

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 CASE NO. 15828
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 12, 2017

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, October 12, 2017, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

3 JAMES G. BRUCE, ESQ.
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2 (9:32 a.m.)

3 EXAMINER GOETZE: Case Number 15828,
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
8 Santa Fe representing the Applicant. I have two
9 witnesses. And if the record could reflect that
10 Mr. Winkeljohn and Mr. Crosby were already sworn in and
11 qualified as experts.

12 EXAMINER GOETZE: Very good. Thank you.

13 RAYMOND WINKELJOHN,
14 after having been previously sworn under oath, was
15 questioned and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Could you state your name for the record?

19 A. It's Raymond Winkeljohn.

20 Q. And you were sworn in and qualified in the
21 prior case; is that correct?

22 A. Yes.

23 Q. Does your -- and are you familiar with the land
24 matters involved in this application?

25 A. Yes.

1 Q. Could you please identify Exhibit 1 and
2 describe the lands involved in this case?

3 A. Exhibit 1 is a Midland Map identifying the
4 project area for Archduke well, and then the project
5 area is, again, outlined in yellow.

6 Q. And what's the section, township and range?

7 A. It's 19 -- Section 19 of 24 South, Range 27
8 East.

9 Q. And what is the full name of the well?

10 A. It's the Archduke 19 W2AP Fed Com #1H.

11 Q. And you are force pooling only the Wolfcamp
12 Formation in this case?

13 A. Yes.

14 Q. And, again, this is a Purple Sage --

15 A. Yes.

16 Q. -- well?

17 Are there any depth severances in the
18 Wolfcamp Formation in the east half of Section 19?

19 A. No.

20 Q. What is the working interest ownership in the
21 well unit? And I refer you to Exhibit 2.

22 A. Mewbourne owns 87-and-a-half percent of the
23 working interest, with Pintail Production Company owning
24 12-and-a-half percent.

25 Q. And Pintail is the only party you seek to force

1 pool?

2 A. Yes.

3 Q. And there are no unlocatable interests in this
4 particular case, are there?

5 A. No.

6 Q. Could you identify Exhibit 3 and describe your
7 contacts with Pintail Production?

8 A. Exhibit 3 is our summary of communications with
9 Pintail. We've been speaking with them since June, and
10 we've yet to come to an agreement.

11 Q. And there have been, looks like, several dozen
12 contacts?

13 A. Correct.

14 Q. Are you still in negotiations with Pintail?

15 A. We currently are.

16 Q. And if you reach voluntary agreement with them,
17 will you notify the Division so that they wouldn't be
18 subject to a pooling order?

19 A. Yes.

20 Q. And in your opinion, has Mewbourne made a
21 good-faith effort to obtain the voluntary joinder of the
22 interest owners in the well?

23 A. Yes.

24 Q. Would you identify Exhibit 4 and describe the
25 cost of the proposed well?

1 A. Exhibit 4 is our AFE for our Archduke well. It
2 has an approximate dry-hole cost of \$2,356,300 and a
3 completed well cost of \$6,684,800.

4 Q. And are those costs in line with the cost of
5 other wells drilled -- of this type drilled in this area
6 of southeast New Mexico?

7 A. Yes.

8 Q. Do you request that Mewbourne be appointed
9 operator of the well?

10 A. Yes.

11 Q. And do you have a recommendation which
12 Mewbourne should be paid as overhead rates?

13 A. We request 8,000 a month for drilling and 800 a
14 month for a producing well.

15 Q. And are those amounts equivalent to those
16 charged by Mewbourne and other operators in this area
17 for wells of this type?

18 A. Yes.

19 Q. And do you request that these rates be
20 periodically adjusted as provided by the COPAS
21 accounting procedure?

22 A. Yes.

23 Q. Do you request that Pintail be assessed a cost
24 plus 200 percent risk charge in the event it goes
25 nonconsent in the well?

1 A. Yes.

2 Q. And was Pintail notified of this hearing?

3 A. Yes.

4 Q. And is that reflected in Exhibit 5, my
5 Affidavit of Notice?

6 A. Yes, it is.

7 Q. Were Exhibits 1 through 5 prepared by you or
8 under your supervision or compiled from company business
9 records?

10 A. Yes.

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

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, I move admission
16 of Exhibits 1 through 5.

17 EXAMINER GOETZE: Exhibits 1 through 5 are
18 so entered.

19 (Mewbourne Oil Company Exhibit Numbers 1
20 through 5 are offered and admitted into
21 evidence.)

22 MR. BRUCE: And I pass the witness.

23 EXAMINER GOETZE: Mr. Brooks?

24 CROSS-EXAMINATION

25 BY EXAMINER BROOKS:

1 Q. Where is this well located?

2 A. This well is southeast, again, of Carlsbad.

3 Q. Okay. And it's in 24-27, and the last one was
4 in 23-27. So I guess it's just somewhere around --
5 looks like probably about eight miles south of the last
6 one that was discussed in the last case. That's a
7 pretty long distance as oil and gas goes.

8 Let's see. What else was I going to ask?

9 Oh, yeah. I saw Lovington up there, and I
10 was going to ask if it was in New Mexico, but I assume
11 it probably is.

12 Thank you.

13 CROSS-EXAMINATION

14 BY EXAMINER GOETZE:

15 Q. I've just got one question. I'm curious with
16 the fact that you charged an overhead of 8,000, 800 for
17 a one-mile, but we're also doing it for a two-mile. Is
18 there any rhyme or reason?

19 A. Just that current costs for these wells have
20 gone up, and over the last nine months, that's what
21 we've been reflecting on all of our proposals.

22 Q. Do you realize that you are setting a pattern
23 with the two-mile, and if we get other pricing on it,
24 we'll be kind of asking for reasons why?

25 A. Yes.

1 **Q. Okay. Thank you. I have no further questions.**

2 A. Thank you.

3 CHARLES CROSBY,

4 after having been previously sworn under oath, was
5 questioned and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

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

9 A. Charlie Crosby.

10 **Q. And are you familiar with the geologic matters**
11 **involved in this application?**

12 A. Yes.

13 **Q. But you identify Exhibit 6 for the Examiner?**

14 A. This is a structure contour map on the top of
15 the Wolfcamp in the project area showing a continuous
16 consistent structural dip to the east. The proration
17 unit for the proposed well is highlighted by the
18 black -- dashed black box. For the proposed well, shown
19 by the dashed red arrow. Wolfcamp Shale wells are
20 highlighted by the blue lines, with Wolfcamp Sand wells
21 shown by the violet or purple lines. And also there is
22 a cross-sectional reference line labeled A to A prime.

23 **Q. Could you refer to the cross section marked**
24 **Exhibit 7 and discuss that for the Examiner?**

25 A. This is a cross section representative of the

1 entire Wolfcamp section in the project area. Our
 2 delineated Wolfcamp zones are labeled on the left-hand
 3 side of the cross section. The particular zone of
 4 interest would be the Wolfcamp D for this proposed well
 5 with the planned landing point of other proposed wells
 6 shown on the log on the right side with the red line.

7 **Q. Are there any faults in this area that would**
 8 **impair the drilling of the proposed well?**

9 A. No.

10 **Q. And the Wolfcamp is continuous across the**
 11 **proposed well unit?**

12 A. Yes.

13 **Q. In your opinion, will each quarter section**
 14 **contribute, more or less, equally to production?**

15 A. Yes.

16 **Q. What is Exhibit 8?**

17 A. This is -- this table just shows locations and
 18 some production statistics for Wolfcamp wells in the
 19 project area. This just shows there is no real
 20 difference in orientation in terms of production for
 21 these horizontals for wells that have been online for a
 22 comparable amount of time and completed in the same
 23 zone.

24 **Q. And what is Exhibit 9?**

25 A. This is just shows survey statistics for the

1 proposed well on the first couple of pages, and then the
2 final page showing an areal and cross-sectional
3 schematic of the proposed well.

4 Q. And will the first and last take points be at
5 orthodox locations?

6 A. Yes.

7 Q. In your opinion, is the granting of this
8 application in the interest of conservation and the
9 prevention of waste?

10 A. Yes.

11 Q. And were Exhibits 6 through 9 prepared by you
12 or compiled from company business records?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I'd move the
15 admission of Exhibits 6 through 9.

16 EXAMINER GOETZE: Exhibits 6 through 9 are
17 so entered.

18 (Mewbourne Oil Company Exhibit Numbers 6
19 through 9 are offered and admitted into
20 evidence.)

21 MR. BRUCE: I have no further questions of
22 the witness.

23 EXAMINER GOETZE: Mr. Brooks?

24 EXAMINER BROOKS: No questions.

25

1 CROSS-EXAMINATION

2 BY EXAMINER GOETZE:

3 Q. So you're doing a one-mile north and south. Is
4 there any comparative evaluation with regards to
5 orientation? Is there one way that's better than the
6 other, east-west, north-south, in this area of the
7 Wolfcamp?

8 A. No, sir, not that we could tell for comparable
9 wells in terms of completions. There is no -- there is
10 no real affinity for production in terms of orientation
11 of the wellbore.

12 Q. And this is going to be in the sand?

13 A. No, sir. This is --

14 Q. Shale?

15 A. It's in the shale.

16 Q. It's in the shale. Okay.

17 Just looking at the Buzz State, it appears
18 to be the only one that caught my eye. So okay.

19 A. Yes. It's the only sand well in the area, I
20 believe.

21 EXAMINER GOETZE: In that case I have no
22 further questions for this witness.

23 Thank you, Mr. Crosby.

24 THE WITNESS: Thank you.

25 MR. BRUCE: Ask the matter be taken under

1 advisement.

2 EXAMINER GOETZE: You don't have to
3 continue it for green cards?

4 MR. BRUCE: Hopefully not.

5 EXAMINER GOETZE: Case Number 15828 is
6 taken under advisement.

7 (Case Number 15828 concludes, 9:44 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

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

20

21

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