

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

ORIGINAL

4
5 APPLICATION OF MEWBOURNE OIL COMPANY FOR A
6 NON-STANDARD OIL SPACING AND PRORATION UNIT AND
7 COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

8 CASE NO. 15340

9
10 OCTOBER 15, 2015
11 1220 S. St. Francis Drive
12 Santa Fe, NM 87505

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14 HEARING EXAMINER: MICHAEL MCMILLAN

15 LEGAL COUNSEL: GABRIEL WADE

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1 (Note: In Session.)

2 HEARING EXAMINER MCMILLAN: Case No.
3 15340, Application of Mewbourne oil Company for a
4 Non-standard Oil Spacing and Proration Unit and
5 Compulsory Pooling, Lea County, New Mexico.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing the applicant. I have two
8 witnesses, Mr. Pearson and Mr. Cless, who were
9 previously sworn and qualified. Mr. Examiner, on
10 the top, very top of the file is the affidavit
11 originally submitted, the land affidavit, and we are
12 just going to -- I didn't make extra copies. We are
13 just going to testify off of that or have
14 Mr. Pearson testify off of that using the
15 attachments. That's all.

16 CLAYTON PEARSON
17 after having been first duly sworn under oath,
18 was questioned and testified as follows:

19 EXAMINATION

20 BY MR. BRUCE

21 Q. Mr. Pearson, first of all, when this case
22 was presented it was submitted by affidavit by Paul
23 Heyden. You work with Mr. Heyden, don't you?

24 A. That's correct.

25 Q. Do all of the landmen at Mewbourne share

1 duties in these general areas?

2 A. We do.

3 Q. Are you familiar with the land matters
4 involved in this application?

5 A. Yes.

6 Q. If you could, just looking at Mr. Heyden's
7 affidavit, just go to the attachments.

8 A. Okay.

9 Q. What is Attachment A?

10 A. Attachment A is a land plat showing the
11 proration unit of this well, which is the west half
12 of the east half of Section 28, Township 18 South,
13 Range 32 East, Lea County, New Mexico. And it also
14 shows the well path of the well.

15 Q. And what is the -- let's get this out of
16 the way first.

17 MR. BRUCE: Mr. Examiner, this well, the
18 pooling is sought in the Querecho Plains Lower Bone
19 Spring pool. It is an area that has two different
20 Bone Spring pools, Pool Code 50510, and they are
21 only seeking the pooling of the Lower Bone Spring
22 pool. And that pool was created by Order R 6332-A.

23 LEGAL COUNSEL WADE: Could you give the
24 code one more time?

25 MR. BRUCE: 50510.

1 LEGAL COUNSEL WADE: Thank you.

2 Q (By Mr. Bruce) And you are seeking the
3 pooling of the porch of the Querecho Plains Lower
4 Bone Springs pool for this well, are you not?

5 A. That's correct.

6 Q. What is Attachment B?

7 A. Attachment B is the communication we had
8 with Chevron and Chesapeake regarding their record
9 title ownership in this acreage.

10 Q. And they own only record title, correct?

11 A. That's correct.

12 Q. They do not own a working interest?

13 A. That's correct.

14 Q. And they were being force pooled merely
15 for the purposes of getting the BLM to approve a
16 communitization agreement?

17 A. Correct.

18 Q. Now, subsequently did Chevron sign or
19 ratify your com agreement?

20 A. They did.

21 Q. So the only person being pooled then is
22 Chesapeake?

23 A. That's correct.

24 Q. And what is Attachment C?

25 A. Attachment C is a list of the offset

1 operators who were notified of this hearing.

2 Q. For purposes of the non-standard unit?

3 A. Correct.

4 MR. BRUCE: Mr. Examiner, in the file this
5 was attached to Exhibit 1, the affidavit of Paul
6 Heyden. Exhibit 3, which is already in the file and
7 which the court reporter's office already has a copy
8 of, is the notice affidavit, and notice was received
9 by the offsets. No, that is notice to the parties
10 being pooled. And they both received actual notice.

11 HEARING EXAMINER MCMILLAN: Exhibit 3?

12 MR. BRUCE: Exhibit 3 is in there. Let me
13 give Mr. Wade -- I do have one. Here. Exhibit 3
14 was my affidavit of notice to the parties being
15 pooled, and then the only offset other than
16 Mewbourne was Chevron, so they did receive actual
17 notice.

18 LEGAL COUNSEL WADE: Okay.

19 Q (By Mr. Bruce) Mr. Pearson, since you're
20 only force pooling record title owners, you are not
21 seeking a penalty on production?

22 A. That's correct.

23 Q. Not seeking any overhead rates?

24 A. That's correct.

25 Q. And since there's no cost-bearing

1 interest, the letters were written to Mewbourne --
2 not to Mewbourne, Chevron and Chesapeake. Were the
3 follow-up discussions with them?

4 A. There were.

5 Q. And again, Chevron finally signed the
6 communitization agreement, correct?

7 A. That's correct.

8 Q. But as of this date Chesapeake has failed
9 to sign it?

10 A. That's correct.

11 Q. So you need to seek to force pool
12 Chesapeake for merely communitization agreement
13 approval?

14 A. Correct.

15 Q. In your opinion, is the granting of this
16 application in the interest of conservation and the
17 prevention of waste?

18 A. Yes.

19 Q. And Attachments A through C to the
20 affidavit, were those compiled from company business
21 records?

22 A. They were.

23 MR. BRUCE: Mr. Examiner, I move the
24 admission of Attachments A through C that were
25 attached to the original land affidavit.

1 HEARING EXAMINER MCMILLAN: Attachments A
2 through C may now be accepted as part of the record.

3 MR. BRUCE: That's all I have.

4 LEGAL COUNSEL WADE: No questions.

5 HEARING EXAMINER MCMILLAN: Thank you very
6 much.

7 (Note: Attachments admitted.)

8 MR. BRUCE: Just as a bookkeeping matter,
9 the last hearing Exhibit 3 was admitted, which is
10 the notice affidavit. And I also submitted Exhibit
11 4 and I will give you the one copy I have, which was
12 just a letter to me from Mewbourne showing that
13 Chevron did sign the communitization agreement.

14 LEGAL COUNSEL WADE: And you said this was
15 admitted?

16 MR. BRUCE: This was admitted at the prior
17 hearing.

18 MR. BRUCE: The next witness did also
19 submit an affidavit, but since we're talking geology
20 we figured we would submit additional exhibits to
21 you.

22 NATE CLESS
23 after having been first duly sworn under oath,
24 was questioned and testified as follows:

25 EXAMINATION

1 Q. These start with No. 5. Mr. Cless, are
2 you familiar with the geology in this area?

3 A. Yes, I am.

4 Q. And we have handed the examiners Exhibits
5 5, 6, 7 and 8. Are these identical to the
6 attachments to your original affidavit which was
7 marked Exhibit 2 at the last hearing?

8 A. Yes.

9 Q. Why don't we just run through these. What
10 does Exhibit 5 show?

11 A. Exhibit 5 is a net isopach map of the
12 lower Second Bone Springs Sand interval around
13 Section 28. The red arrow indicates our proposed
14 wellbore. I've used a ten percent porosity cutoff
15 on the map. You can see in general there's about 25
16 feet of porosity greater than 10 percent throughout
17 this proration unit, but it seems like it should be
18 pretty consistent throughout this interval.

19 I have also identified the location of the
20 next exhibit, which is Cross-section A to A prime
21 which is the two wells offsetting this proration
22 unit.

23 Q. Let's move to that.

24 A. So this cross-section, again, shows the
25 Second Bone Springs Sand interval. I've identified

1 the upper part of the Second Bone Springs Sand and
2 the lower part of the Second Bone Springs Sand. In
3 this area we target the lower part of the Second
4 Bone Springs Sand.

5 You can see on the porosity logs on the
6 right side of the wellbores. The porosity logs
7 indicate good porosity in the base of the Second
8 Bone Springs sand. Porosity gets around 12 to 14
9 percent and you can see that kind of increase in
10 porosity is consistent from the north to the south
11 so it looks all four 40s will contribute equally in
12 this proration unit.

13 Q. Is there any other type of geologic
14 impediment in the drilling of this well?

15 A. I don't believe so.

16 Q. Regarding the orientation of the well,
17 could you identify Exhibit 7 and discuss why you are
18 seeking to drill the well north/south rather than
19 east/west.

20 A. Exhibit 7 is just a Bone Spring production
21 data table of all the horizontal wells drilled in
22 the area. If you look at the last two columns on
23 this table, I have identified which zone the well is
24 in, whether it's the first or the second sand, and
25 the orientation, whether it's north/south or

1 east/west.

2 You can see in pretty much all the wells
3 except for one are Second Bone Springs Sand wells
4 and there's kind of a mixed bag of north/south and
5 east/west wells. I will point out the two wells we
6 drilled in the west half of this section, Section
7 28, we drilled the Querecho 28 NC as well as the
8 Querecho 28 ND, and both of those wells have made
9 approximately 90,000 barrels of oil and they are
10 both north/south wells.

11 Then if you kind of look at some of the
12 other east/west wells in the area, I guess if you
13 look at the second to the last well on here it's a
14 good east/west well. It made about 100,000 barrels
15 of oil as an east/west well, but then there's a
16 number of east/west wells which are not quite as
17 good, so you can kind of make a case for both
18 east/west and north/south in this area. To be
19 honest, the frac orientation is probably running
20 northeast/southwest, so either north/south or
21 east/west would probably work just fine.

22 But we have established north/south wells
23 in the west half of the section, so that's why we
24 are just continuing that into the east half of the
25 section.

1 Q. What is Exhibit 8?

2 A. Exhibit 8 is the directional drilling plan
3 we have for this particular well. Again, it
4 identifies the kickoff point, the landing point and
5 the bottom hole location of the proposed well.

6 Q. The wellbore producing interval and the
7 final perf are orthodox?

8 A. That's correct.

9 Q. Were Exhibits 5 through 8 prepared by you
10 or under your supervision?

11 A. Yes.

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

15 A. Yes.

16 MR. BRUCE: Mr. Examiner, I move the
17 admission of Exhibits 5 through 8.

18 HEARING EXAMINER MCMILLAN: Exhibits 5
19 through 8 may now be accepted as part of the record.

20 (Note: Exhibits 5 through 8 admitted.)

21 MR. BRUCE: No further questions of the
22 witness.

23 HEARING EXAMINER MCMILLAN: I really have
24 no questions.

25 LEGAL COUNSEL WADE: No questions. Thank

1 you.

2 HEARING EXAMINER MCMILLAN: Case 15340
3 will be taken under advisement.

4 (Note: The proceedings were concluded.)
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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
16 the Examiner hearing of Case No. _____
17 heard by me on Michael McMillan

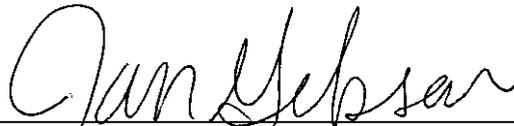
18 Michael McMillan, Examiner
19 Oil Conservation Division
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REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
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