

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. 15863
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.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
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 Albuquerque, New Mexico 87102
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1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

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7 INDEX

8 PAGE

9 Case Number 15863 Called 3

10 Mewbourne Oil Company's Case-in-Chief:

11 Witnesses:

12 Raymond Winkeljohn:

13	Direct Examination by Mr. Bruce	3
	Cross-Examination by Examiner Brooks	7
14	Redirect Examination by Mr. Bruce	11, 12
	Recross Examination by Examiner Brooks	11
15	Recross Examination by Examiner Dawson	11

16 Charles Crosby:

17	Direct Examination by Mr. Bruce	7
	Cross-Examination by Examiner Brooks	9
18	Cross-Examination by Examiner Dawson	10

19 Proceedings Conclude 13

20 Certificate of Court Reporter 14

21

EXHIBITS OFFERED AND ADMITTED

22	Mewbourne Oil Company Exhibit Numbers 1 through 6 and Exhibit 8	6
24	Mewbourne Oil Company Exhibit Numbers 9 and 10	9
25	Mewbourne Oil Company Exhibit Number 7	13

1 (11:30 a.m.)

2 EXAMINER DAWSON: At this time I will call
3 Case Number 15863, which is number eight on the list,
4 and it's application of Mewbourne Oil Company for a
5 nonstandard gas spacing and proration unit and
6 compulsory pooling, Eddy County, New Mexico.

7 Mr. Bruce, please call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I have two
10 witnesses who are the same as in the prior two cases who
11 have been sworn and qualified.

12 EXAMINER DAWSON: Okay. The witnesses will
13 not be required to be sworn in and qualified because
14 they have already been sworn in and qualified. So we
15 will continue -- you can continue with your questions at
16 this time, Mr. Bruce.

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

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Again, state your name for the record.

23 A. It's Raymond Winkeljohn.

24 Q. And could you identify Exhibit 1 and describe
25 the lands and wells?

1 A. Yes. It's Midland Map of Township 26 South,
2 Range 29 East, Eddy County, New Mexico. It identifies
3 the project area for these wells in yellow and the wells
4 in red. The wells are the Fuller 14/23 W2IP Fed #4H and
5 the Fuller 14/23 W1IP Fed #4H -- sorry -- #1H.
6 Mewbourne seeks an order pooling uncommitted working
7 interests, as well as a nonstandard proration unit.

8 **Q. And this unit is immediately south of the prior**
9 **case, 15862; is that correct?**

10 A. That's correct.

11 **Q. Who do you seek to pool? And I refer you to**
12 **Exhibit 2.**

13 A. We seek to pool William J. Graham and Rosalyn
14 S. Graham.

15 **Q. And, again, those parties were pooled in the**
16 **prior case?**

17 A. Correct.

18 **Q. And could you identify Exhibit 3 for the**
19 **Examiner?**

20 A. Yes. Exhibit 3 is the summary of
21 communications between us and the Graham family.

22 **Q. And you did get a green card back from them on**
23 **your original proposal letter, correct?**

24 A. We did.

25 **Q. And in your opinion, have you a good-faith**

1 effort to obtain the voluntary joinder of the Grahams in
2 this well unit?

3 A. Yes.

4 Q. What is the Exhibit 4?

5 A. Exhibit 4 are our AFEs for the proposed Fuller
6 wells. For the Fuller 14/23 W2IP Fed #4H, we have an
7 approximate dry-hole cost of \$2,915,100 and a completion
8 cost of \$8,403,700.

9 Q. And are these costs fair and reasonable and in
10 line with the cost of other wells drilled to this depth
11 in this area of southeast New Mexico?

12 A. They are.

13 Q. And, again, the 4H well is slightly deeper than
14 the 1H well, so there is a little added expense to the
15 well; is that correct?

16 A. That's correct.

17 Q. And was notice mailed the Grahams trying to
18 give notice of the hearing?

19 A. Yes.

20 MR. BRUCE: And, Mr. Examiner, Exhibit 5 is
21 the Affidavit of Notice, and there is a green card from
22 the Grahams, the only party being pooled.

23 Exhibit 6 is an Affidavit of Publication.
24 I did take that precaution with naming the Grahams, but
25 they did receive actual notice.

1 Q. (BY MR. BRUCE) Again, Mr. Winkeljohn, I omitted
2 Exhibit 7 showing the offsets, but was notice mailed to
3 all of the offsets?

4 A. Yes.

5 Q. And is that reflected in Exhibit 8?

6 A. Yes.

7 Q. And all offsets did receive actual notice of
8 the application?

9 A. Yes.

10 Q. Were Exhibits 1 through 8 either prepared by
11 you or under your supervision or compiled from company
12 business records?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I move the
15 admission of Exhibits 1 through 6 and 8. I will bring
16 in Exhibit 7 after lunch.

17 EXAMINER DAWSON: Okay. Exhibits 1 through
18 6 and Exhibit 8 will be admitted to the record at this
19 time, and we will admit Exhibit 7 after lunch.

20 (Mewbourne Oil Company Exhibit Numbers 1
21 through 6 and Exhibit 8 are offered and
22 admitted into evidence.)

23 Q. (BY MR. BRUCE) And in your opinion, is the
24 granting of this application in the interest of
25 conservation and the prevention of waste?

1 A. Yes.

2 MR. BRUCE: Mr. Examiner, no further
3 questions of the witness.

4 EXAMINER DAWSON: Okay. Mr. Brooks?

5 CROSS-EXAMINATION

6 BY EXAMINER BROOKS:

7 **Q. Yes. The Graham interest is the only one**
8 **requesting to be pooled, correct?**

9 A. Yes.

10 **Q. And we heard -- we have gone on about that.**

11 **I have no other questions.**

12 EXAMINER DAWSON: I have no further
13 questions.

14 Thank you, Mr. Winkeljohn. You may be
15 seated.

16 And we'll call up Mr. Crosby again.

17 THE WITNESS: Thank you.

18 CHARLES CROSBY,

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

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 **Q. Mr. Crosby, have you prepared Exhibits 9 and 10**
24 **for this hearing?**

25 A. Yes.

1 Q. And are they -- and Exhibit 9 is for the 1H
2 well, and Exhibit 10 is for the 4H well; is that
3 correct?

4 A. Yes.

5 Q. Do these two exhibits contain, essentially, the
6 same data, same type of information as was presented in
7 the last case?

8 A. Yes.

9 Q. And is the Wolfcamp -- each Wolfcamp zone
10 tested by these two wells continuous across the well
11 unit?

12 A. Yes.

13 Q. And in your opinion, will each quarter section
14 in the well unit contribute, more or less, equally to
15 production?

16 A. Yes.

17 Q. And would you simply request that your
18 testimony from the prior case be incorporated herein as
19 to the structure map, the cross section and the table of
20 production?

21 A. Yes.

22 Q. And finally, does each exhibit contain the
23 horizontal planning report giving the footages for the
24 wells?

25 A. Yes.

1 Q. And will each well be at orthodox locations?

2 A. Yes.

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

5 EXAMINER DAWSON: Exhibits 9 and 10 will be
6 admitted to the record at this time.

7 (Mewbourne Oil Company Exhibit Numbers 9
8 and 10 are offered and admitted into
9 evidence.)

10 MR. BRUCE: And I pass the witness.

11 EXAMINER DAWSON: Mr. Brooks, do you have
12 questions?

13 CROSS-EXAMINATION

14 BY EXAMINER BROOKS:

15 Q. Well, only when you just testified that each
16 well -- about each well will be at orthodox locations,
17 does that mean that the completed interval of each well,
18 the distance of the first take point to the -- the
19 portion of the wellbore from the first take point to the
20 last take point will be at -- that every point will be
21 at least 330 feet from the nearest unit boundary?

22 A. Yes.

23 Q. Okay.

24 EXAMINER DAWSON: Is that all the
25 questions?

1 EXAMINER BROOKS: That's all my questions.

2 CROSS-EXAMINATION

3 BY EXAMINER DAWSON:

4 Q. And I'm going to go back to my questions on the
5 west half of the southeast quarter of Section 14 of 26
6 South, 29 East, Eddy County, and the west half of the
7 east half of Section 23, 26-29 East, Eddy County,
8 Mewbourne will drill more wells within that -- those
9 areas, right?

10 A. Yes, sir.

11 Q. Okay. All right. That's all the questions I
12 have, Mr. Crosby. Thank you very much.

13 MR. BRUCE: Ask that the case be taken
14 under advisement.

15 EXAMINER DAWSON: Mr. Bruce, Case Number
16 15863 will be taken under advisement.

17 And thank you very much.

18 At this time we will break for lunch, and
19 we will be back at 1:30 p.m. Thank you very much.

20 MR. BRUCE: May I re-open just for a
21 minute?

22 RAYMOND WINKELJOHN,
23 after having been previously sworn under oath, was
24 recalled and questioned and testified as follows:

25

1 REDIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. What overhead rates do you request,
4 Mr. Winkeljohn?

5 A. 7,500 a month when drilling and 750 a month for
6 a producing well.

7 Q. And are those amounts fair and reasonable?

8 A. Yes.

9 RECROSS EXAMINATION

10 BY EXAMINER BROOKS:

11 Q. Let me ask you a question about that. Is that
12 per well, since these are two-well projects?

13 A. Yes, sir.

14 RECROSS EXAMINATION

15 BY EXAMINER DAWSON:

16 Q. Okay. So that will clarify -- I think earlier
17 you said 7,500 and -- or 7,500 a month for supervision
18 and 700 a month for the operating charges. So you're
19 changing it to 7,500 and 750?

20 A. Sorry. Sorry. No. It should -- it's 7,500 a
21 month while drilling, \$750 a month while producing.

22 Q. Okay. Thank you very much for that
23 clarification.

24 A. Sorry about that.

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REDIRECT EXAMINATION

BY MR. BRUCE:

Q. Do you request that that be adjusted under the COPAS accounting procedure?

A. Yes.

EXAMINER DAWSON: All right. That covers that then. Thank you.

That concludes 15863, which is taken under advisement.

And we're on break for lunch until 1:30.

(Case Number 15863 recesses, 11:40 a.m.)

(Recess 11:40 a.m. to 1:30 p.m.)

(1:30 p.m.)

EXAMINER DAWSON: At this point we'll go back on record, and I will again call Case 15682 and again call Case 15683. Both of these cases were re-opened now because we need to present Exhibit 7, which is a notification to offset operators.

Mr. Bruce, do you have anything to say?

MR. BRUCE: Yeah. Mr. Examiner, what I've submitted is a list of the offset operators -- the actual notice letter was marked Exhibit 8 -- and I left this at home -- these at home this morning. So I would simply ask that Exhibit 7 in each of the cases, 15682 and 15683, be submitted into the record.

1 EXAMINER DAWSON: Okay. There is no
2 opposition.

3 So Exhibit 7 for both Cases 15682 and 15683
4 will at this time be admitted to the record.

5 (Mewbourne Oil Company Exhibit Number 7 is
6 offered and admitted into evidence.)

7 EXAMINER DAWSON: And would you like to --
8 these cases have already been taken under advisement?

9 MR. BRUCE: Yeah. They should -- again,
10 they should be taken under advisement.

11 EXAMINER DAWSON: Okay. Again, they will
12 be taken under advisement, both 15682 [sic] and 15683
13 [sic]. That concludes those cases.

14 (Case Number 15863 concludes, 1:30 p.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.

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