

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

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

ORIGINAL

CASE 15406

APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
OIL AND PRORATION UNIT AND COMPULSORY POOLING IN LEA  
COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

Thursday, December 17, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, EXAMINER  
GABRIEL WADE, LEGAL EXAMINER.

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This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Examiner, and Gabriel Wade, Legal Examiner, on December 17, 2015, 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 Therese Macfarlane  
New Mexico CCR 122  
California CSR 3547  
PAUL BACA COURT REPORTERS  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexico 87102

A P P E A R A N C E S

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FOR THE APPLICANT:

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Santa Fe, NM 87504-1056  
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I N D E X

CASE NUMBER 15406 CALLED

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1 (Time noted 8:45 a.m.)

2 THE SPECIAL MASTER: Okay. Let's call  
3 case No. 15406, Application of Mewbourne Oil Company for a  
4 non-standard oil and proration unit and compulsory pooling  
5 in Lea County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of  
8 Santa Fe day representing the Applicant. I have two  
9 witnesses to be sworn.

10 THE HEARING EXAMINER: Any other  
11 appearances?

12 (Note: No response.)

13 THE HEARING EXAMINER: Will the witnesses  
14 please stand.

15 (Whereupon the presenting witnesses were  
16 administered the oath.)

17 MR. BRUCE: Corey Mitchell will be the  
18 first witness.

19 COREY MITCHELL,  
20 having been duly sworn, testified as follows:

21 EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name for the record.

24 A. Corey Mitchell.

25 Q. And where do you reside?

1 A. Midland, Texas.

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

3 A. I work for Mewbourne Oil Company as a Landman.

4 Q. Have you previous testified before the Division?

5 A. Yes, sir.

6 Q. Were your credentials accepted as a matter of  
7 record?

8 A. Yes, sir, they were.

9 Q. Are you familiar with the land matters involved  
10 in this application?

11 A. Yes, sir.

12 MR. BRUCE: Mr. Examiner, I tender  
13 Mr. Mitchell as an expert petroleum landman.

14 THE COURT: Mr. Mitchell is qualified as an  
15 expert in petroleum land matters.

16 Q. (BY MR. BRUCE) Mr. Mitchell, can you describe  
17 Exhibit 1, describe the well unit, and give the name of  
18 the proposed well.

19 A. Exhibit 1 is a Midland Land Company land plat  
20 which highlights the proration unit and proposed well. It  
21 is Salado Draw 9 WIDM Fed Com No. 2H.

22 Q. And what formation is being pooled in this  
23 application?

24 A. The Wolfcamp Formation.

25 Q. Although it's not in here, does this well have

1 an API number --

2 A. It does not yet.

3 Q. -- at this point?

4 A. Not at this point.

5 Q. Could you give the footages to the examiner,  
6 please.

7 A. We are 320 from the north and 500 from the west  
8 of Section 9, 26 South, 33 East as a surface location,  
9 then our bottom hole is 330 from the south and 500 from  
10 the west of Section 9.

11 Q. So I refer you to Exhibit 2. Could you identify  
12 that and describe who Mewbourne seeks to pool in this  
13 case.

14 A. Exhibit 2 sets out the ownership for this  
15 property. We have noted who we are pooling with an  
16 asterisk and in this case it is EOG Resources, Inc.

17 Q. And that is the only party being pooled?

18 A. Yes, sir.

19 Q. Could you identify Exhibit 3 and describe its  
20 content for the examiner.

21 A. Exhibit 3 is a summary of our communications  
22 with EOG, along with copies of the respective documents,  
23 other correspondence.

24 Q. And approximately how long have you been trying  
25 to get an agreement with EOG?

1           A.     Since July of 2015 for this well. We have  
2 actually been working this property since 2012 with them.

3           Q.     Have you obtained prior assignments from EOG on  
4 other property in this area?

5           A.     We have.

6           Q.     But they just didn't respond in this instance?

7           A.     Correct. They -- we have had talks with them.  
8 They say they do not wish to participate, but they are  
9 still trying to get approval to do some kind of deal with  
10 us.

11          Q.     If they do eventually make a deal with  
12 Mewbourne, would you notify the Division so they are not  
13 subject to a pooling order?

14          A.     Yes, sir.

15          Q.     And in your opinion has Mewbourne made a  
16 good-faith effort to obtain the voluntary joinder of EOG  
17 in this well?

18          A.     Yes, sir.

19          Q.     One thing. When I was going through Exhibit 3,  
20 Mr. Mitchell, there was a reference to -- in one part of  
21 the emails to JOA. This isn't the well covered by the  
22 JOA.

23          A.     It is not.

24          Q.     EOG partnered with Mewbourne under the JOA for  
25 some other acreage?

1 A. Yes. Adjoined Section 10.

2 Q. So the JOA referred to does not include Section  
3 9?

4 A. It does.

5 Q. But as to EOG?

6 A. But not as to EOG's interest.

7 Q. Could you identify Exhibit 4 and discuss the  
8 cost of the proposed well.

9 A. Exhibit 4 is our copy of our AFE. It sets out a  
10 drilling cost of \$2,995,400 and completed cost of  
11 \$6,120,200.

12 Q. Are these costs fair and reasonable and in line  
13 with the costs of other Wolfcamp horizontal wells being  
14 drilled to this depth in this area of New Mexico?

15 A. Yes, sir.

16 Q. What do you request for the overhead rates?

17 A. We are requesting \$8,000 for drilling, \$8,000  
18 per month for drilling and \$8100 per month for producing.

19 Q. Are those the amounts provided for in the JOA?

20 A. Yes, sir.

21 Q. Do you believe they are fair and reasonable for  
22 wells of this depth?

23 A. Yes, sir.

24 Q. Was Notice -- excuse me. Do you request a 200  
25 percent risk charge in the event EOG goes non-consent

1 under a pooling Order.

2 A. Yes, sir.

3 Q. Was Notice of this application given to OEG?

4 A. Yes, sir, it was.

5 Q. And is that reflected in Exhibit 5?

6 A. Yes, sir.

7 Q. What is Exhibit 6?

8 A. Exhibit 6 is a listing of our offset ownership  
9 to this property.

10 Q. And was Notice given to all of these offsets?

11 A. Yes, sir, it was.

12 Q. And that is reflected in Exhibit 7?

13 A. Yes, sir.

14 MR. BRUCE: And all parties notified of  
15 this hearing did receive actual Notice, Mr. Examiner.

16 Q. In your opinion is the granting of the  
17 application in the interest of conservation and reduction  
18 of waste?

19 A. Yes, sir.

20 Q. Were Exhibits 1 through 7 prepared by you, or  
21 under your supervision, or compiled from company business  
22 records?

23 A. Yes, it was.

24 MR. BRUCE: Mr. Examiner, move the  
25 admission of Exhibits 1 through 7.

1 THE HEARING EXAMINER: Exhibits 1 through 7  
2 are admitted.

3 MR. BRUCE: Pass the witness.

4 EXAMINATION

5 BY THE HEARING EXAMINER:

6 Q. So what happens if the Division -- you are  
7 trying to stay with the same COPAS and drilling procedure  
8 that your JOA has in the area. Is it kind of a mess if  
9 you don't, if you change it?

10 A. Yeah, I think it causes some issues with  
11 accounting, just on their side of things, so we try to  
12 keep it as consistent as we can.

13 Q. Okay. Okay. So does Cy Shook, does he work  
14 with you?

15 A. Yes, sir.

16 Q. Okay. He just didn't come today?

17 A. Correct.

18 Q. Powned it off on you.

19 And you have an email here from Paul Boland  
20 to Steve Smith, and it was Monrovia, Reykjavik. What's  
21 going on there?

22 A. Steve Smith had originally worked on this  
23 property, but he has since retired, and myself and Cy  
24 Shook have taken this property over.

25 THE HEARING EXAMINER: So he's over in

1 Norway; is that correct? Monrovia or....

2 A. I'm not sure on that one.

3 Q. He must be using one of those alternative  
4 locators for his Internet.

5 So you think EOG is going to come around  
6 and sign up, or...

7 A. Possibly. They have on all the previous wells.  
8 This one they are just -- I guess it's low priority, and  
9 they just haven't gotten an answer out of their management  
10 yet.

11 Q. Is there any other wells in this project area  
12 besides this one?

13 A. I think there is. As to -- there's two  
14 different formations. I think there is also some Avalon  
15 wells. But this will be the first Wolfcamp well.

16 Q. Do you know the pool, if it put a name yet?

17 A. I do. It would probably be easier for me to  
18 show it to you. It's a bunch of --

19 (Note: Reporter inquiry.)

20 Q. Okay.

21 A. And it's one of those CWC-025G-099S263327 G  
22 Upper Wolfcamp.

23 MR. WADE: And you are referring to  
24 Exhibit --

25 THE WITNESS: This is not an exhibit.

1 The --

2 Q. (BY THE HEARING EXAMINER) Though basically it's  
3 a wildcat Wolfcamp, and it's subject to the statewide  
4 rules for oil wells?

5 A. Yes, sir.

6 Q. It is an oil well; is that correct?

7 A. Yes, sir.

8 Q. Okay. And it's going to be standard completion?

9 A. Yes, sir.

10 Q. Okay. When you say leasehold interest, you mean  
11 the parties that have the lease from the original mineral  
12 owner or from -- they hold the leases but they haven't  
13 conveyed the working operator right to anybody else?

14 A. Correct.

15 THE HEARING EXAMINER: Okay. I don't have  
16 any more questions.

17 MR. WADE: I don't have any questions.

18 NATE CLESS,

19 having been duly sworn, testified as follows:

20 EXAMINATION

21 BY MR. BRUCE:

22 Q. Would you please state your name and city of  
23 residence for the record.

24 A. My name is Nate Cless. I live in Midland,  
25 Texas.

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

2 A. I am a geologist for Mewbourne Oil Company.

3 Q. Have you previously testified before the  
4 Division?

5 A. Yes.

6 Q. Were your credentials as an expert petrolane  
7 geologist accepted as a matter of record?

8 A. They were.

9 Q. Does your area of responsibility at Mewbourne  
10 include this area of Southeast New Mexico?

11 A. Yes, it does.

12 Q. Are you familiar with the geologic matters  
13 involved in this case?

14 A. Yes, I am.

15 MR. BRUCE: Mr. Examiner, I would tender  
16 Mr. Cless as an expert geologist.

17 THE HEARING EXAMINER: He is so qualified.

18 Q. (BY MR. BRUCE) Mr. Cless, would you describe for  
19 us Exhibit 8.

20 A. Exhibit 8 is a Structure Map and Activity Map  
21 just surrounding Section 9 in 26 South, 343 East. It  
22 highlights the 160 acres that we are talking about here in  
23 red.

24 It also indicates the location of the  
25 proposed well. It's the solid red line on there. I've

1 identified the Wolfcamp producers that produce in this  
2 area. All the vertical wells have blue circles around  
3 them with numbers to the right of each well bore  
4 indicating the amount, the cumulative amount of gas, oil  
5 and water that they have produced.

6 Then also to the south there are some solid  
7 blue lines. Those are Upper Wolfcamp horizontals that  
8 have been drilled. We don't have any -- they are all  
9 recently drilled wells. We don't have any production data  
10 on them yet. But it shows the Upper Wolfcamp activity in  
11 this area.

12 Q. I notice there's one extremely good vertical  
13 Wolfcamp well to the north.

14 A. Yes, you can see on this map, this is a  
15 structure of the Wolfcamp perforations. You can see  
16 there's a -- (Note: Reporter inquiry.)

17 -- we are sitting right on. A lot of these are  
18 gas wells that produce out on the Lower Wolfcamp. We have  
19 one well in this area has made, I would say, almost 23 BCN  
20 (phonetic) of gas and over 400,000 barrels of oil.

21 So it is -- the Wolfcamp formation, it's a  
22 large, thick formation, and there are different  
23 productivity intervals in through here, but it shows it is  
24 a productive formation.

25 Q. What is Exhibit 9?

1           A.    Exhibit 9 is a two-well cross section. The  
2 location of the cross section is H to H prime. It's the  
3 two closest vertical wells that we had that show the  
4 interval that we are talking about here. The top of the  
5 cross section is the 3rd Bone Spring Sand. That solid  
6 orange line is on top of the Wolfcamp, and then if you  
7 look kind of down at the lower part of the section, what  
8 we are going to be drilling in is the Upper Wolfcamp  
9 Shale, what we call the Wolfcamp "A" Shale.

10                    You can see I have drawn a red line with an  
11 arrow that's our proposed landing point, our proposed  
12 horizontal target.

13                    The logs on the left are porosity logs, and  
14 the logs on the right are resistivity logs, and we can see  
15 Upper Wolfcamp Shale there is a mild increase in the  
16 resistivity throughout this interval, and it's also a  
17 consistent interval throughout this area. The log's  
18 porosity consistently shows 10 to 12 percent density  
19 porosity, again with good resistivity.

20                    We have seen this type of characteristic  
21 being productive in other areas.

22           Q.    In your opinion is the Wolfcamp zone you intend  
23 to test continuous across the proposed well unit?

24           A.    Yes, it is.

25           Q.    In your opinion will each quarter section

1 contribute more or less equally to production?

2 A. Yes, they will.

3 Q. And is there a basis for the Standup verus the  
4 Laydown in Wolfcamp?

5 A. In this area you can see on the map, you can see  
6 all the wells in this area are Standup wells, and a lot of  
7 those are different formations. A lot of them are Bone  
8 Spring wells. But there has been a lot of science done by  
9 us and other operators which just shows that Standups are  
10 the way to go in this area.

11 Q. What is Exhibit 10?

12 A. Exhibit 10 is a Production Data Table for each  
13 the Wolfcamp producers in this area. And as I previously  
14 said, these are all -- all the Wolfcamp producers that we  
15 have the production data on are the old vertical wells.  
16 But I have listed the name of each well, the operators,  
17 their API numbers, location when they were completed in  
18 the Wolfcamp, and then cumulative production.

19 Again this just shows Wolfcamp. It is  
20 productivity in this area. These vertical wells, as I  
21 said earlier, are producing from the Lower Wolfcamp.

22 So it's a gassier part of the Wolfcamp  
23 formation.

24 Q. Finally, what is Exhibit 11?

25 A. Exhibit 11 is just a horizontal well plan for

1 this particular well. The first page shows just the  
2 surface location and bottom hole location of this well.  
3 If you flip through, it's got all the details as far as  
4 where our landing point is and what our bottom hole is.

5 Q. And both the first take point and the terminus  
6 are at standard statewide locations?

7 A. Yes, they are.

8 Q. And approximately how many completion stages?

9 A. We do -- for these Wolfcamp Shale horizontals,  
10 we use plug and perf completion, and usually use between  
11 20 and 30 stages, just depending on the well.

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

15 A. Yes.

16 Q. And were Exhibits 8 through 11 either prepared  
17 by you or compiled from company business records?

18 A. They were.

19 MR. BRUCE: Mr. Examiner, I move the  
20 admission of Exhibits 8 through 11.

21 THE HEARING EXAMINER: Exhibits 8 through  
22 11 are admitted.

23 MR. BRUCE: And I have no further  
24 questions.

25 EXAMINATION

1 BY THE HEARING EXAMINER:

2 Q. Is this -- the plan, the drilling path, how  
3 often do you stay really close to this, as opposed to...

4 A. We usually try to stay as close as we can to it.  
5 Sometimes we will deviate a little, but when the wells  
6 deviate, they will normally tend to deviate in a vertical  
7 section, and once we get our directional tools in the  
8 holes we have a lot better control of keeping it right on  
9 path.

10 Q. So is this sour?

11 A. No.

12 Q. It's sweet?

13 A. I believe so.

14 Q. It's sweet oil?

15 This is an incredible distance that you're  
16 drilling from the south to north. North to south?

17 A. Right.

18 Q. Okay. But you're only a mile from that really  
19 good well, so -- and the well -- hopefully you can hit  
20 something that good.

21 A. That's right.

22 Q. That's incredible.

23 You get oil and gas there?

24 A. That's right. And that's what these Wolfcamp  
25 wells tend to have, a good gas component with them, also.

1 Q. This is Lea County, but how far away is Eddy  
2 County?

3 A. They're 33 east, so you are about three  
4 Townships away from Eddy County.

5 I know I was in that meeting yesterday with  
6 you. It's a little different. It's definitely more gassy  
7 as you come up dip out of the basin. This is the deeper  
8 part of the basin.

9 Q. Okay.

10 A. And this is also an upper part -- the upper  
11 Wolfcamp also tends to be a little oilier, especially over  
12 here in Lea County.

13 Q. So you're definitely not retrograde condensates  
14 as some of those others might be.

15 A. Right.

16 Q. I remember some Red River wells in North Dakota  
17 being like that, some of those good ones. But they are  
18 sour.

19 A. You can see around there they've tried to offset  
20 and they never quite hit the same reservoir.

21 Q. You just have to keep drilling?

22 A. That's right.

23 Q. So all 40-acre tracts will contribute to the  
24 well?

25 A. Yes.

1 THE HEARING EXAMINER I have no more  
2 questions, sir. Thank you very much.

3 THE WITNESS: Thank you.

4 THE HEARING EXAMINER: I guess we ought to  
5 take a five-minute break here, see if I can retrieve...

6 Oh, here he comes.

7 Off the record. Let's do five minutes at  
8 least.

9 (Time noted 9:37 a.m.)

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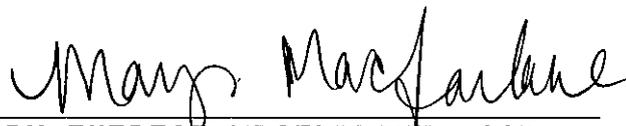
I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examining hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_  
\_\_\_\_\_, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO )  
2 ) SS.  
3 COUNTY OF TAOS )  
4

5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter  
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, August  
8 17, 2015, the proceedings in the above-captioned matter  
9 were taken before me, that I did report in stenographic  
10 shorthand the proceedings set forth herein, and the  
11 foregoing pages are a true and correct transcription to the  
12 best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by  
14 nor related to nor contracted with (unless excepted by the  
15 rules) any of the parties or attorneys in this case, and  
16 that I have no interest whatsoever in the final  
17 disposition of this case in any court.

18  
19 

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