

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

5 APPLICATION OF MEWBOURNE OIL COMPANY  
6 FOR A NONSTANDARD OIL AND SPACING  
7 PRORATION UNIT AND COMPULSORY POOLING,  
8 EDDY COUNTY, NEW MEXICO.

CASE NO. 15107

ORIGINAL

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 April 3, 2014

12 Santa Fe, New Mexico

13  
14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

15

16

17 This matter came on for hearing before the  
18 New Mexico Oil Conservation Division, Richard Ezeanyim,  
19 Chief Examiner, on Thursday, April 3, 2014, at the New  
20 Mexico Energy, Minerals and Natural Resources  
21 Department, 1220 South St. Francis Drive, Porter Hall,  
22 Room 102, Santa Fe, New Mexico.

20

21

22 REPORTED BY: Mary C. Hankins, CCR, RPR  
23 New Mexico CCR #20  
24 Paul Baca Professional Court Reporters  
25 500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

25

RECEIVED OCD  
2014 APR 23 A 11:11

## 1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

3 JAMES G. BRUCE, ESQ.  
 Post Office Box 1056  
 4 Santa Fe, New Mexico 87504  
 (505) 982-2043  
 5 jamesbruc@aol.com

6

7

## 8 INDEX

PAGE

9 Case Number 15107 Called

3

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

11 Witnesses:

12 Clayton Pearson:

13 Direct Examination by Mr. Bruce

3

14 Cross-Examination by Examiner Ezeanyim

8

15 Nate Cless:

16 Direct Examination by Mr. Bruce

9

17 Cross-Examination by Examiner Ezeanyim

13

18

19 Proceedings Conclude

14

20

21 Certificate of Court Reporter

15

22

23

## 24 EXHIBITS OFFERED AND ADMITTED

25

Mewbourne Oil Company Exhibit Numbers 1 through 5

6

22

23 Mewbourne Oil Company Exhibit Numbers 6 through 9

11

24

25

26

1 (10:31 a.m.)

2 EXAMINER EZEANYIM: Call Case 15057,  
3 application of Mewbourne Oil Company for a nonstandard  
4 oil and spacing proration unit and compulsory pooling,  
5 Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of  
8 Santa Fe representing the Applicant.

9 If the record could reflect that we have  
10 the same two witnesses, Mr. Pearson and Mr. Cless, and  
11 they have previously been sworn and qualified.

12 EXAMINER EZEANYIM: Very good.

13 Any other appearances?

14 Okay. You may proceed.

15 CLAYTON PEARSON,  
16 after having been previously sworn under oath, was  
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Mr. Pearson, first identify Exhibit 1 and  
21 describe the well and the well unit we're here for  
22 today.

23 A. Exhibit 1 is a Midland Map Company plat -- land  
24 plat showing Section 27 of Township 18 South, Range 30  
25 East. It also shows the well unit being the north

1 half-north half of Section 27 and the well path in that  
2 well unit. And we wish to pool a record title interest  
3 in order for communitization agreement purposes.

4 MR. BRUCE: So as a result, Mr. Examiner,  
5 we're not seeking -- you know, we're not determining  
6 well costs or requesting overhead or a penalty. We are  
7 simply requesting that a record title owner be pooled.

8 EXAMINER EZEANYIM: Okay.

9 Q. (BY MR. BRUCE) And who is that record title  
10 owner?

11 A. The record title interest owner is the Estate  
12 of B. N. Muncy, Jr., deceased.

13 EXAMINER EZEANYIM: Who?

14 THE WITNESS: B. N. Muncy, Jr.

15 EXAMINER EZEANYIM: Exhibit Number 2?

16 MR. BRUCE: Mr. Examiner, I didn't mark it  
17 as an exhibit, but this is just a listing of the record  
18 title owners prepared by Mewbourne, showing just the  
19 record title ownership. All of the working interests,  
20 all of the cost-bearing interests have joined in the  
21 well already.

22 EXAMINER EZEANYIM: Okay. You're all the  
23 title owners. Okay.

24 Q. (BY MR. BRUCE) And referring to Exhibit 2,  
25 Mr. Pearson, what steps were taken to either locate or

1 obtain the signature of Mr. Muncy on the communitization  
2 agreement?

3 A. We had sent out multiple letters to different  
4 addresses after referencing the heirs of the estate.  
5 And we have also had telephone communication with  
6 Mr. Muncy, the decedent's son, and he preferred that we  
7 just go ahead and force pool this interest rather than  
8 him having to go through probate proceedings on the  
9 estate.

10 Q. And is Exhibit 3 copies of the letter, plus the  
11 telephone notes regarding the call with Nelson Muncy?

12 A. That's correct.

13 Q. In your opinion, has Mewbourne made a  
14 good-faith effort to obtain the voluntary joinder of the  
15 B. N. Muncy Estate on the communitization agreement on  
16 this well?

17 A. Yes.

18 MR. BRUCE: Mr. Examiner, Exhibit 4 is my  
19 affidavit on the notice to the B. N. Muncy Estate. You  
20 will note that I haven't received -- if you'll look at  
21 the final page of Exhibit 4, which is a printout from  
22 the postal service's Website, you will see that on March  
23 20th, Nelson Muncy refused service of the certified  
24 mail, and the letter has been returned. It wasn't in  
25 the post office yesterday, but I imagine I will be able

1 to pick up the letter within the next day or two. And I  
2 will submit that to the Division showing it was refused.

3 EXAMINER EZEANYIM: Okay.

4 Q. (BY MR. BRUCE) Was notice given to all of the  
5 offsets, Mr. Pearson?

6 A. Yes.

7 Q. Is that reflected in my Affidavit of Notice  
8 marked as Exhibit 5?

9 A. Yes.

10 Q. In your opinion, has Mewbourne been --

11 First of all, were Exhibits 1, 2 and 3  
12 prepared by you or compiled from company business  
13 records?

14 A. Yes.

15 MR. BRUCE: And, Mr. Examiner, Exhibits 4  
16 and 5 are simply my Affidavits of Notice.

17 Q. (BY MR. BRUCE) In your opinion, is the granting  
18 of this application in the interest of conservation and  
19 the prevention of waste?

20 A. Yes.

21 MR. BRUCE: Mr. Examiner, I'd move the  
22 admission of Exhibits 1 through 5.

23 EXAMINER EZEANYIM: Exhibits 1 through 5  
24 will be admitted.

25 (Mewbourne Oil Company Exhibit Numbers 1

1                   thorough 5 were offered and admitted into  
2                   evidence.)

3                   MR. BRUCE: And I have no further questions  
4 of the witness.

5                   EXAMINER EZEANYIM: Very good.

6                   CROSS-EXAMINATION

7 BY EXAMINER EZEANYIM:

8           Q.    The Bone Spring wells, I assume it's the same?  
9 Parkway?

10          A.    The pool?

11          Q.    Yeah, the pool.

12          A.    No, sir. It's the Santo Nino.

13          Q.    What?

14          A.    The Santo Nino. And the number is 54600.

15          Q.    Santo Nino Bone Spring wells?

16          A.    Bone Spring wells, correct.

17          Q.    And the code is what?

18          A.    54600.

19          Q.    It's also a federal well.

20                   And do you have the API?

21          A.    I do. 3001539582.

22          Q.    Okay. Because you are only pooling title  
23 owners, you know, there are no overhead rates?

24                   MR. BRUCE: No overhead, yeah. All of the  
25 cost-bearing interests have signed up for the well.

1 EXAMINER EZEANYIM: So Chevron is an  
2 interest owner? Chevron is not a working interest?

3 MR. BRUCE: Well, I think Chevron may be a  
4 working interest owner. Simply, all of the record title  
5 owners -- and Chevron is a record title owner -- signed  
6 the comm agreement.

7 EXAMINER EZEANYIM: But only one is being  
8 pooled here, right?

9 MR. BRUCE: Only one is being pooled, the  
10 B. N. Muncy Estate.

11 EXAMINER EZEANYIM: Oh, okay.

12 MR. BRUCE: Everyone else signed up,  
13 whether they're record title or --

14 EXAMINER EZEANYIM: No further questions.  
15 You may step down.

16 Call your next witness.

17 MR. BRUCE: Call Mr. Cless.

18 EXAMINER EZEANYIM: You, again (laughter)?

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

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Mr. Cless, would you describe Exhibit 6?

25 A. Exhibit 6 is an isopach map and a structure map



1 of the Lower 2nd Bone Spring interval identifying all  
2 the Bone Spring producers in this nine-section area, as  
3 well as the location of our current well, which is in  
4 the north half-north half of Section 27.

5           You can see there are a number of  
6 horizontal wells drilled in this nine-section area. All  
7 of these horizontal wells were drilled by Mewbourne. We  
8 drilled one north-south well in Section 21, and all the  
9 rest of the wells are in Sections 28 and 34. The new  
10 proposed wells in 27 will all be east-west wells.

11           I also show later in my production table  
12 that the north-south wells are not nearly as good as all  
13 the east-west wells we have drilled.

14           Then there is also my next exhibit, which  
15 is a cross section, and this is a two-well cross section  
16 from the two closest vertical wells that we have in this  
17 area, the first well located in Section 28 and the  
18 second well located in Section 26. But here we're  
19 targeting the Lower 2nd Bone Spring Sand interval. And  
20 you can see the 250 feet gross sand thickness where  
21 we're targeting between the two red lines, and that's  
22 what we're identifying as the Lower 2nd Bone Spring  
23 Sand. This is the same interval that we've targeted in  
24 all our other wells in this particular area. We think  
25 there is a pretty consistent gross thickness in the 2nd

1 Bone Spring Sand throughout this area.

2 Q. And the 2nd Bone Spring, in your opinion, is  
3 continuous across the well unit?

4 A. Yes, sir, we believe so.

5 Q. And in your opinion, will each quarter-quarter  
6 section contribute more or less equally to production?

7 A. Yes, sir.

8 Q. Let's move on to the production table, Exhibit  
9 8. Could you discuss that?

10 A. Exhibit 8 is the production table of all the  
11 Bone Spring wells production in this nine-section area.  
12 There has been three vertical wells that were drilled in  
13 the Bone Spring wells interval, and all the rest of the  
14 horizontal wells were drilled by Mewbourne. The one  
15 north-south well, the Phoenix 21 Federal #1H was drilled  
16 in the west half, 21 MD to 42,000 barrels of oil. All  
17 the other wells -- all but one of the other wells  
18 drilled after that Phoenix 21 well was drilled -- and  
19 they're all drilled in the east-west direction, and they  
20 have all been -- they're all significantly better  
21 producers. So we do believe, again, that lay-downs in  
22 this particular area is the preferred orientation for  
23 the horizontals.

24 Q. What is Exhibit 9?

25 A. Exhibit 9 is just the wellbore diagram of our

1 proposed well. Again, it shows the kick-off, our  
2 landing point and final location of where this well will  
3 be. We are surfacing in Section 27 this time, and our  
4 landing point will be approximately 829 from the north  
5 and 638 from the west line. So we'll be landing and  
6 producing at a legal location.

7 Q. Were Exhibits 6, 7, 8 and 9 prepared by you or  
8 compiled from company business records?

9 A. Yes, sir.

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

13 A. Yes, sir.

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

16 EXAMINER EZEANYIM: Exhibits 6 through 9  
17 will be admitted.

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

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

23 EXAMINER EZEANYIM: Thank you very much.

24

25

## CROSS-EXAMINATION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BY EXAMINER EZEANYIM:

Q. First of all, there is nothing happening in the 4th Bone Spring wells and 3rd Bone Spring wells? Everybody is -- you know, the Bone Spring wells sand are very good.

A. Yes.

Q. The other one is not prospective at all?

A. In this area, we believe the 1st Bone Spring is prospective just to the west, vertical 1st Bone Spring producers.

Q. They are good?

A. Yeah, they are good. And we're starting to drill further to the west, and in this area, we're starting to drill 1st sand horizontals. So we're certainly trying. The 2nd Bone Spring has been consistently better, so we're drilling that, you know, first.

Q. Of course you know the question doesn't relate to your application. I just want to know what's happening with the 1st Bone Spring and that 3rd Bone Spring --

A. Yeah.

Q. -- area. They'll be very good.

A. We're certainly trying all the different sands,

1 different areas.

2 Q. You can see whenever I talk about orientation  
3 of this well, if you look at Exhibit Number 8, it's very  
4 clear. Look at that. The Bradley 28 Fed #2H came in in  
5 2012, and it made more than the one in 2011.

6 A. Uh-huh.

7 Q. So you see why I always try to see whether we  
8 have the correct orientation?

9 A. Uh-huh.

10 Q. People are coming in here fighting about what  
11 orientation. This is what I want to see.

12 A. Right.

13 Q. I want to see if we go north-south on that  
14 well. We're losing -- there is no way I can calculate  
15 it, but we're losing about 90,000 already.

16 A. Uh-huh. And some of these --

17 Q. 4,000 barrels already. So you see why  
18 orientation matters in what you do here? And it's my  
19 job to make sure I protect that.

20 A. For that Section 21, we were going to drill a  
21 north-south well, but also the surface locations are  
22 limiting us drilling a north-south in that Section 20.

23 Q. You moved and drilled that well, right?

24 A. Yes, we did.

25 Q. Very good information. So everything is

1 east-west?

2 A. The surface locations indicate drilling  
3 east-west in this particular area, so we're trying to  
4 drill east-west.

5 Q. Sounds very good. No further questions. You  
6 may step down.

7 EXAMINER EZEANYIM: At this point, Case  
8 15107 will be taken under advisement.

9 (Case Number 15107 concludes, 10:50 a.m.)

10

11

12

13

14

15

16

17

18

19

20

21

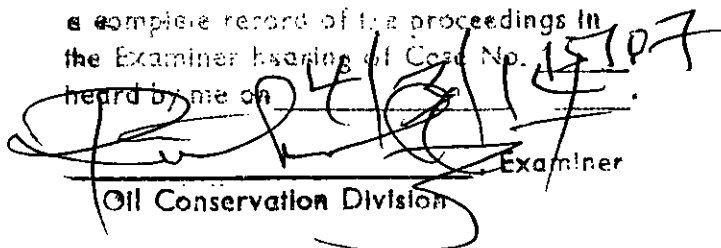
22

23

24

25

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15107  
heard by me on

  
Examiner  
Oil Conservation Division

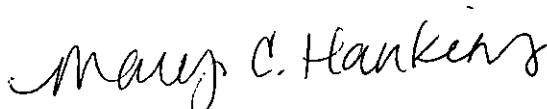
1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
3

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.

19 

20 MARY C. HANKINS, CCR, RPR  
21 Paul Baca Court Reporters, Inc.  
22 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2014

23  
24  
25