

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. 15861
FOR A NONSTANDARD GAS SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 26, 2017

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Scott Dawson,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, October 26, 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.

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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1 (10:46 a.m.)

2 EXAMINER DAWSON: The next case we will be
3 hearing will be Case Number 15861, application of
4 Mewbourne Oil Company for a nonstandard gas spacing and
5 proration unit and compulsory pooling, Eddy County, New
6 Mexico.

7 Call for appearances.

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

11 EXAMINER DAWSON: Can your two witnesses
12 please stand and be sworn in by the court reporter at
13 this time?

14 (Mr. Winkeljohn and Mr. Crosby sworn.)

15 EXAMINER DAWSON: You can continue,
16 Mr. Bruce.

17 RAYMOND WINKELJOHN,
18 after having been first duly sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 **Q. Would you please state your name and city of**
23 **residence?**

24 A. Yes. It's Raymond Winkeljohn. I live in
25 Midland, Texas.

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

2 A. I'm a landman for Mewbourne Oil Company.

3 Q. Have you testified before the Division?

4 A. I have.

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

7 A. Yes.

8 Q. And are you -- does your area of responsibility
9 at Mewbourne cover this area of southeast New Mexico?

10 A. It does.

11 Q. And are you familiar with the land matters
12 involved in this application?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, Mr. Winkeljohn as
15 an expert petroleum landman.

16 EXAMINER DAWSON: Mr. Winkeljohn will be
17 accepted as an expert petroleum landman at this time.

18 Q. (BY MR. BRUCE) Mr. Winkeljohn, could you
19 identify Exhibit 1 for the Examiner and describe the
20 well -- the wells that Mewbourne seeks -- the well unit
21 and the well units that Mewbourne seeks to force pool?

22 A. Yes. Exhibit 1 is a Midland Map of Township 24
23 South, Range 28 East identifying the project area in
24 yellow for our Motley 6/7 W0AH Fee Com #1H and our
25 Motley 6/7 W2AH Fee Com #2H. And Mewbourne seeks to

1 pool uncommitted mineral interests, as well as establish
2 a nonstandard proration unit on these wells.

3 **Q. And who is the ownership in the well unit --**
4 **and I refer you to Exhibit 2.**

5 A. Mewbourne Oil Company is operator, along with
6 MRC Permian and others in 99.975192 percent of the well
7 of this acreage, and then our unleased mineral owner,
8 Leon Coburn, owns .024808 percent interest.

9 **Q. And do you seek to force pool Mr. Coburn?**

10 A. We do.

11 **Q. What is Exhibit 3?**

12 A. Exhibit 3 is the summary of our communications
13 with Mr. Coburn.

14 **Q. And is the proposal letter that you sent to him**
15 **attached?**

16 A. It is.

17 **Q. Have you ever been able to make contact with**
18 **him other than the mailing of the proposal letter?**

19 A. We have not. We have left voicemails for him.
20 And his voicemail purported to be correct.

21 MR. BRUCE: And, Mr. Examiner, he didn't
22 call Mewbourne. He did call me, and I told him what was
23 going on. He was very unfamiliar with forced pooling.

24 EXAMINER DAWSON: Okay.

25 **Q. (BY MR. BRUCE) In your opinion, have you made a**

1 good-faith effort to obtain the voluntary joinder of
2 Mr. Coburn --

3 A. Yes.

4 Q. -- into the well unit?

5 A. Yes.

6 Q. And there are no unlocatable parties in this
7 well unit?

8 A. Correct.

9 Q. Could you identify Exhibit 4 for the Examiner?

10 A. Exhibit 4 are AFEs for our proposed Motley
11 wells, and there are two of them.

12 Q. And what is the approximate cost of these
13 wells?

14 A. For the Motley 6/7 W0AH Fee Com #1, our
15 approximate dry-hole cost is \$2,497,800 and a completed
16 well cost of \$7,768,900. And for the Motley 6/7 W2AH
17 Fee Com #2, we have an approximate dry-hole cost of
18 \$2,772,000 and a total well cost of \$7,947,800.

19 Q. For the 2H well, that well is slightly deeper
20 than the first well, correct?

21 A. Correct.

22 Q. Therefore, it costs slightly more?

23 A. Right.

24 Q. Are these costs in line with the cost of these
25 types of wells drilled in this area of southeast

1 **New Mexico?**

2 A. They are.

3 **Q. And do you request that Mewbourne be appointed**
4 **operator of these wells?**

5 A. Yes.

6 **Q. And what do you request for overhead rates?**

7 A. We request 8,000 a month while drilling and 800
8 a month for a producing well.

9 **Q. And are these amounts equivalent to those**
10 **normally charged by Mewbourne and other operators in**
11 **this area for wells of this depth and length?**

12 A. Yes.

13 **Q. Do you request that these rates be adjusted**
14 **periodically as provided by the COPAS accounting**
15 **procedure?**

16 A. Yes.

17 **Q. Does Mewbourne request the maximum cost plus**
18 **200 percent risk charge if the interest -- the pooled**
19 **interest owner goes nonconsent in the well?**

20 A. Yes.

21 **Q. And was Mr. Coburn notified of this hearing?**

22 A. He was.

23 MR. BRUCE: And, Mr. Examiner, Exhibit 5 is
24 my Affidavit of Notice showing that actual notice was
25 given. Exhibit 6, I played it safe and published notice

1 in the Carlsbad newspaper.

2 Q. (BY MR. BRUCE) And, Mr. Winkeljohn, does
3 Exhibit 7 reflect all offset operators to the proposed
4 wells?

5 A. It does.

6 Q. And was notice given to those parties other
7 than Mewbourne?

8 A. Yes.

9 Q. And is that reflected in Exhibit 8?

10 A. It is.

11 MR. BRUCE: Finally, Mr. Examiner, again,
12 if you look at the first exhibit, again, this would be a
13 case where the Division would require notice to all
14 interest owners in the southeast quarter and northwest
15 quarter of Section 7, but as you can see from Exhibit 9,
16 there are already existing wells covering that acreage.
17 And, therefore, notice was not given to all of the
18 interest owners since they are already committed to a
19 well -- existing well.

20 EXAMINER BROOKS: Okay.

21 EXAMINER DAWSON: And that existing well is
22 in the same formation, correct?

23 MR. BRUCE: They are Wolfcamp wells.

24 EXAMINER DAWSON: Okay. Thank you.

25 MR. BRUCE: And the first page of Exhibit 9

1 says, when it was filed, it was the Black River;
2 Wolfcamp. Of course, now that is Purple Sage; Wolfcamp.

3 Q. (BY MR. BRUCE) Were Exhibits 1 through 9 either
4 prepared by you or under your supervision or compiled
5 from company business records?

6 A. Yes.

7 Q. And 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 MR. BRUCE: Mr. Examiner, I move the
12 admission of Exhibits 1 through 9.

13 EXAMINER DAWSON: Exhibits 1 through 9 will
14 be admitted to the record at this time.

15 (Mewbourne Oil Company Exhibit Numbers 1
16 through 9 are offered and admitted into
17 evidence.)

18 MR. BRUCE: And I have no further questions
19 of the witness at this point.

20 EXAMINER DAWSON: Do you have any
21 questions?

22 EXAMINER BROOKS: Yes. I'm not sure if
23 they're properly addressed to the witness or to
24 Mr. Bruce.

25 But you said something about certain people

1 not being given notice because they were already parties
2 to another well, and I'm not sure I followed all that.

3 MR. BRUCE: Well, just like on that first
4 notice thing with the Queen -- Mewbourne's Queen well --

5 EXAMINER BROOKS: Yeah.

6 MR. BRUCE: -- from what you informed me
7 this past summer, if you look at Exhibit 1, rather than
8 just notifying offset operators in the northwest quarter
9 and the southeast quarter of Section 7, you have
10 informed me that the Division will require notice to all
11 of the interest owners in those quarter sections --

12 EXAMINER BROOKS: That would appear to be
13 what the --

14 MR. BRUCE: What the regulations --

15 EXAMINER BROOKS: -- what the regulations
16 says once you accept the proposition that those people
17 are being left out.

18 MR. BRUCE: Yeah. And Exhibit 9 shows that
19 those two quarter sections are already subject to
20 existing Wolfcamp wells.

21 EXAMINER DAWSON: So Exhibit 9 depicts that
22 the south half of Section 7 is dedicated to the Boston
23 7 --

24 MR. BRUCE: Yes.

25 EXAMINER DAWSON: -- W2MP Fee #1H?

1 MR. BRUCE: Yes.

2 THE WITNESS: Yes.

3 EXAMINER DAWSON: And the first page of
4 Exhibit 9 shows that the Motley 6/7 W2DE Fed Com #1H
5 would cover the northwest quarter of Section 7 of 24
6 South, 28 East, Eddy County?

7 MR. BRUCE: That is correct.

8 EXAMINER BROOKS: Very good. Thank you.
9 That's all I have.

10 Well, one other thing. I believe you said,
11 but I'm not sure -- I believe I remember you saying that
12 there are no unlocatable owners in this --

13 MR. BRUCE: Yes. Mr. Winkeljohn testified
14 to that.

15 EXAMINER BROOKS: Right. Thank you.

16 THE WITNESS: Thank you.

17 CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. That's correct? There are no unlocatable
20 interest owners?

21 A. Yes, sir.

22 Q. So you've gotten green card from everybody?

23 A. Yes. Well -- so we haven't actually received
24 our green card on the well proposal to Mr. Coburn. It
25 shows -- we included our tracking for it, and it doesn't

1 show that it was actually delivered to him. But Jim did
2 receive a green card from --

3 MR. BRUCE: I got -- the notice letter of
4 the hearing, there is a green card.

5 EXAMINER BROOKS: Very good. Thank you.

6 THE WITNESS: Yes.

7 EXAMINER BROOKS: That's all I have.

8 CROSS-EXAMINATION

9 BY EXAMINER DAWSON:

10 Q. Mr. Winkeljohn, the only question I have is:
11 The west half of the west half of Section 6 and the west
12 half of the northeast quarter of Section 7 in both 24
13 South, 28 East, Eddy County, you're planning on drilling
14 some more wells over in that -- those parts of the
15 sections?

16 A. Could you repeat the parts of the sections?

17 Q. Well, I see your proposed wells --

18 A. Uh-huh.

19 Q. -- are in the east half of the east half of
20 Section 6 --

21 A. Right.

22 Q. -- and northeast quarter of Section 7. You are
23 planning on drilling some other wells in the west half
24 of the east half of 6 and the west half of the northeast
25 quarter of Section 7?

1 A. I believe we are. Yes.

2 Q. I can ask the geologist, if you're looking at
3 him.

4 A. I believe that we are, but I think I would
5 defer to our geologist.

6 Q. I'll ask him those questions, Mr. Winkeljohn,
7 those are all the questions I have. Thank you.

8 A. Thank you very much.

9 EXAMINER DAWSON: You can call your next
10 witness, Mr. Bruce.

11 CHARLES CROSBY,
12 after having been previously sworn under oath, was
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

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

18 A. Charles Crosby.

19 Q. Where do you reside?

20 A. Midland, Texas.

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

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

23 Q. And have you previously testified before the
24 Division?

25 A. Yes, I have.

1 **Q. And were your credentials as an expert**
2 **petroleum geologist accepted as a matter of record?**

3 A. Yes.

4 **Q. And are you familiar with the geology involved**
5 **in this application?**

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, I tender Mr.
8 Crosby as an expert petroleum geologist.

9 EXAMINER DAWSON: Mr. Crosby be admitted --
10 or accepted as an expert petroleum geologist at this
11 time. Thank you.

12 MR. BRUCE: Mr. Examiner, Mr. Crosby has
13 two exhibits. Normally, I number each one, but I was
14 drinking beer and watching the ball game last night, and
15 I decided to shortcut it.

16 EXAMINER DAWSON: I understand. I think I
17 see what their objective is here.

18 **Q. (BY MR. BRUCE) But, Mr. Crosby, you've got two**
19 **exhibits. One is for the Motley 6/7 W2AH #2 well,**
20 **correct?**

21 A. Yes, sir.

22 **Q. And then Exhibit 11 is for the WOH [sic] #1**
23 **well?**

24 A. Yes.

25 **Q. Could you go to Exhibit 10 and just run through**

1 **the exhibits and tell us what they show?**

2 A. #2H -- the WA -- W2H [sic].

3 **Q. Yeah.**

4 A. So is this a structure contour map at the top
5 of the Wolfcamp in the project area showing continuous
6 consistent structural dip to the east. The proration
7 unit for the proposed well is shown by the dashed black
8 lines, with the proposed well itself shown by the dashed
9 red arrow. Wolfcamp Shale wells are shown by the blue
10 lines, with Wolfcamp Sand wells shown by the violet or
11 purple lines, and the cross section reference line
12 labeled A to A prime.

13 And next is the referred-to cross section A
14 to A prime. This is -- this cross section is
15 representative of the Wolfcamp -- the entire Wolfcamp
16 zone through the project area. This one in particular
17 is stratigraphically hung on the Wolfcamp D. On the
18 left side of the cross section are individual Wolfcamp
19 zones. So the proposed landing point of the well is
20 shown by the red arrow within Wolfcamp D. This just
21 shows that this section of the Wolfcamp D is consistent
22 through the area.

23 **Q. And based on these cross -- the cross section,**
24 **in your opinion, would each quarter section within the**
25 **well unit contribute more or less equally to**

1 **production --**

2 A. Yes.

3 **Q. -- from the well?**

4 **And on this cross section, there is a lot**
5 **of live coverage in this area because of the older,**
6 **deeper wells; is that correct?**

7 A. Yes.

8 **Q. And what does the next page show?**

9 A. So this is just a table highlighting some
10 production statistics and locations for the Wolfcamp
11 wells in the area. The particular zones are shown in
12 the far right column, and highlighted are just some of
13 the Wolfcamp D Shale wells with similar vintage of
14 completion and wells that have been online for a similar
15 amount of time. This just shows regardless of
16 orientation, north-south or east-west, production is
17 consistent within the Wolfcamp D.

18 **Q. And so there is no favored orientation?**

19 A. Correct.

20 **Q. And finally, what are the last two pages**
21 **showing?**

22 A. This is our preliminary horizontal well survey
23 and target sheet. This just shows the surface location
24 landing point, projected bottom-hole location of the
25 proposed well just to be within the 330-foot setbacks of

1 the proration unit, and then there is a preliminary
2 survey, the final page.

3 **Q. And as you said, the well is at standard**
4 **locations?**

5 A. Yes.

6 **Q. And just briefly, could you run through Exhibit**
7 **11? It's basically the same but for the WO [sic] zone?**

8 A. Same structure map showing the proposed WOH
9 [sic] well by the red line, and then the same cross
10 section referenced in the previous exhibit, but this
11 just shows the proposed landing point of the Motley 6/7
12 WOH [sic] Fee Com 1H within the Wolfcamp Sand noted by
13 the red pick lines in the cross section. Again, this
14 just shows consistent sand throughout the area -- good
15 sand throughout the area.

16 **Q. And, again, you have the production --**
17 **production tables?**

18 A. Yes. This just highlighted -- the same
19 production table. Highlighted are just some recent or
20 comparable vintage Wolfcamp Sand wells again just
21 showing there is no real preference to orientation with
22 regards to production.

23 **Q. And, again, you have the preliminary horizontal**
24 **worksheet. The well is -- will be at standard location?**

25 A. Yes.

1 Q. Were Exhibits 10 and 11 prepared by you or
2 under your supervision or compiled from company business
3 records?

4 A. Yes.

5 Q. And in your opinion, is the granting of this
6 application in the interest of conservation and the
7 prevention of waste?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I move the
10 admission of Exhibits 10 and 11.

11 EXAMINER DAWSON: Exhibits 10 and 11 will
12 be admitted to the record at this time.

13 (Mewbourne Oil Company Exhibit Numbers 10
14 and 11 are offered and admitted into
15 evidence.)

16 MR. BRUCE: I have no further questions of
17 this witness.

18 EXAMINER DAWSON: Mr. Brooks?

19 EXAMINER BROOKS: No questions.

20 CROSS-EXAMINATION

21 BY EXAMINER DAWSON:

22 Q. Okay. Mr. Crosby, I do have just a few
23 questions.

24 A. Yes, sir.

25 Q. In looking at your Exhibit 10, I'm going to the

1 third page. It has well names. It has the cumulative
2 production.

3 A. The table?

4 Q. Yeah, the table.

5 Those Jimmy Kone, the ones that are
6 depicted -- highlighted in yellow --

7 A. Yes, sir.

8 Q. -- do you feel all those wells are going to
9 be -- are those economic wells?

10 A. Yes, sir. They've only been online for a
11 couple of months. There's limited data on them, but the
12 wells in the area are economic.

13 Q. Okay. So the cumulative oil, thousands of
14 barrels, that was up to probably just before the
15 hearing? So that would be up to like maybe August?

16 A. Right. And the date listed on the table is the
17 completion date.

18 Q. Okay. Yeah. So you probably only have three
19 or four months of production on those wells?

20 A. Right.

21 Q. Okay. And in the west half of the east half of
22 Section 6 and the west half of the northeast quarter of
23 Section 7 of Township 24 South, Range 28 East, Eddy
24 County, I did ask Mr. Winkeljohn about further
25 development within that part of the project area. Are

1 **you guys planning on drilling some more wells over in**
2 **that area?**

3 A. Yes, in the future. I believe so.

4 **Q. And is Mewbourne drilling two-mile laterals?**

5 A. We have drilled some two-milers. We've tended
6 to go where land permits to drill extended laterals just
7 for improved efficiencies. It's proved to be the best
8 method.

9 **Q. You think the two-mile laterals are much more**
10 **economic than the one-mile laterals?**

11 A. I think it depends on the area probably. But
12 it's mainly a land issue for whether mile-and-a-half or
13 two-mile.

14 **Q. Okay. That's all the questions I have,**
15 **Mr. Crosby. Thank you very much.**

16 A. Thank you.

17 EXAMINER DAWSON: Thanks, Mr. Bruce.

18 MR. BRUCE: Request this case be taken
19 under advisement.

20 EXAMINER DAWSON: Okay.

21 So at this time, Case Number 15861 will be
22 taken under advisement.

23 (Case Number 15861 concludes, 11:08 a.m.)

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

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
Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters

24

25