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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:

ORIGINAL

CASE 15419

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
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EXAMINATION BY MR. BRUCE:	4
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EXAMINATION BY THE HEARING EXAMINER:	10
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WITNESS: NATE CLESS

EXAMINATION BY MR. BRUCE:	10
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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
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11	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 9		12
12	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 10		12
13	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 11		12
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1 (Time noted 10:11 a.m.)

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

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

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

11 Call for appearances.

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

17 THE HEARING EXAMINER: Any other  
18 appearances?

19 (Note: No response.)

20 Let the record reflect the witnesses have  
21 previously been sworn and qualified.

22 COREY MITCHELL,  
23 having been duly sworn, testified as follows:

24 EXAMINATION

25 BY MR. BRUCE:

1           Q.    Mr. Mitchell, could you refer to the exhibits  
2   for Case 15419.

3                   Can you identify Exhibit 1 and discuss the  
4   well name and the well unit.

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

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

12          A.    Yes, sir.

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

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

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

20          A.    They --

21          Q.    Or will be?

22          A.    Yeah, will be.

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

25          A.    Yes, sir, they do.

1 Q. What is Exhibit 3?

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

4 Q. And again, does your testimony in the prior  
5 cases apply here as to your conversations and contacts  
6 with Southwest Royalties?

7 A. Yes, sir.

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

11 A. Yes, sir.

12 Q. Could you identify Exhibit 4 and discuss the  
13 well cost.

14 A. Exhibit 4 is our AFE, which sets out the  
15 estimated cost for this well. We have a dry hole cost of  
16 \$2,553,200 and a completed cost of \$6,735,500.

17 Q. And are those costs fair and reasonable and are  
18 they in line with other horizontal wells of this depth and  
19 length drilled on this formation in this area of New  
20 Mexico?

21 A. Yes, sir.

22 Q. What overhead rates do you request?

23 A. We are requesting \$7500 a month for drilling and  
24 \$750 a month for producing.

25 Q. And are those overhead rates fair and reasonable

1 and will those be the rates charged the other working  
2 interest owners in this well?

3 A. Yes, sir.

4 Q. Do you request that the overhead rates be  
5 adjusted periodically as provided by the COPAS accounting  
6 procedure?

7 A. Yes, sir.

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

11 A. Yes, sir.

12 Q. Was Southwest notified of this hearing?

13 A. They were.

14 Q. Is that reflected in Exhibit 5?

15 A. Yes, sir, it is.

16 Q. Does Exhibit 6 represent all working interest  
17 owners?

18 A. Yes, sir.

19 Q. Were they given Notice of this application?

20 A. They were.

21 Q. Is that reflected in Exhibit 7?

22 A. Yes, sir, it is.

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

24 A. Correct.

25 Q. Looking at the exhibits for Case 15420, just

1 identify Exhibit 1 and discuss the well unit and the well  
2 name.

3 A. Exhibit 1 is a Midland Map Company land plat  
4 showing Township 18 South, Range 29 East. Highlighted is  
5 the south half of the north half of Section 31, as well as  
6 the south half of the north half of Section 32, and this  
7 is for our Pavo Macho 31/32 B2EH Federal Com No. 1H well.

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

9 A. Yes, sir.

10 Q. And Southwest Royalties is the party being  
11 pooled?

12 A. Yes, sir.

13 Q. And this is reflected on Exhibit 2?

14 A. Correct.

15 Q. Does Exhibit 3 contain all communications with  
16 Southwest, and are they virtually identical to the  
17 communications for the prior well?

18 A. Yes, sir, they are.

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

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

23 Q. Are these costs fair and reasonable?

24 A. They are.

25 Q. Do you request the same \$7500/\$750 overhead



1 rates?

2 A. Yes, sir.

3 Q. And request that they adjust periodically?

4 A. Correct.

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

6 A. Yes, sir.

7 Q. Was Southwest given notice of this application?

8 A. They were.

9 Q. Is that reflected in Exhibit 5?

10 A. It is.

11 Q. And does Exhibit 6 list the offsets to this  
12 particular well?

13 A. Yes, sir, it does.

14 Q. And were they given notice?

15 A. Yes, sir, they were.

16 Q. And is that reflected in Exhibit 7?

17 A. It is.

18 Q. And were Exhibits 1 through 7 in both Cases  
19 15419 and 15420 prepared by you or under your supervision,  
20 or compiled from company billing records?

21 A. They were.

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

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

1 Q. (BY MR. BRUCE) And in your opinion is the  
2 granting of this application in the interest of  
3 conservation and the prevention of waste?

4 A. It is.

5 Q. In both cases?

6 A. Yes, sir.

7 MR. BRUCE: Mr. Examiner, I pass the  
8 witness.

9 EXAMINATION

10 BY THE HEARING EXAMINER:

11 Q. Will this have a state communitization  
12 agreement?

13 A. Yes, sir.

14 Q. Do you already have that?

15 A. We do not.

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

17 A. Yes.

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

20 NATE KLESS,

21 having been duly sworn, testified as follows:

22 EXAMINATION

23 BY MR. BRUCE:

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

25 A. Nate Kless.

1           Q.    Mr. Kless, submitted to the Examiner are  
2 Exhibits 8 through 11 in Case 15419. Are those identical  
3 to the exhibits you submitted and discussed -- or are  
4 Exhibits 8,9 and 10 identical to the exhibits submitted  
5 and discussed in 15417?

6           A.    Yes, they are.

7           Q.    Do you adopt the same testimony you made in that  
8 case?

9           A.    Yes, I do.

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

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

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

24          Q.    And in case 15420, the plan is submitted as  
25 Exhibit A?

1           A.     That's correct. And it's the same thing, same  
2     thing just with the south half/north half well showing, or  
3     our service locations 1980 from north, 185 from west in  
4     31, and our bottom hole will be 2310 from north, 330 from  
5     east, so these will be a legal location for both of these  
6     wells.

7           Q.     The first take point in the terminus will be  
8     legal?

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

13          Q.     And were Exhibits 8 through 11 in Case 15419 and  
14    Exhibit A in Case 15420 prepared by you or under your  
15    supervision?

16          A.     Yes.

17                   MR. BRUCE: Mr. Examiner, I move the  
18    admission of Exhibits 8 through 11 in Case 15419 and  
19    Exhibit A in Case 15420.

20                   THE HEARING EXAMINER: Exhibits 8 through  
21    11 in 15419 are admitted, and in case 15420 Exhibit A is  
22    admitted.

23          Q.     (BY MR. BRUCE) And in your opinion is approval  
24    of this application in the interest of conservation and  
25    the prevention of waste?

1 A. It is.

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

3 THE HEARING EXAMINER: Okay.

4 EXAMINATION

5 BY THE HEARING EXAMINER:

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

9 A. Yes, I believe so.

10 Q. Palmillo Bone Spring East?

11 A. Yes.

12 Q. And it's statewide rules --

13 A. Yes.

14 Q. -- on this pool?

15 A. Yes.

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

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

19 Q. Okay.

20 A. Okay.

21 THE HEARING EXAMINER: Thank you very much.

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

24 There will be nothing further in these two  
25 cases?

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MR. BRUCE: Nothing further.

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

(Time noted 10:24 a.m.)

I ~~do~~ hereby certify that the foregoing is  
a correct report of the proceedings in  
the 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,  
 11 and the foregoing pages are a true and correct  
 12 transcription to the 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

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