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

ORIGINAL

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

CASE 15420

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 17, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, 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

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A P P E A R A N C E S

FOR THE APPLICANT:

James Garrett Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504-1056
(505) 982-2043

I N D E X

CASE NUMBER 15419 15420 CALLED

APPLICANT CASE-IN-CHIEF

WITNESS: COREY MITCHELL PAGE

EXAMINATION BY MR. BRUCE: 4

EXAMINATION BY THE HEARING EXAMINER: 10

WITNESS: NATE CLESS

EXAMINATION BY MR. BRUCE: 10

EXAMINATION BY THE HEARING EXAMINER: 13

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|----|---|----------|
| 1 | E X H I B I T I N D E X | |
| 2 | EXHIBIT | ADMITTED |
| 3 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 1 | 9 |
| 4 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 2 | 9 |
| 5 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 3 | 9 |
| 6 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 4 | 9 |
| 7 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 5 | 9 |
| 8 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 6 | 9 |
| 9 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 7 | 9 |
| 10 | APPLICANT MEWBOURNE OIL COMPANY EXHIBIT A | 12 |
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1 (Time noted 10:11 a.m.)

2 THE HEARING EXAMINER: Okay. If you want to go
3 ahead and get those two wells to the north.

4 MR. BRUCE: Why don't we do those first since it's
5 all fresh in our minds.

6 THE HEARING EXAMINER: Let's call Case No. 15419
7 and Case 15420. Both cases are Application of Mewbourne Oil
8 Company for a non-standard oil spacing proration unit and
9 compulsory pooling in Eddy County, New Mexico.

10 Call for appearances.

11 MR. BRUCE: Jim Bruce of Santa Fe representing the
12 Applicant. I have two witnesses, Mr. Cless and Mr. Mitchell,
13 and if the record could reflect that they have both been
14 previously sworn and qualified.

15 THE HEARING EXAMINER: Any other appearances?

16 (Note: No response.)

17 Let the record reflect the witnesses have
18 previously been sworn and qualified.

19 COREY MITCHELL,

20 having been duly sworn, testified as follows:

21 EXAMINATION

22 BY MR. BRUCE:

23 Q. Mr. Mitchell, could you refer to the exhibits for
24 Case 15419.

25 Can you identify Exhibit 1 and discuss the well

1 name and the well unit.

2 A. Exhibit 1 is a Midland Land Map Company land plat,
3 Township 18 South, Range 29 East. Highlighted on there is
4 the north half/north half of Section 31, as well as the north
5 half/north half of Section 32. This is for our Pavo Macho 32
6 B2DA Federal COM No. 1H well.

7 Q. And is it the Bone Spring to be force pooled in this
8 well?

9 A. Yes, sir.

10 Q. Could you identify Exhibit 2 and discuss which party
11 Mewbourne is force pooling in this well.

12 A. Exhibit 2 is a tract ownership and it sets out the
13 party being pooled with an asterisk, which is Southwest
14 Royalties, Inc.

15 Q. All of the other parties listed on Exhibit 2 are
16 already joined in the well with you?

17 A. They --

18 Q. Or will be?

19 A. Yeah, will be.

20 Q. And does Southwest Royalties also own the same
21 interest in this well as the well in the next case?

22 A. Yes, sir, they do.

23 Q. What is Exhibit 3?

24 A. Exhibit 3 is our Summary of Communications with
25 copies of the respective documentation.

1 Q. And again, does your testimony in the prior cases
2 apply here as to your conversations and contacts with
3 Southwest Royalties?

4 A. Yes, sir.

5 Q. And in your opinion has Mewbourne made a good faith
6 effort to obtain the voluntary joinder of Southwest Royalties
7 in this well?

8 A. Yes, sir.

9 Q. Could you identify Exhibit 4 and discuss the well
10 cost.

11 A. Exhibit 4 is our AFE, which sets out the estimated
12 cost for this well. We have a dry hole cost of \$2,553,200
13 and a completed cost of \$6,735,500.

14 Q. And are those costs fair and reasonable and are they
15 in line with other horizontal wells of this depth and length
16 drilled on this formation in this area of New Mexico?

17 A. Yes, sir.

18 Q. What overhead rates do you request?

19 A. We are requesting \$7500 a month for drilling and
20 \$750 a month for producing.

21 Q. And are those overhead rates fair and reasonable and
22 will those be the rates charged the other working interest
23 owners in this well?

24 A. Yes, sir.

25 Q. Do you request that the overhead rates be adjusted

1 periodically as provided by the COPAS accounting procedure?

2 A. Yes, sir.

3 Q. Do you request a 200 percent risk charge be assessed
4 against Southwest if it goes non-consent in the well?

5 A. Yes, sir.

6 Q. Was Southwest notified of this hearing?

7 A. They were.

8 Q. Is that reflected in Exhibit 5?

9 A. Yes, sir, it is.

10 Q. Does Exhibit 6 represent all working interest
11 owners?

12 A. Yes, sir.

13 Q. Were they given Notice of this application?

14 A. They were.

15 Q. Is that reflected in Exhibit 7?

16 A. Yes, sir, it is.

17 Q. And all of the parties received actual Notice?

18 A. Correct.

19 Q. Looking at the exhibits for Case 15420, just
20 identify Exhibit 1 and discuss the well unit and the well
21 name.

22 A. Exhibit 1 is a Midland Map Company land plat showing
23 Township 18 South, Range 29 East. Highlighted is the south
24 half of the north half of Section 31, as well as the south
25 half of the north half of Section 32, and this is for our

1 Pavo Macho 31/32 B2EH Federal Com No. 1H well.

2 Q. And again the Bone Spring is being force pooled?

3 A. Yes, sir.

4 Q. And Southwest Royalties is the party being pooled?

5 A. Yes, sir.

6 Q. And this is reflected on Exhibit 2?

7 A. Correct.

8 Q. Does Exhibit 3 contain all communications with
9 Southwest, and are they virtually identical to the
10 communications for the prior well?

11 A. Yes, sir, they are.

12 Q. Could you identify Exhibit 4 for the examiner.

13 A. Exhibit 4 is our AFE for this well, setting out the
14 estimated cost of \$2,553,200 dry hole and \$6,735,500
15 completion cost.

16 Q. Are these costs fair and reasonable?

17 A. They are.

18 Q. Do you request the same \$7500/\$750 overhead rates?

19 A. Yes, sir.

20 Q. And request that they adjust periodically?

21 A. Correct.

22 Q. And do you request the 200 percent risk charge?

23 A. Yes, sir.

24 Q. Was Southwest given notice of this application?

25 A. They were.

1 Q. Is that reflected in Exhibit 5?

2 A. It is.

3 Q. And does Exhibit 6 list the offsets to this
4 particular well?

5 A. Yes, sir, it does.

6 Q. And were they given notice?

7 A. Yes, sir, they were.

8 Q. And is that reflected in Exhibit 7?

9 A. It is.

10 Q. And were Exhibits 1 through 7 in both Cases 15419
11 and 15420 prepared by you or under your supervision, or
12 compiled from company billing records?

13 A. They were.

14 MR. BRUCE: Mr. Examiner, I move the admission of
15 Exhibits 1 through 7 in each case.

16 THE HEARING EXAMINER: Exhibits 1 through 7 in case
17 15419 and 15420 are admitted.

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

21 A. It is.

22 Q. In both cases?

23 A. Yes, sir.

24 MR. BRUCE: Mr. Examiner, I pass the witness.

25 EXAMINATION

1 BY THE HEARING EXAMINER:

2 Q. Will this have a state communitization agreement?

3 A. Yes, sir.

4 Q. Do you already have that?

5 A. We do not.

6 Q. You think all parties will sign that one?

7 A. Yes.

8 THE HEARING EXAMINER: I don't have any more
9 questions. Thank you very much.

10 NATE KLESS,

11 having been duly sworn, testified as follows:

12 EXAMINATION

13 BY MR. BRUCE:

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

15 A. Nate Kless.

16 Q. Mr. Kless, submitted to the Examiner are Exhibits 8
17 through 11 in Case 15419. Are those identical to the
18 exhibits you submitted and discussed -- or are Exhibits 8, 9
19 and 10 identical to the exhibits submitted and discussed in
20 15417?

21 A. Yes, they are.

22 Q. Do you adopt the same testimony you made in that
23 case?

24 A. Yes, I do.

25 Q. And what is Exhibit 11 in Case 15419?

1 A. Exhibit 11 is just the horizontal well plan for the
2 Pavo Macho 31/32 B2DA the north half well going across
3 Sections 31 and 32. Again, on the first page it shows our
4 surface location of 660 from north, 185 from west in Section
5 31, and our bottom hole of 990 from north, 330 from east in
6 Section 32, and so these, this lateral will have a legal
7 location after the completion point.

8 It's got the horizontal well plan for this
9 particular well. I would point out again that grammatical
10 error on the second page over. The bottom hole location is
11 wrong, it's something I just didn't change, but the correct
12 locations are on the first page for both of these exhibits.

13 Q. And in case 15420, the plan is submitted as Exhibit
14 A?

15 A. That's correct. And it's the same thing, same thing
16 just with the south half/north half well showing, or our
17 service locations 1980 from north, 185 from west in 31, and
18 our bottom hole will be 2310 from north, 330 from east, so
19 these will be a legal location for both of these wells.

20 Q. The first take point in the terminus will be
21 legal?

22 A. The first take point on these wells will be about
23 660 feet from the west line of Section 31, and I believe
24 these are statewide 330 setbacks, so they will be legal.

25 Q. And were Exhibits 8 through 11 in Case 15419 and

1 Exhibit A in Case 15420 prepared by you or under your
2 supervision?

3 A. Yes.

4 MR. BRUCE: Mr. Examiner, I move the admission of
5 Exhibits 8 through 11 in Case 15419 and Exhibit A in Case
6 15420.

7 THE HEARING EXAMINER: Exhibits 8 through 11 in
8 15419 are admitted, and in case 15420 Exhibit A is
9 admitted.

10 Q. (BY MR. BRUCE) And in your opinion is approval of
11 this application in the interest of conservation and the
12 prevention of waste?

13 A. It is.

14 MR. BRUCE: Pass the witness, Mr. Examiner.

15 THE HEARING EXAMINER: Okay.

16 EXAMINATION

17 BY THE HEARING EXAMINER:

18 Q. This pool here is just -- are you sure they are
19 going to -- this pool, this is going to be the pool for all
20 of these four wells, even the two-mile lateral wells?

21 A. Yes, I believe so.

22 Q. Palmillo Bone Spring East?

23 A. Yes.

24 Q. And it's statewide rules --

25 A. Yes.

1 Q. -- on this pool?

2 A. Yes.

3 Q. And do you have all -- all 40-acre tracts will
4 contribute to the well?

5 A. Yes. We have no reason to believe otherwise.

6 Q. Okay.

7 A. Okay.

8 THE HEARING EXAMINER: Thank you very much.

9 Good luck with your well, and all of the wells.

10 There will be nothing further in these two cases?

11 MR. BRUCE: Nothing further.

12 THE HEARING EXAMINER: We will take case 15419 and
13 Case 15420 under advisement.

14 (Time noted 10:24 a.m.)

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

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

18 
 19

20 MARY THERESE MACFARLANE, CCR
 NM Certified Court Reporter No. 122
 License Expires: 12/31/2016
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