of communications in Exhibit 3?

A. Correct.

Q. So you sent them a letter on March 7th, 2013.

1 You received a copy of the letter directly from the  
2 office of Tibo Chavez on 4/10/13, and then you show a  
3 motion for continuance of 4/23/13, and that's the extent  
4 of the communication you've had. Fair statement?

5 A. I would say that's a fair statement.

6 Q. And then there is an issue as to the  
7 determination of the ownership interest of this 2.25  
8 specifically as to the Panagopouloses. Fair statement?

9 A. And others.

10 Q. But just to my clients, the Panagopouloses?

11 A. Sure.

12 Q. And that's based on the review of the title  
13 company's report?

14 A. That's review of the records that are filed of  
15 record in Eddy County.

16 Q. And was there any reason why this record review  
17 on the title search was not provided to the  
18 Panagopouloses prior to today's hearing, to your  
19 knowledge?

20 A. The record review?

21 Q. Of the title search.

22 A. I don't understand the question.

23 Q. In other words, you did a title search. Fair  
24 statement?

25 A. Well, yes. We had a title attorney examine the



1 records.

2 Q. And was there any reason why that title search  
3 and examination and the findings in that report were not  
4 provided to the Panagopoulos family?

5 A. We did, a copy of this (indicating).

6 Q. Well, I'm going through the summary of your  
7 communications with the Panagopouloses, and I don't see  
8 that that was on there. So is it your testimony that  
9 you have knowledge that was, in fact, sent to them?

10 A. Yes. We did send this to them.

11 Q. Did you send it to them or through your office?

12 A. Yeah. Well, as far as I know, I did.

13 Q. Fair statement.

14 As far as you know, but you don't know?

15 A. Not only this, but the previous poolings, too.

16 Q. The previous what?

17 A. Poolings of previous wells.

18 Q. Okay. Thank you.

19 And have you had specific negotiations with  
20 the Panagopoulos family concerning resolving this  
21 outside of a forced pooling as to their interest?

22 A. I believe I've talked with Mr. Panagopoulos on  
23 the phone one time.

24 Q. Now, are you willing to continue negotiations  
25 with them?

1           A.   Well, the problem is, they have to prove their  
2   ownership. That would be accomplished by a court order,  
3   litigation or a stipulation of interest between the  
4   parties that are claiming an interest.

5           Q.   That's what I'm asking. Are you willing to  
6   continue through that negotiation process --

7           A.   Yes, we are.

8           Q.   -- a stipulation as to the interest?

9           A.   Yes, if that can be accomplished.

10          Q.   And your testimony is, you're still in  
11   agreement to working in good faith to make that  
12   determination?

13          A.   Sure. We'd like to pay the proper parties what  
14   they're due.

15          Q.   That makes sense, because if they have an  
16   interest, they should be paid. Fair statement?

17          A.   Yes.

18          Q.   So would there be any objection to a six-month  
19   delay in proceeding or entering this order to allow the  
20   parties that opportunity, to determine that interest or  
21   negotiate an interest?

22          A.   No. We feel that a pooling order has to be  
23   issued.

24          Q.   But, I mean, what you've got -- you've got the  
25   issue of a determination -- and understanding, it may be

1 2.25 or a small percentage.

2 A. Yeah.

3 Q. In the totality, when we talk about fairness  
4 and the opportunity to allow these individuals to  
5 negotiate with you and determine that interest, isn't  
6 that significant?

7 A. We don't think that's necessary because, number  
8 one, I don't think this could be resolved in six months  
9 anyway.

10 Q. Well, I'm an optimist. And if you have a line  
11 of communication and you can certainly agree to work  
12 with the Panagopoulos family and their interest, which  
13 is not going to be that significant in the totality of  
14 the interests that have already been determined, what  
15 would be the hardship or delay in waiting six additional  
16 months, if you think of any?

17 A. Well, I've never had this question posed  
18 before, so I can't answer that.

19 Q. Thank you.

20 MR. BRUCE: Mr. Examiner, can I ask a  
21 couple of follow-up questions?

22 EXAMINER EZEANYIM: Let me see what he's  
23 doing, if he's done.

24 MR. CHAVEZ: Nothing further.

25 EXAMINER EZEANYIM: Nothing further. Okay.

## 1 REDIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. MR. Haden, who is Corey Mitchell?

4 A. Corey Mitchell is one of our young landmen.

5 Q. Working for Mewbourne?

6 A. He works for Mewbourne in our Midland office.

7 Q. To the best of your knowledge, did Mr. Mitchell  
8 also have a discussion with Mr. Panagopoulos in this  
9 hearing room a number of months ago on one of the other  
10 poolings he was involved in?

11 A. Yes, he did.

12 Q. Now, when you're talking about clearing title,  
13 that's the responsibility of the mineral interest owner;  
14 is it not?

15 A. That's correct.

16 Q. That's not Mewbourne's job?

17 A. That's not our problem.

18 Q. And when Mr. Chavez said you sent out the  
19 letter, at this point, three or four months ago, you  
20 have also had other contact with them over the last  
21 couple of years regarding their interest in these well  
22 units?

23 A. Yes, we have.

24 Q. Does Mewbourne have plans to drill this well  
25 within the next six months?

1 A. Absolutely.

2 Q. If any pooling order was delayed, would that  
3 give interest owners a chance to obtain knowledge of the  
4 results of the well?

5 A. Yes, it would, which would be unfair.

6 Q. To Mewbourne?

7 A. Yes.

8 Q. Thank you.

9 MR. BRUCE: I have no further questions.

10 EXAMINER EZEANYIM: Very good.

11 Any recross?

12 MR. CHAVEZ: No. Thank you.

13 EXAMINER EZEANYIM: Mr. Brooks?

14 CROSS-EXAMINATION

15 BY EXAMINER BROOKS:

16 Q. Mr. Haden --

17 A. Yes, sir.

18 Q. -- can you tell us if Mewbourne has offered the  
19 Panagopoulos' interest to lease their interest whatever  
20 it may be?

21 A. Well, we've offered to lease their interest,  
22 and we offered top dollar for that lease.

23 Q. That was what I wanted to know.

24 A. Yeah.

25 Q. That's all I need. That's all I have.

1 EXAMINER EZEANYIM: Do you have anything?

2 EXAMINER GOETZE: No questions.

3 MR. CHAVEZ: May I follow up with a  
4 question?

5 EXAMINER EZEANYIM: Okay. Go ahead.

6 RECROSS EXAMINATION

7 BY MR. CHAVEZ:

8 Q. When you say that you offered top dollar, what  
9 did you offer to Pavlos?

10 A. I believe it was \$2,000 per acre for a 3/16th  
11 lease for a three-year lease. That could be determined.

12 Q. And that's the offer you would state on record  
13 of being made and still a valid offer?

14 A. Yes, we would -- we would do that.

15 Q. Just for the record, again, could you cite the  
16 terms, please?

17 A. \$2,000 per net minimum acre for a three-year  
18 oil and gas lease providing a 3/16th oil lease.

19 EXAMINER EZEANYIM: Case dismissed. Why  
20 are we here?

21 (Laughter.)

22 MR. BRUCE: Because there are another 20  
23 people involved.

24 EXAMINER EZEANYIM: I mean case dismissed  
25 as regards to Mr. Panagopoulos. I mean, we can consider

1 the composite, but, I mean, there will not be a  
2 contested anymore. That's my impression.

3 EXAMINER BROOKS: Well, this is a serious  
4 question I'm going to address to the witness.

5 RECROSS EXAMINATION

6 BY EXAMINER BROOKS:

7 Q. Of course, that would be proportionately  
8 reduced to whatever interest that they establish that  
9 they own?

10 A. Proportionately reduced. Yes, proportionately  
11 reduced.

12 Q. You're not going to pay them for an interest  
13 they don't own?

14 A. No.

15 Q. Thank you.

16 A. They can also join in the well.

17 RECROSS EXAMINATION

18 BY MR. CHAVEZ:

19 Q. And that's a good point, Mr. Haden. How can we  
20 join in the well without knowing what our interest is,  
21 without being able to make an informed decision? You  
22 would agree, you're not going to spend money unless you  
23 can make an informed decision as to what your interest  
24 is. So what amount are you asking the Panagopouloses to  
25 pay to join in on the well?

1 A. Well, they should pay their part of the  
2 two-and-a-half-percent interest, whatever that is.

3 Q. And whatever that is, you're willing to pay as  
4 a royalty to my client, so there is not an issue as to  
5 their ownership interest?

6 A. What do you mean there is no issue? Certainly  
7 there is an issue.

8 Q. Okay. Well, you just said -- I thought I  
9 understood you to say that you wanted to pay 2.25 of the  
10 cost of the well.

11 A. Of their part of that two-and-a-half --  
12 two-and-a-quarter percent, of their part.

13 Q. How can they make an informed decision without  
14 knowing what their interests are, without having the  
15 opportunity to sit down and negotiate with you --

16 A. Well --

17 Q. -- because they may want to do that?

18 A. Well, why don't you go to the county records  
19 and determine their ownership for us?

20 Q. Because you already have. And that  
21 determination --

22 A. Our title attorney could not determine who the  
23 specific -- well, he has a list of the owners, but what  
24 their specific interest is and that interest is unknown.

25 Q. But that's a point of negotiation that we can



1 enter into with Mewbourne. Fair statement?

2 A. Yeah, we can negotiate, but please prove the  
3 ownership. That's all we're asking.

4 Q. Well, you're saying two different things, as I  
5 understand. You're saying: We will negotiate, but we  
6 need to prove our interest. But if we prove our  
7 interest, then there isn't any negotiation because we  
8 would have proved our interest in a court of law. Fair  
9 statement?

10 A. I guess that would be a fair statement.

11 Q. So we have only one option, you're saying, in  
12 this case; prove our interest with a court of law?

13 A. That's already been tried numerous times over a  
14 15-year period, and that could not be determined, if  
15 you'll look at this title opinion.

16 Q. So then that leaves us with negotiations of the  
17 monies that you've put into a reserve. We have to  
18 negotiate as to what our interest would be. Fair  
19 statement?

20 A. I don't think there is any negotiation as to  
21 what the ownership -- it is what it is, or it is what it  
22 isn't.

23 EXAMINER EZEANYIM: I don't think we are  
24 going to negotiate that interest here. We are going to  
25 continue with the case, because I think you guys are

1 negotiating here. We don't have time to negotiate. You  
2 can go back and negotiate. If you reach an agreement,  
3 then we dismiss the parties. I don't think what you are  
4 talking about is relevant to the case.

5 RE CROSS EXAMINATION

6 BY EXAMINER BROOKS:

7 Q. Just to clarify for the record, if I may,  
8 Mewbourne does not claim that it owns any interest in  
9 this 2.6 percent, right?

10 A. No, we do not. That's being pooled.

11 Q. So there would be no point in you negotiating  
12 because you don't own any -- you don't claim any  
13 interest?

14 A. Right.

15 Q. You can't negotiate one way or the other?

16 MR. BRUCE: Mr. Examiner, you said continue  
17 the case. And I would address this at the end, but this  
18 case has already been continued for --

19 THE WITNESS: Months.

20 MR. BRUCE: -- two months.

21 EXAMINER EZEANYIM: No, no. I'm not saying  
22 continue --

23 MR. BRUCE: If I could just ask Mr. Haden.

24

25

1 REDIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Will you talk with Mr. Panagopoulos about his  
4 interest in the future?

5 A. Yes, I will.

6 Q. Continue to negotiate with him?

7 A. Sure.

8 Q. Even after this hearing?

9 A. Even after this hearing.

10 EXAMINER EZEANYIM: The hearing doesn't  
11 preclude you from another hearing.

12 MR. BRUCE: Correct.

13 EXAMINER EZEANYIM: Go ahead.

14 MR. BRUCE: That's all I have of Mr. Haden.

15 EXAMINER EZEANYIM: Mr. Chavez, do you have  
16 anything? Do you have any further questions?

17 Are you an attorney?

18 MR. PANAGOPOULOS: No, I'm not.

19 EXAMINER EZEANYIM: You're so ambitious.

20 (Laughter.)

21 MS. PANAGOPOULOS: He's a financial  
22 planner.

23 EXAMINER EZEANYIM: Mr. Chavez, do you have  
24 any questions for this witness?

25 MR. CHAVEZ: No, I don't.

1 EXAMINER EZEANYIM: Any further questions?

2 EXAMINER BROOKS: No further questions.

3 EXAMINER EZEANYIM: We did give notice to  
4 everybody, right, for this case?

5 THE WITNESS: Yes. Yes.

6 EXAMINER EZEANYIM: We are going to dismiss  
7 the request here for nonstandard location because you  
8 already got that approval, right?

9 THE WITNESS: Yeah.

10 EXAMINER EZEANYIM: Is there any special  
11 pool rule for Culebra?

12 THE WITNESS: Yes, it has special pool  
13 rules.

14 EXAMINER EZEANYIM: What is the order  
15 number; do you know?

16 THE WITNESS: Oh, right off --

17 MR. BRUCE: Mr. Examiner, it is Order  
18 Number R-6139.

19 EXAMINER EZEANYIM: 6139?

20 MR. BRUCE: Yes, sir.

21 EXAMINER EZEANYIM: That's very different  
22 from the statewide rules?

23 MR. BRUCE: Yes, 80 acres and 150 feet from  
24 the center of the quarter-quarter section.

25 EXAMINER EZEANYIM: And that's why it was

1 nonstandard.

2 THE WITNESS: Right.

3 EXAMINER EZEANYIM: Okay. Good.

4 Do you have any questions?

5 EXAMINER GOETZE: No questions for this  
6 witness.

7 EXAMINER EZEANYIM: You may step down and  
8 call your next witness.

9 TYLER HILL,

10 after having been previously sworn under oath, was  
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. Mr. Hill, where do you reside?

15 A. Midland, Texas.

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

17 A. Mewbourne Oil Company, as a petroleum  
18 geologist.

19 Q. Have you previously testified before the  
20 Division?

21 A. No, sir.

22 Q. Would you discuss for the Examiner your  
23 educational and employment background?

24 A. Yes, sir.

25 EXAMINER EZEANYIM: Was the answer yes, sir

1 or no, sir that you've testified before?

2 THE WITNESS: I have not testified before,  
3 sir.

OK

4 EXAMINER EZEANYIM: So it's "no, sir"?

5 THE WITNESS: "No, sir."

6 A. I went to Kansas State University and completed  
7 my undergraduate degree in geology, and I also achieved  
8 my master's degree through Kansas State University. And  
9 I worked at Mewbourne Oil Company for two-and-a-half  
10 years.

11 Q. (BY MR. BRUCE) Does your area of responsibility  
12 at Mewbourne include this portion of southeast  
13 New Mexico?

14 A. Yes, sir.

15 Q. And are you familiar with the geologic matters  
16 involved in this application?

17 A. Yes, sir.

18 MR. BRUCE: Mr. Examiner, I'd tender  
19 Mr. Hill as an expert petroleum geologist.

20 EXAMINER EZEANYIM: Mr. Hill, you have a  
21 degree in both -- a master's and bachelor's in geology?

22 THE WITNESS: Yes, sir.

23 EXAMINER EZEANYIM: Okay.

24 Q. (BY MR. BRUCE) Could you identify Exhibit 10  
25 for the Examiner, Mr. Hill?

10

1           A.    Yes, sir. This is a structure map of the  
2    nine-section area around the Layla 35 OB #1H that we  
3    propose to drill. If you look in the bottom, left-hand  
4    corner, I've highlighted all the Bone Spring producers.  
5    We've got Avalon Sand, Avalon Shale, 1st Bone Spring  
6    Sand, 2nd Bone Spring Sand and the Harkey Sand.

7                    To the right of the wellbore, I've  
8    displayed all the production, cum gas, cum oil and cum  
9    water. The structure in this area is not very  
10   complicated. It's dipping from west to east, and it's  
11   on the 2nd Bone Spring. The well that we plan to drill  
12   is in Section 35, in the west half of the east half.

13           Q.    Mr. Hill, Mr. Ezeanyim is normally quite  
14   interested in well orientation, either stand-up or  
15   lay-down. In this section, has that unit orientation  
16   already been decided?

17           A.    It has, in the Avalon Shale. It's in the east  
18   half of the west half.

19           Q.    So there is an existing stand-up Bone Spring  
20   well in this section?

21           A.    Yes, sir. Yes, sir.

22           Q.    What is Exhibit 11?

23           A.    Exhibit 11 is a net isopach of the 2nd Bone  
24   Spring Sand. To the bottom, left of the wellbore, I  
25   have posted the net sand greater than ten percent

1 porosity. So within the planned wellbore, we plan to  
2 encounter 50 to 60 feet of net sand.

3 Q. So pretty much the entire well unit is  
4 somewhere -- each quarter-quarter section would contain  
5 approximately 50 to 60 feet of sand?

6 A. Yes, sir.

7 Q. What is Exhibit 12?

8 A. Exhibit 12 is a cross section of the three  
9 wells that are deep enough in Section 35 to penetrate  
10 the 2nd Sand. The first marker is the top of the 2nd  
11 Bone Spring Sand, and then we divide the 2nd Bone Spring  
12 into the B and the C Sand, and then the blue marker at  
13 the base is the 3rd Bone Spring Carbonate.

14 EXAMINER EZEANYIM: Excuse me. Go back to  
15 Exhibit 11, on that net isopach map. The well drilled  
16 there is not the well for this subject, right? It's  
17 not. That's a well -- a stand-up well there?

18 THE WITNESS: Yes.

19 EXAMINER EZEANYIM: Which well is that?

20 THE WITNESS: The one that has been drilled  
21 in the Bone Spring in Section 35? That is in the east  
22 of the west half.

23 EXAMINER EZEANYIM: Yeah. Which one is  
24 going to be -- it's going to be east half-east half?

25 THE WITNESS: Oh, no. It's the red



1 highlighted area, the west half of the east half that  
2 we're planning to drill.

3 EXAMINER EZEANYIM: Is that the one with an  
4 arrow?

5 THE WITNESS: Yes, sir.

6 EXAMINER EZEANYIM: Okay. What is the well  
7 you are talking about? You are talking about a well in  
8 the 2nd Bone Spring?

9 THE WITNESS: Yes. That is the well  
10 directly to the west of that. It has the gray circle on  
11 it. It produced two-tenths of a bcf, 8,000 barrels of  
12 oil and 50,007 barrels of water --

13 EXAMINER EZEANYIM: Okay. Go ahead.

14 A. Back to the cross section, the 2nd Bone Spring  
15 Sea Sand is the green marker, and this just shows the  
16 continuity of the sand through the sections of these  
17 three wells. We expect to encounter anywhere from 60 to  
18 80 feet of gross sand, and then 50 to 60 feet of net  
19 sand, with porosity greater than ten percent.

20 Q. (BY MR. BRUCE) Based on your geologic study,  
21 would you anticipate each quarter-quarter section in the  
22 well unit contributing more or less equally to  
23 production?

24 A. Yes, sir, equally.

25 Q. What is Exhibit 13?

1           A.   Exhibit 13 is a production data table  
2   spreadsheet of all the wells that produce in the  
3   nine-section area. The first column is the well name,  
4   and then the operator, API number, the location, whether  
5   they're vertical or horizontal, Bone Spring completion  
6   date to the Morrow, the cum oil, cum gas, cum water, and  
7   the zone completed in.

8           Q.   There are some -- looking at the vertical  
9   wells, there are some wells that appear to be okay,  
10   but --

11          A.   Uh-huh.

12          Q.   -- looking at the completion date, it'd take  
13   quite awhile to produce the reserves?

14          A.   It would, yes.

15          Q.   Would you anticipate quicker recovery of  
16   reserves from the horizontal wellbore?

17          A.   Absolutely. Yes, sir.

18          Q.   And would you finally identify Exhibit 14 and  
19   just briefly describe the completion stages, et cetera  
20   in the well?

21          A.   Yes. Exhibit 14 is the Well Planning Report.  
22   We did these before plans to drill a well. Surface  
23   location is 150 feet from south line and 1,980 from east  
24   line, and the bottom-hole location is 330 from north  
25   line and 1,980 from east line, in Section 35, 23 South,

1 28 East, Eddy County.

2 And if you'll flip to the last page,  
3 that'll show the wellbore diagram.

4 Q. How many completion stages in this well?

5 A. In this well, it will probably be 20 completion  
6 stages.

7 Q. Were Exhibits 10 through 14 either prepared by  
8 you or compiled from company business records?

9 A. Yes, sir.

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

13 A. I'm sorry?

14 Q. Is the granting of this application in the  
15 interest of conservation and the prevention of waste?

16 A. Yes, sir.

17 MR. BRUCE: Mr. Examiner, I'd move the  
18 admission of Exhibits 10 through 14.

19 EXAMINER EZEANYIM: Any objection?

20 MR. CHAVEZ: No, no objection.

21 EXAMINER EZEANYIM: 10 through 14 will be  
22 admitted.

23 (Mewbourne Oil Exhibit Numbers 10 through  
24 14 were offered and admitted into  
25 evidence.)

1 EXAMINER EZEANYIM: Mr. Chavez?

2 MR. CHAVEZ: No questions.

3 EXAMINER EZEANYIM: Mr. Brooks?

4 MR. BROOKS: No questions.

5 EXAMINER EZEANYIM: Mr. Goetze?

6 EXAMINER GOETZE: I have one quick  
7 question.

8 CROSS-EXAMINATION

9 BY EXAMINER GOETZE:

10 Q. Exhibit Number 11, looking at the isopach, this  
11 is all from your logs, and the wells themselves that are  
12 presented for production, those are all Avalon?

13 A. In the gray, yes, sir.

14 Q. Yeah. Okay. The sand and shale. So we don't  
15 have anything in the Bone Spring 2nd Sand at this point?

16 A. Not in this nine-square section.

17 Q. All right. That's my only question. Thank  
18 you.

19 A. Yes, sir.

20 CROSS-EXAMINATION

21 BY EXAMINER EZEANYIM:

22 Q. Based on that map, you stated that all 14 will  
23 be productive; I mean, according to that map. Why do  
24 you say that?

25 A. I believe it's because the sand is continuous,

1 as well as the structure slowly dipping from the west to  
2 the east, as well as you'll have 50 to 60 feet of gross  
3 sand in all three of these wells, gross-net sand.

4 Q. And when I look at that well that you are going  
5 to drill, it looks like the 40-acre in the middle will  
6 produce more than the ones at the end, if I look at your  
7 net isopach map.

8 A. Uh-huh.

9 Q. Does it appear to you, if I look at the net  
10 isopach map, that the two 40 acres in the middle will  
11 produce more than that? It doesn't make a whole a lot  
12 of difference.

13 A. Right.

14 Q. You've told me that the -- is continuous. Of  
15 course, you know there is no way to know whether it's  
16 continuous, but we assume they are, right?

17 A. It's possible, but this is an interpretation  
18 that I believe the sands could be thicker to the east,  
19 or it could be thinner. I believe it's thick, and all  
20 along the lateral should contribute equally.

21 Q. Okay.

22 EXAMINER EZEANYIM: Anybody else?

23 MR. BRUCE: No, sir.

24 Any more witnesses?

25 MR. BRUCE: No, sir.

1 EXAMINER EZEANYIM: Mr. Chavez?

2 MR. CHAVEZ: I'm going to call

3 Mr. Panagopoulos, Pavlos. And his testimony would be  
 4 adopted by Magdalena, so there is no reason to have her  
 5 testify to the same things he would testify to. She  
 6 would adopt his statements.

7 EXAMINER EZEANYIM: Okay. Go to the  
 8 witness stand.

9 Can I call you Pavlos?

10 MR. PANAGOPOULOS: Pavlos is fine.

11 EXAMINER EZEANYIM: Okay. Good. And  
 12 you've been sworn, right?

13 MR. PANAGOPOULOS: What?

14 EXAMINER EZEANYIM: You've been sworn?

15 MR. PANAGOPOULOS: Yes, I've been sworn.

16 EXAMINER EZEANYIM: You are under oath.

17 You can go ahead.

18 PAVLOS PANAGOPOULOS,

19 after having previously duly sworn under oath, was  
 20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. CHAVEZ:

23 Q. Please state your name for the record.

24 A. Pavlos Panagopoulos.

25 Q. Where do you reside?

1 A. I reside at 615 Willow Brook, Belen, New  
2 Mexico.

3 Q. And do you and your respective family have a  
4 particular interest in this petition filed before the  
5 Commission? **DIVISION**

6 A. Yes, we do.

7 Q. What does that consist of?

8 A. We are opposing, basically, the forced pooling  
9 determination of this committee because we'd like to  
10 have time to determine our ownership in this interest.  
11 We would like Mewbourne to acknowledge our interest in  
12 this well.

13 Q. And what time period are you requesting?

14 A. Six months.

15 Q. Are you requesting a delay for six months?

16 A. Yes.

17 Q. And what would you do in that six-month period?

18 A. We would do a title search, and also we would  
19 negotiate with Mr. Hayward [sic].

20 Q. Have you already made a claim based on your  
21 respective deeds and mineral deeds that you received on  
22 this particular property?

23 A. Yes.

24 Q. And have those been submitted?

25 A. Yes.

1 Q. Now, Mewbourne has the option to acknowledge  
2 what you have submitted. Is that a fair statement?

3 A. Yes.

4 Q. And has Mewbourne accepted what your claimed  
5 interest in this particular well would be?

6 A. Yes.

7 Q. Have they accepted that?

8 A. They have not. We would like them to  
9 acknowledge our interest.

10 Q. And did you have the opportunity to receive any  
11 of the pleadings or documents that are submitted as  
12 exhibits by Mr. Haden this afternoon?

13 A. The paperwork I received today --

14 Q. No. The question is: Did you have the  
15 opportunity to receive those exhibits --

16 A. No.

17 Q. -- tendered by Mr. Haden prior to today's  
18 hearing?

19 A. No, I have not gotten those.

20 Q. Did you have any opportunity to receive the  
21 title search that, in effect, disputes your particular  
22 claim into the subject interest that you're claiming?

23 A. No, I have not. And, also, we have paid for a  
24 title search that we are waiting for from Eddy County  
25 Abstract. We should have gotten that title search



1 yesterday, but we have not received it yet.

2 Q. Now, one of the questions of Mr. Haden was:  
3 Why don't you pay your respective interest into the cost  
4 of the well?

5 A. Because they have not determined that we have  
6 ownership in this well. They have not acknowledged our  
7 ownership.

8 Q. And do you need that percentage, respective  
9 interest, acknowledged in order to allow you to make an  
10 informed decision as to whether you would participate in  
11 the cost and expenses of that well?

12 A. Yes, because no sane person would put money up  
13 if they didn't know what they were going to get back in  
14 return.

15 Q. And has their prejudice caused you, as a  
16 result, of not being able to make that informed decision  
17 prior to a forced pool order being entered?

18 A. Yes.

19 Q. With regards to the escrow account that's being  
20 set up -- you've heard the testimony of Mr. Haden  
21 indicating that there would be an escrow account set up  
22 in this particular case concerning the compulsory  
23 pooling. Are you in agreement with that?

24 A. No.

25 Q. And why not?

1           A.     Because like Mr. Haden said, Mewbourne gets  
2     nothing out of it. But the money goes to an escrow  
3     account, and the owners get nothing out of it either.  
4     So there's no skin off, as they say in Texas, of  
5     Mewbourne because they're not losing anything. It's the  
6     owners that are not getting their fair interest in this  
7     well.

8           Q.     And have you had disputes with Mewbourne in the  
9     past concerning this type of arrangement, without having  
10    your interest determined up front, before proceeding  
11    with the well?

12          A.     Just like Mr. Hayward [sic] testified, I spoke  
13    to Corey Mitchell when I came to the last forced pooling  
14    from last year. And Mr. Corey Mitchell said to contact  
15    us at Mewbourne, and we'll talk with you, and I did.  
16    And he said, You need talk to Mr. Hayward [sic]. And  
17    Mr. Hayward [sic] said he would not talk with us and  
18    would not negotiate with us, until now, when he stood up  
19    here and testified. He just said he would negotiate  
20    with us. So we'd like six months to be able to  
21    negotiate with Mr. Hayward [sic] to determine our  
22    ownership before you force pool us.

23                   EXAMINER EZEANYIM: Mr. Tibo -- Mr. Chavez,  
24    I think Pavlos is a fact witness, not an expert witness.

25                   MR. CHAVEZ: Correct.

1 EXAMINER EZEANYIM: I want to get the  
2 record to reflect that.

3 MR. CHAVEZ: That was the last question I  
4 had for him.

5 EXAMINER EZEANYIM: Okay. We normally  
6 qualify witnesses before we continue, so I know what's  
7 going on, so the record will reflect.

8 Go ahead.

9 MR. CHAVEZ: I have nothing further. That  
10 was it.

11 EXAMINER EZEANYIM: Oh, okay. Now we  
12 qualify him as a fact witness, and that's what the  
13 record will state.

14 Mr. Bruce?

15 MR. BRUCE: Just a couple of questions,  
16 Mr. Examiner.

17 CROSS-EXAMINATION

18 BY MR. BRUCE:

19 Q. Are you aware, Mr. Panagopoulos, that I've  
20 provided a copy of that statement, title search [sic],  
21 to Tibo Chavez, your attorney, over two months ago?

22 A. Not until I just see it right there, but you  
23 gave me a letter that I have.

24 Q. And to best of your knowledge, this is the  
25 third time now over the last year, year and a half that

1 you've been force pooled into these wells, right?

2 A. Right. Can I answer the question? I'm not a  
3 lawyer. You are.

4 Q. Go ahead and answer.

5 A. So the legal laws of New Mexico, especially  
6 when it comes to minerals -- we are laypeople; we are  
7 not knowledgeable about mineral rights and what my  
8 father purchased. So as laypeople, we're not experts in  
9 mineral rights or what the laws are. We were trusting  
10 that Mewbourne was sending us this information in good  
11 faith. What I see now is that it's not in good faith,  
12 because they're basically saying, We'll just put all the  
13 money in escrow for the owners. There's no skin off our  
14 nose. We get paid whatever we get paid, and we don't  
15 need to negotiate with the owners or try to determine  
16 who the owners are. Why have an escrow account? Why  
17 not pay those proceeds out to the owners? Why not try  
18 to determine who owns that interest?

19 Q. Are you aware it's your job to determine what  
20 you own?

21 A. Yes. And it's also my cost -- at my cost,  
22 right.

23 Q. And this is the third time now you've been  
24 force pooled into these wells. And going back over a  
25 year and a half, how come it has taken so long to take

1 steps to determine what you own?

2 A. Again, we were not knowledgeable in this  
3 situation, and we tried to delay the forced pooling  
4 because we were not knowledgeable in what was going to  
5 happen when we accepted forced pooling, that we'd lose  
6 200-percent interest in the well. We have to pay the  
7 expense according to the forced pooling.

8 MR. BRUCE: That's all I have,  
9 Mr. Examiner.

10 EXAMINER EZEANYIM: Any questions?

11 EXAMINER BROOKS: No questions.

12 EXAMINER EZEANYIM: Any questions?

13 EXAMINER GOETZE: No questions.

14 CROSS-EXAMINATION

15 BY EXAMINER EZEANYIM:

16 Q. So the crux of the matter here, Mr. Pavlos  
17 [sic], is, you don't know what you own in this well.  
18 Therefore, you don't know whether to participate or not  
19 to participate. Is that what you're saying?

20 A. Yes. The only think I do know is, my father  
21 paid for interest in this well, cash money, and so he  
22 purchased interest in this well from an individual. And  
23 Mewbourne contacted us and said, We're going to be  
24 putting a well on your interest. We have not been able  
25 to determine what that interest is. We'd like six

1    months to give us an opportunity to determine what that  
2    interest is.

3            Q.    Why are you taking too long to determine your  
4    interest?   Why does it take too long?   I mean, you  
5    should go to the -- I don't know.   I'm not a law person.  
6    Because maybe I'm asking -- because I don't know.   Maybe  
7    it takes a year, but it seems to me that there is  
8    something you can do in a week or two.

9            A.    It's already been over a month.   We've  
10    contacted Eddy County Abstract, and they're providing us  
11    the documents.   One of the mortgages on the documents is  
12    a 300-page document, and Tibo Chavez, our attorney,  
13    asked for that document.   And Eddy County Abstract said  
14    that they would have to mail it.   He asked them to send  
15    it to us in an E-format, and they have yet to send us  
16    that document.   So we have a lot of information that we  
17    have to go through in order to determine that.

18                    All we're asking for is a six-month delay.  
19    That's all we're asking.   I don't think that's asking a  
20    lot.

21                    Now, Mr. Bruce may think that 2.3 percent  
22    or 2.4 interest is very small, but my father paid for  
23    that interest with monies that he received when my mom  
24    passed away.   And we just want to determine what our  
25    interest is and what interest my dad had purchased for

1 those mineral rights.

2 Q. And that is your right. Even if your interest  
3 is .000100 or something, you should --

4 A. But there is also a cost involved in doing  
5 that. So we've got to say, What is the cost? And so  
6 here's the other problem. We don't know what the value  
7 of that interest is.

8 Q. And we can't help you with that here.

9 A. Correct. But we have to know what the interest  
10 is, because there are going to be expenses for us and  
11 costs and time for us to determine what that interest is  
12 going to be, and a lot of research.

13 Q. My hope is that you are not going to abandon  
14 that interest, right?

15 A. No, we have not abandoned that interest at all.  
16 That's why I'm here.

17 And Mr. Bruce is saying to me, Pavlos, why  
18 haven't you done anything? Well, I drove and left my  
19 business last year, and I was here. And you kept on  
20 changing the court date, and I kept driving here from  
21 Albuquerque. So, yes, I am a motivated individual. And  
22 you would agree with that because I've called you on the  
23 phone. I am motivated. It's just taking me time to get  
24 legal counsel to help me, and I've just done that  
25 recently.

1 And it's going to take me a little time,  
2 and I'm asking only for six months. And it's a small,  
3 insignificant ownership. I would like a little time to  
4 determine my ownership in that interest and my family's  
5 ownership, because I not only represent myself, but I'm  
6 a fiduciary for my father's estate.

7 And I'm the managing partner for  
8 Panagopoulos Enterprises, which is one of the interests.  
9 So not only do I have a personal benefit from this, but  
10 I have a fiduciary benefit that I need to take care of  
11 for my family.

12 Q. Now, let me ask you a question before we go to  
13 the six months. Let's say you find out what your  
14 interest is. Then you determine whether to participate  
15 in the well or not participate in the well --

16 A. Or sign a lease. And if Mr. Hayward [sic]  
17 signs a check for 2,000, says, Here, you guys own 2.5,  
18 there's our deal. We sign the lease, and we're done.  
19 How hard is that? It's \$2,000 depending upon if you own  
20 it or you don't own it. Why leave that ambiguity? Why  
21 not just determine: You either own it, sign the lease,  
22 or you don't own it and move on?

23 Q. But you have to determine your lease.

24 A. Right. And we need to negotiate with  
25 Mr. Hayward [sic] and get Eddy County Abstract to



1 provide us that abstract, and I still have not received  
2 it from Eddy County Abstract. I should receive it any  
3 day now. Mr. Chavez, Tibo Chavez, was expecting to get  
4 that abstract from Eddy County Abstract yesterday. It  
5 still has not been received.

6 And the mortgage, which Mr. Bruce has not  
7 provided me with, was a 300-page mortgage on that  
8 abstract.

9 MR. BRUCE: I'm sorry. I don't know what  
10 you're talking about, Mr. Panagopoulos.

11 EXAMINER EZEANYIM: He's talking about  
12 mortgage.

13 THE WITNESS: There was a mortgage on those  
14 leases from somebody else, so we have to get the  
15 entire -- we have to get the entire abstract. The  
16 lawyer needs to get the abstract. I'm not a lawyer.  
17 The lawyer needs to get the abstract in order to make a  
18 legal determination. We need some time, and we're  
19 asking for six months.

20 EXAMINER EZEANYIM: And the OCD is not  
21 interested in the mortgage. What we're interested in  
22 now is to sit down and determine the issue of delaying  
23 this action for six months.

24 THE WITNESS: Yes. And can the well  
25 continue to work and operate? All you are determining

1 is forced pooling, correct?

2 EXAMINER EZEANYIM: Yeah.

3 THE WITNESS: So let's say you'd say, We're  
4 not going to force pool, six months; we're not going to  
5 make the forced pool. Can Mewbourne and the oil  
6 companies continue with the well?

7 EXAMINER EZEANYIM: Well, that would depend  
8 on the Applicant.

9 THE WITNESS: Right. That's their  
10 determination, right?

11 EXAMINER EZEANYIM: Yes. I mean, it  
12 depends on what they tell us.

13 THE WITNESS: So that's not going to stop  
14 them from doing the well? Delaying six months is not  
15 going to stop them from doing the well?

16 EXAMINER EZEANYIM: No.

17 THE WITNESS: And it's not going to change  
18 the ownership that I would have.

19 EXAMINER EZEANYIM: They can -- they are  
20 drilling at their own risk.

21 THE WITNESS: Exactly. And right now it's  
22 at my risk because they're saying, You haven't  
23 determined your ownership, and now we're going to force  
24 pool you. Now they have no risk, and I have all the  
25 risk.

1                   We're just asking for six months. That's  
2     it. And if Mr. Hayward [sic] would agree to that -- but  
3     I don't think he is.

4                   EXAMINER EZEANYIM: David?

5                   EXAMINER BROOKS: I have no further  
6     questions.

7                   EXAMINER EZEANYIM: No, I want you to  
8     comment on the six-month request.

9                   EXAMINER BROOKS: Well, we have the  
10    authority to delay making a decision. Whether we should  
11    do so or not, particularly because this is a fairly  
12    lengthy request, I think we should not continue it,  
13    because -- if it were just to the next hearing, I might  
14    say otherwise, but it seems to me that this is a  
15    decision that should be made by the director.

16                  THE WITNESS: Will you give us an  
17    opportunity --

18                  EXAMINER EZEANYIM: And, also, what the  
19    Applicant wants -- the situation with the Applicant.

20                  EXAMINER BROOKS: Yeah. And there is a  
21    complication that under the rule -- under the Horizontal  
22    Well Rule, it says that you cannot proceed to drill a  
23    horizontal well -- you can't produce a horizontal well.  
24    You can drill it, but you can't produce a horizontal  
25    well without consolidation either by voluntary agreement

1 or by forced pooling. And there is a question, I think,  
2 whether that provision is actually in accordance with  
3 the compulsory pooling statute, but that's a whole other  
4 question.

5 THE WITNESS: Is the well producing now?

6 EXAMINER EZEANYIM: It's not drilled.

7 MR. BRUCE: The well has not been drilled,  
8 Mr. Examiner.

9 EXAMINER BROOKS: Bottom line, I would say,  
10 if you're inclined, Mr. Examiner, to recommend that the  
11 matter be continued for a period as long as six months,  
12 what we should do is take the case under advisement  
13 or -- either take it under advisement or delay it a  
14 shorter period of time, and make a recommendation to the  
15 director, and let the director make that decision. I  
16 think that's a decision of magnitude that should go to  
17 the director. That's not just a procedural point.

18 EXAMINER EZEANYIM: Six months to me seems  
19 to be too long. I will be willing to continue this case  
20 for one month, to be fair on both sides.

21 THE WITNESS: Would that give an  
22 opportunity for me and Mr. Hayward [sic] to negotiate?

23 EXAMINER EZEANYIM: Yeah, for one month.  
24 You know, for a month from today, and see what you guys  
25 can negotiate. And then we can drop you from the --

1 EXAMINER BROOKS: I would add that from the  
2 practicalities of the situation, it seems very unlikely  
3 to me that this would be resolved in a short period of  
4 time or perhaps in a long period of time --

5 EXAMINER EZEANYIM: Well, it's not --

6 EXAMINER BROOKS: -- whatever decision you  
7 make.

8 EXAMINER EZEANYIM: It's not a decision of  
9 the issue when they get it. From what I heard  
10 Mr. Pavlos [sic] saying is, I don't know how much I own  
11 in this well; I want to find out. So my question was:  
12 Why is it taking too long? You could have gotten the  
13 300 pages, spent the whole night and then get your  
14 interest. That's a gold mine that you are leaving out  
15 there. You don't know if it's more than five percent,  
16 so you want to find out how much you own, because that's  
17 really the point we're talking about here. So I don't  
18 know. I'm not a land person. I have no idea.

19 EXAMINER BROOKS: If I may make a comment  
20 on that, Mr. Examiner. I don't know anything about this  
21 title; I haven't examined it, but it seems that it's  
22 possibly very complicated. And when you've got a  
23 complicated title, it's very often the case that there  
24 is no way that anybody can say how much a person owns  
25 until the appropriate procedures are gone through and

1 the matter is brought to a judge, and he can say, They  
2 own such-and-such, not because he's smarter than anybody  
3 else, but because he has the power to say, This is the  
4 way it is.

5 EXAMINER EZEANYIM: So are you telling me  
6 that before this man here finds out how much he owns, he  
7 has to go through a judge?

8 EXAMINER BROOKS: I think it's quite likely  
9 that only a district judge, in a quiet title proceeding,  
10 could make that decision. I don't know that; I haven't  
11 examined the title, but given what I'm hearing between  
12 the lines, I think that's quite probable.

13 And, of course, a quiet title proceeding  
14 would require that everybody that owns -- is a potential  
15 owner will be made a party to that proceeding, which  
16 would require due diligence to locate them all. It will  
17 require publications for the people that can't be  
18 located. It's an extensive procedure.

19 EXAMINER EZEANYIM: Would the Applicant  
20 comment on this request, so I can begin to make a  
21 recommendation here? I want the Applicant to comment on  
22 this request about the six months.

23 MR. BRUCE: Mr. Examiner, as I said, this  
24 is the third forced pooling regarding this interest,  
25 stretching back well over a year and a quarter. This

1 particular case has been continued again and again over  
2 two months. We are highly resistant to any further  
3 continuance. Certainly based on what I've seen on the  
4 orders, it's going to take at least 30 days for an order  
5 to come out anyway. We just object to any further  
6 continuance.

7 Just like all of these companies, whether  
8 it's Mewbourne or COG or anybody else, they have  
9 drilling obligations that they must meet. And certainly  
10 if they do drill the well, they don't want to face the  
11 situation which Mr. Brooks stated, which under the  
12 rules, you're not supposed to get a C-104 transport  
13 until the nonstandard unit has been approved. And  
14 Mewbourne has always been a good operator. It has  
15 always followed the rules, and we don't want to put  
16 ourselves under that scripture.

17 EXAMINER BROOKS: I believe that Mr. Chavez  
18 was indicating that he wanted to make some comment, and  
19 I think he should be entitled to do that.

20 EXAMINER EZEANYIM: Okay. Mr. Chavez?

21 EXAMINER BROOKS: Do you have something to  
22 say?

23 MR. CHAVEZ: There are two options, I  
24 think, as you pointed out, Counsel. One is, we'd have  
25 to go through the court proceeding, but we certainly can

1 reach an acknowledgment of that interest by Mewbourne.  
2 They can say: We accept your percentage, whatever they  
3 may come to an agreement on, without a court proceeding,  
4 as they've done in other situations as well.

5 EXAMINER BROOKS: Yes, I suppose. By  
6 contract, they could agree to pay you a certain amount  
7 for your interest whether you own it or not, but I  
8 haven't heard of that being done in the oil business.

9 THE WITNESS: Can I say something real  
10 quick? How many are there, Mr. Chavez? There are 14  
11 people? How many are listed there?

12 MR. CHAVEZ: Twenty-eight people.

13 THE WITNESS: Twenty-eight people. Five of  
14 them are Panagopouloses. Only two of those contested  
15 ownership interests are sitting in this room. There has  
16 been no other communication from the other people.

17 Is that correct, Mr. Bruce? Have you had  
18 any communication from any of the other individuals?

19 MR. BRUCE: Mr. Examiner, I've had -- and  
20 they're in the notice documents. I had contacts with  
21 the Gregory family.

22 THE WITNESS: And have they signed a lease?

23 MR. BRUCE: No. On this, they're just --  
24 they're letting the Division -- whatever the Division's  
25 going to do.



1 MR. CHAVEZ: I don't think you have anybody  
2 else claiming an interest in this subject amount.

3 EXAMINER BROOKS: Well, if I understood  
4 what was said about the title, the title examiner  
5 concluded that there was this long list of people and  
6 that he could not determine the percentages in which  
7 they owned this 2.6 percent. And if that's so, then it  
8 seems to me the only way the matter could be resolved by  
9 agreement would be for all that list of 16 people to  
10 sign the same document, asking a district judge to make  
11 the decision.

12 THE WITNESS: And I asked Mewbourne to do  
13 that, and Mr. Hayward [sic] said they would not do that;  
14 they would not go through that expense. I spoke to  
15 Corey, and he said, That's a good idea, Pavlos. And  
16 Mr. Hayward [sic] said, That's your problem; you send  
17 out the letters to those people. He has the addresses.  
18 He has the names. He knows where they're at.

19 EXAMINER BROOKS: Well, he sent letters to  
20 them all asking them to lease, I assume --

21 MR. BRUCE: It's in the exhibits.

22 THE WITNESS: Did anybody sign the lease?  
23 Any of those individuals sign the lease?

24 MR. HADEN: What good does that do if they  
25 don't know what they signing [sic]?

1 MR. PANAGOPOULOS: So why not resolve it?

2 MR. BRUCE: Mr. Examiner, I think the case  
3 is done.

4 EXAMINER BROOKS: I think we've got all the  
5 input. I think perhaps Mr. Ezeanyim and I should  
6 withdraw for a minute and confer about this.

7 EXAMINER EZEANYIM: Yeah, because I want to  
8 get this right. Just give us one minute.

9 EXAMINER BROOKS: We'll take a brief recess  
10 to allow the Examiners to confer.

11 (Break taken, 3:33 p.m. to 3:35 p.m.)

12 EXAMINER BROOKS: We have decided to take  
13 the case under advisement.

14 And I'm not going to say everything that I  
15 said to you (indicating) because that's in the nature of  
16 stating the recommendation that I think we will make,  
17 but I will say that I anticipate that we will make a  
18 special provision for how the election will be handled  
19 that is tailored to this case, if the director chooses  
20 to accept our recommendation.

21 MR. CHAVEZ: Thank you. Nothing further.  
22 May we be excused?

23 EXAMINER EZEANYIM: No. I need to take it  
24 under advisement.

25 EXAMINER BROOKS: Oh, yeah. That's right.

1 I'm the legal advisor, so I'm telling him what I would  
2 advise, and he does it formally on the record.

3 EXAMINER EZEANYIM: I have to, because we  
4 have the record.

5 At this point, Case Number 14977 will be  
6 taken under advisement. Okay. Thank you.

7 You want to take a break?

8 EXAMINER BROOKS: I want to take a break.

9 EXAMINER EZEANYIM: Ten-minute break, and  
10 we'll be back.

11 (Case Number 14977 concludes, 3:36 p.m.)

12 (Break taken, 3:36 p.m. to 3:50 p.m.)

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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. 14977  
heard by me on 7/11/15  
P. J. [Signature] Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

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21

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