

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: )

CASE NO. 13,519

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

August 25th, 2005

Santa Fe, New Mexico

2005 SEP 9 PM 1 22

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, August 25th, 2005, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

August 25th, 2005  
 Examiner Hearing  
 CASE NO. 13,519

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

## E X H I B I T S

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\* \* \*

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

## FOR THE DIVISION:

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

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:38 a.m.:

3 EXAMINER EZEANYIM: At this point, I call Case  
4 Number 13,519, and this is the Application of Mewbourne Oil  
5 Company for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. CARR: May it please the Examiner, my name is  
8 William F. Carr with the Santa Fe office of Holland and  
9 Hart, L.L.P.

10 We represent Mewbourne Oil Company in this  
11 matter, and I have one witness.

12 EXAMINER EZEANYIM: Any other appearances?

13 May the witness stand up to be sworn?

14 (Thereupon, the witness was sworn.)

15 EXAMINER EZEANYIM: Mr. Carr, you may proceed.

16 D. PAUL HADEN,

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

19 DIRECT EXAMINATION

20 BY MR. CARR:

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

22 A. My name is Donald Paul Haden.

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

24 A. Midland, Texas.

25 Q. By whom are you employed?

1 A. Mewbourne Oil Company.

2 Q. What is your current position with Mewbourne?

3 A. As a petroleum landman.

4 Q. Mr. Haden, have you previously testified before  
5 the Oil Conservation Division?

6 A. Yes, sir, I have.

7 Q. At the time of that testimony were your  
8 credentials as an expert in petroleum land matters accepted  
9 and made a matter of record?

10 A. Yes, sir.

11 Q. Are you familiar with the Application filed in  
12 this case on behalf of Mewbourne?

13 A. Yes, I am.

14 Q. And are you familiar with the status of the lands  
15 that are the subject of this hearing?

16 A. Yes, sir.

17 MR. CARR: Mr. Examiner, we tender Mr. Haden as  
18 an expert witness in petroleum land matters.

19 EXAMINER EZEANYIM: Mr. Haden is so qualified.

20 Q. (By Mr. Carr) Mr. Haden, would you briefly  
21 summarize for Mr. Ezeanyim what it is that Mewbourne seeks  
22 with this Application?

23 A. We seek to pool all formations from the surface  
24 to the base of the Morrow formation for all formations  
25 spaced on 320 acres, also for the -- which is the west half

1 of this Section 21 of 20 South, 25 East, Eddy County. Also  
2 the northwest quarter of said Section 21 for all formations  
3 spaced on 160 acres, and also the northwest quarter of the  
4 northwest quarter for all formations spaced on 40 acres.

5 Q. There are no 80-acre pools in this area, are  
6 there?

7 A. No, sir, not to my knowledge.

8 Q. And to what well do you propose to dedicate these  
9 units?

10 A. This would be dedicated to Mewbourne Oil  
11 Company's Pine Box "21" Federal Com Number 1 well.

12 Q. And where is this located?

13 A. It's to be located at 1310 from the north and  
14 west lines of Section 21, 20 South, 25 East, which is in  
15 Unit D.

16 Q. Mr. Haden, would you identify what has been  
17 marked Mewbourne Exhibit Number 1 and review it for the  
18 Examiner?

19 A. Yes, sir, Exhibit Number 1 is a ownership plat  
20 which designates our proposed spacing unit in yellow for  
21 the west half of Section 21. It also illustrates our  
22 proposed location which is marked with a red dot within the  
23 northwest quarter of 21, 1310 from the north and west  
24 lines.

25 Q. What is the primary objective in the proposed

1 well?

2 A. The Morrow formation.

3 Q. And what pool would that be in?

4 A. That would be in the Cemetery-Morrow Gas Pool.

5 Q. Let's go to Exhibit Number 2. Would you identify  
6 that, please?

7 A. Exhibit Number 2 is the tract ownership. Page 1  
8 is for the northwest quarter as to all depths. It  
9 indicates Mewbourne Oil Company's percentage, also Pogo  
10 Producing Company's interests, who we also seek to pool,  
11 and also the unleased mineral owners, starting with Ella J.  
12 Owens and ending with Nora Agnes Needham Cockrum at the  
13 bottom. It designates their percentage interests in the  
14 northwest quarter.

15 Q. Together, Mewbourne and Pogo have in excess of 85  
16 percent of the working interest in this proposed unit in  
17 the northwest quarter; is that right?

18 A. In the northwest quarter, that's correct.

19 Q. And what is on the next page?

20 A. The next page indicates the ownership in the  
21 southwest quarter, which designates Fasken Land and  
22 Minerals, Ltd., as having a 98-percent interest and Brooks  
23 Oil and Gas Interests, Ltd., with a 2-percent interest. It  
24 also sets forth the ownership on a spacing-unit basis for  
25 the west half, which lists -- commencing with Fasken Land

1 and Minerals, Ltd., and ending with Nora Agnes Needham  
2 Cockrum.

3 Q. What interests are actually going to be subject  
4 to pooling?

5 A. The interests which will be subject to pooling  
6 would include Pogo Producing Company and the interests  
7 following that, except for Brooks Oil and Gas Interests.

8 Q. Brooks Oil and Gas Interests have committed to  
9 the well?

10 A. Yes, sir, they have.

11 Q. What is the status of the Fasken interest?

12 A. We're in the process of getting our joint  
13 operating agreement executed, which is dated August 1st.

14 Q. Do you anticipate that Fasken will also  
15 participate?

16 A. Yes, sir, they will.

17 Q. Could you refer to what has been marked Mewbourne  
18 Exhibit Number 3 and summarize the efforts you have made to  
19 obtain the voluntary participation of all the working  
20 interest owners in this prospect?

21 A. Yes, sir, I will.

22 Exhibit Number 3 first sets forth the  
23 communications involving this proposed well with the  
24 various interest owners. It begins with Pogo Producing  
25 Company, which we had sent our AFE via certified mail to

1     them May 2nd, '05. In the event they elected not to  
2     participate, we also offered to purchase a term assignment  
3     from them.

4             Currently we have in our hands their proposed  
5     farmout agreement, which I just received Monday, I've not  
6     had a chance to review thoroughly yet. But we anticipate  
7     closing the trade with them very quickly.

8             It also lists the interests of the unleased  
9     mineral owners. These are owners in which we could not  
10    find or they did not respond to our well proposal, and it  
11    sets forth the dates in which we had corresponded with  
12    them. Beginning in September of '04, we had sent offers to  
13    these mineral owners to lease their interests.

14            Q.    What efforts did Mewbourne make to locate these  
15    individuals?

16            A.    We had reviewed the records of Eddy County to  
17    obtain last known addresses. We had sent our letters to  
18    those addresses, many of which we got back because they  
19    were unclaimed. Also we used the Internet, in which to  
20    locate these people, some of which had been unsuccessful  
21    attempts.

22            Q.    In your opinion, has Mewbourne made a good-faith  
23    effort to locate each of these individuals and provide each  
24    with an opportunity to participate in the well if they  
25    could be located?

1 A. Yes, sir, we have.

2 Q. Attached to Exhibit 3 are copies of notes and  
3 various correspondence that support the summary that's at  
4 the beginning of the exhibit; is that correct?

5 A. That's correct.

6 Q. Let's go to Exhibit Number 4. Would you identify  
7 that for Mr. Ezeanyim, please?

8 A. Exhibit Number 4 is our AFE which sets forth the  
9 estimated well cost for the Pine Box "21" Federal Com  
10 Number 1 well. It lists the dryhole cost of \$796,800 and a  
11 completed well cost of \$1,274,200.

12 Q. Are these costs in line with charged by other  
13 operators for similar wells in the area?

14 A. Yes, sir, for this depth.

15 Q. And these are based on Mewbourne's actual costs  
16 for similar wells; is that not true?

17 A. Yes, sir.

18 Q. Let's go to Exhibit Number 5. Would you identify  
19 that, please?

20 A. Exhibit Number 5 is a copy of our COPAS  
21 accounting procedure, which is made as an attachment to our  
22 operating agreement, August 1st, '05, between Mewbourne Oil  
23 Company and Fasken Land and Minerals, Ltd., et al., as  
24 nonoperators.

25 Q. Do these COPAS accounting procedures provide for

1 periodic adjustments in the overhead and administrative  
2 charges for the well?

3 A. Yes, they do.

4 Q. Does Mewbourne request that the overhead and  
5 administrative charges set by the Division in this case  
6 also be adjusted in accordance with these COPAS procedures?

7 A. Yes, sir.

8 Q. Have you made an estimate of the overhead and  
9 administrative cost to be incurred while drilling the well  
10 and also while producing it, if it is successful?

11 A. Yes, we have.

12 Q. And what are those?

13 A. That would be \$7000 for a drilling well and \$700  
14 per month for a producing well overhead.

15 Q. And are these consistent with Ernst and Young  
16 figures for wells of this depth?

17 A. They are.

18 Q. And Brooks has joined and accepted these figures?

19 A. Yes, he -- we have not heard from him as to any  
20 problems in which he has as to these proposed well rates.

21 Q. And these are the figures being proposed to  
22 Fasken and Pogo?

23 A. Yes, sir.

24 Q. Do you recommend that these figures be  
25 incorporated into any order that results from this hearing?

1 A. I do.

2 Q. Does Mewbourne request that the 200-percent  
3 charge for risk authorized by the Oil and Gas Act be  
4 imposed on each cost-bearing interest not voluntarily  
5 committed to the well?

6 A. Yes, sir.

7 Q. Does Mewbourne Oil Company seek to be designated  
8 operator of this well?

9 A. We do.

10 Q. Is Mewbourne Exhibit Number 6 an affidavit  
11 confirming that notice of this Application has been  
12 provided to the affected interest owners in accordance with  
13 the Rules of the Division?

14 A. Yes, it is.

15 Q. Were Exhibits 1 through 6 either prepared by you,  
16 or have you reviewed them and can you testify as to their  
17 accuracy?

18 A. Yes, I can.

19 MR. CARR: May it please the Examiner, at this  
20 time we'd move the admission into evidence of Mewbourne Oil  
21 Company Exhibits 1 through 6.

22 EXAMINER EZEANYIM: Exhibits 1 through 6 will be  
23 admitted into evidence.

24 MR. CARR: And that concludes my direct  
25 examination of Mr. Haden.

## EXAMINATION

BY EXAMINER EZEANYIM:

Q. Mr. Haden, is -- Pogo Producing, is there a working interest in that unit?

A. Yes, they have a leasehold interest, of which they had leased a mineral owner in the northwest quarter. The southwest quarter is a federal leased owned by Fasken and Brooks.

Q. Yeah. I see here the attempts you made to contact them. Were you able to contact them, or you weren't able to get them or --

A. Right, some of these owners we just have not been able to locate.

Q. So you didn't contact Pogo Producing?

A. Yes, we had contacted Pogo.

Q. Okay, only they don't just want to sign off your proposal?

A. Right. We have a verbal deal with them right now.

As I said, they had submitted the farmout agreement for our review and approval, which we are doing.

Q. Okay. And then the rest of the interest owners, except Brooks interest, has -- you know, has not committed to -- you know, those listed that I was reading, Brooks has committed, but the rest didn't.

1           A.    Brooks has committed, and also Fasken Land and  
2 Minerals have committed.

3           Q.    Okay, okay. And this well is supposed to -- it's  
4 not yet drilled?

5           A.    It's going to be drilled.

6           Q.    Yeah, and you have gotten an APD for that?

7           A.    I thought you were going to ask that question,  
8 however I do not have the answer for it right now.

9           Q.    Okay.

10          A.    It has been filed, and as far as I know it has  
11 been approved.

12                   If you would like, we could submit that  
13 information to you.

14          Q.    Okay, and your primary, as is testified here, is  
15 the Morrow?

16          A.    Yes, sir.

17          Q.    What's that pool name again?

18          A.    It's the Cemetery-Morrow Gas Pool.

19                   EXAMINER EZEANYIM: Okay.

20                   MR. CARR: Mr. Ezeanyim, I think that's in the  
21 Undesignated Cemetery-Morrow.

22                   EXAMINER EZEANYIM: Okay, Undesignated.

23                   Anything further?

24                   MR. CARR: That's all.

25                   EXAMINER EZEANYIM: With nothing further, then

1 Case Number 13,519 will be taken under advisement.

2 MR. CARR: Thank you.

3 (Thereupon, these proceedings were concluded at  
4 8:50 a.m.)

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I hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 13519  
heard by me on 8/28/85.  
\_\_\_\_\_  
Oil Conservation Division Examiner

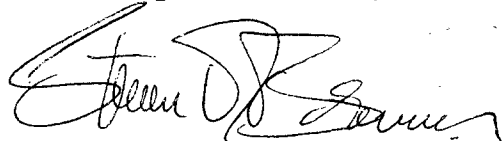
## CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL September 5th, 2005.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006