

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:

COPY

APPLICATION OF MEWBOURNE OIL
COMPANY FOR A NONSTANDARD
SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NOS. 15510
and 15511

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 29, 2016

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
WILLIAM V. JONES, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, William V. Jones, Technical Examiner,
and David K. Brooks, Legal Examiner, on Thursday,
September 29, 2016, 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 C. Hankins, CCR, RPR
New Mexico CCR #20
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1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

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1 (8:21 a.m.)

2 EXAMINER MCMILLAN: With that in mind, I
3 would like to call Case Number 15510, application of
4 Mewbourne Oil Company for a nonstandard spacing and
5 proration unit, compulsory pooling, and an unorthodox
6 gas well location, Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. This case may be
10 combined with Case Number 15511.

11 EXAMINER MCMILLAN: Case Number 15510 shall
12 be combined with Case Number 15511, application of
13 Mewbourne Oil Company for a nonstandard spacing and
14 proration unit, compulsory pooling and an unorthodox gas
15 well location, Eddy County, New Mexico.

16 MR. BRUCE: These cases were presented
17 previously but continued for notice purposes. But the
18 Division has asked couple of questions regarding these
19 wells, so I have two witnesses I would like to put on
20 briefly.

21 EXAMINER MCMILLAN: Are there any other
22 appearances?

23 Okay. Thank you. Please proceed.

24 The witnesses may stand up and be sworn in
25 at this time.

1 (Mr. Pearson and Mr. Lodge sworn.)

2 CLAYTON PEARSON,

3 after having been first duly sworn under oath, was
4 questioned and testified as follows:

5 MR. BRUCE: Mr. Examiner, first I'd like to
6 start off with the notice. This was originally set up
7 as a nonstandard unit, unorthodox location and
8 compulsory pooling. Mewbourne had previously filed
9 administratively for the nonstandard unit and unorthodox
10 location, but you requested us to notify the offsets so
11 it could all be taken care of in this case.

12 So I am submitting as Exhibit 13 a notice
13 to the offsets. The offsets are going to be offsets for
14 purposes of the nonstandard unit and the unorthodox
15 location.

16 Submitted as Exhibit 14 is the Affidavit of
17 Notice regarding notice to the parties being pooled.

18 Exhibit 15 is an Affidavit of Publication
19 regarding unlocatable parties, and we'll go into that
20 just briefly in a minute.

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name?

24 A. Clayton Pearson.

25 Q. And who do you work for and in what capacity?

1 A. I work for Mewbourne Oil Company as a landman.

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

4 A. Yes.

5 Q. And were your credentials as an expert
6 petroleum landman accepted as a matter of record?

7 A. Yes.

8 Q. And are you familiar with the land matters
9 involved in this case?

10 A. Yes, sir.

11 Q. Now, Mr. Pearson, I've just submitted --
12 especially the notice.

13 MR. BRUCE: We had already submitted an
14 exhibit previously, Mr. Examiner, regarding the offset
15 parties. And that's what the Exhibit 13 pertains to.

16 Q. (BY MR. BRUCE) Insofar as the parties notified,
17 there were -- you testified that this is a very
18 difficult title area, right?

19 A. That's correct.

20 Q. And there are a huge number of parties being
21 pooled. Have you come to terms with certain of these
22 parties?

23 A. Several of the parties we have reached an
24 agreement with since the previous hearing, so we've
25 since done a deal with several of them, yes.

1 Q. Will you provide -- will you prepare a list of
2 those parties and submit it to the Division so they know
3 which parties are no longer being pooled?

4 A. Yes.

5 Q. And finally, Mr. Pearson, what is Exhibit 16?

6 A. Exhibit 16 is a copy of the Form C-102. And
7 there was some question as to the actual footage of the
8 bottom-hole location from the east line of Section 4.
9 There was some confusion. When you look at the plat
10 down on the bottom, left of the page, it says "2,200
11 feet," and as written up top, it says "2,090." And
12 actually it was just an error -- a typographical error.
13 And the actual footage is 2,090 feet from the east line
14 of Section 4.

15 Q. Mr. McMillan had also emailed me regarding the
16 acreage dedicated to this well. Mewbourne filed this as
17 480-acre well, correct?

18 A. Correct.

19 Q. And up on the left side of the page, somebody
20 crossed that out and put 640. This is not a 640-acre
21 unit?

22 A. It is not a 640-acre unit.

23 MR. BRUCE: Mr. Examiner, I don't know what
24 happened. Somebody --

25 EXAMINER MCMILLAN: I know. But since it's

1 compulsory pooling, I just wanted it correct for the
2 record.

3 Q. (BY MR. BRUCE) Mr. Pearson, are Exhibits 13
4 through 16 prepared by you or compiled by company
5 records?

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, in this, 15510, I
8 move the admission of Exhibits 13 through 16.

9 (Mewbourne Oil Company Exhibit Numbers 13
10 through 16 for Case Number 15510 are
11 offered into evidence.)

12 EXAMINER MCMILLAN: Okay. Exhibits 13
13 through 15 may be accepted as part of the record.

14 Exhibit 16 will not be accepted as part of
15 the record until that typographical error is corrected.

16 MR. BRUCE: Okay. We will submit a new
17 one, but it wasn't Mewbourne's fault.

18 EXAMINER MCMILLAN: Okay. But still,
19 Mewbourne put their name on it. They should have
20 checked -- they should have checked that 2,200 versus
21 2,090.

22 MR. BRUCE: I believe you asked for the
23 as-drilled, and I think the as-drilled was 2,090.

24 EXAMINER MCMILLAN: Right. But when I look
25 at the C-102, the written description says 2,090, and

1 then your plat says 2,200.

2 MR. BRUCE: We will submit a new one.

3 EXAMINER MCMILLAN: Okay?

4 Thank you.

5 (Mewbourne Oil Company Exhibit Numbers 13
6 through 15 for Case Number 15510 are
7 admitted into evidence.)

8 (Consultation off the record.)

9 MR. BRUCE: As to Case 15511 --

10 EXAMINER MCMILLAN: Actually, for Case
11 Number 15510, we will accept Exhibit 16 under the
12 condition that it be -- that the C-102 actually
13 represent the as-drilled plat.

14 MR. BRUCE: Okay.

15 (Mewbourne Oil Company Exhibit Number 16
16 for Case Number 15510 is admitted into
17 evidence.)

18 MR. BRUCE: And in Case 15511,
19 Mr. Examiner, we previously submitted notices to a plat
20 regarding the offsets to this well. We gave notice to
21 the offsets. That's submitted as -- I submit the
22 Affidavit of Notice marked as Exhibit 13.

23 One thing on here, Mr. Examiner, if you
24 look at the last page of Exhibit 13, I sent notice to
25 BTA. And it says, "Notice left, no authorized recipient

1 available," but this has been BTA's address for
2 eternity, if you desire Mr. Pearson to get an email or
3 something saying that they received notice or waived
4 notice or anything like that. But I don't know why the
5 green card didn't come back.

6 EXAMINER JONES: They're in Midland?

7 EXAMINER MCMILLAN: In that weird office
8 building.

9 EXAMINER JONES: Right next to the Wall
10 Street Bar & Grill.

11 MR. BRUCE: Maybe that's what it is
12 (laughter).

13 I'll tell you what, since a notice has been
14 entered for Manuela Franco, which we'll get to in a
15 minute, we can with have Mr. Pearson get something from
16 them in writing simply because the green card hasn't
17 come back in three weeks.

18 And then Exhibit 14 is the Affidavit of
19 Notice to all of the interest owners.

20 Q. (BY MR. BRUCE) And, Mr. Pearson, have any
21 interest owners signed up after the original --

22 A. I believe one owner has agreed to sign up under
23 this.

24 Q. Will you notify the Division of that interest?

25 A. Yes.

1 MR. BRUCE: And Exhibit 15 is the Affidavit
2 of Publication.

3 I would move the admission --

4 Oh, one other thing.

5 Q. (BY MR. BRUCE) Will you verify that an
6 as-drilled C-102 has been filed with the Division?

7 A. Yes, it has for this well. I believe it's
8 correct as filed.

9 MR. BRUCE: I would move the admission of
10 Exhibits 13, 14 and 15.

11 EXAMINER MCMILLAN: Exhibits 13 and 14 and
12 15 may now be accepted as part of the record.

13 (Mewbourne Oil Company Exhibit Numbers 13,
14 14 and 15 for Case Number 15511 are offered
15 and admitted into evidence.)

16 MR. BRUCE: That's all I have for this
17 witness.

18 I would bring up a geologist just briefly
19 to answer your questions.

20 EXAMINER MCMILLAN: What about Franco?

21 MR. BRUCE: Let's get to that at the end of
22 hearing. Well, wait a minute.

23 Mr. Pearson, can you sit down for a minute?

24 THE WITNESS: Sure.

25 Q. (BY MR. BRUCE) Regarding Manuela Franco, there

1 is a title dispute between her and her daughter; is
2 there not?

3 A. That's correct.

4 Q. And it appears that the daughter owns the
5 interest and not her?

6 A. There is some question as to the ownership of
7 the mineral interest. It's in dispute. And so at this
8 point, we're uncomfortable taking a lease from either of
9 them. We may take a protection lease, but not a payee
10 bonus just until the title has been determined.

11 Q. And is there a quiet-title suit regarding this
12 interest?

13 A. There is.

14 MR. BRUCE: That's all I have for
15 Mr. Pearson.

16 EXAMINER MCMILLAN: Thank you.

17 JASON LODGE,

18 after having been previously sworn under oath, was
19 questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

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

24 A. Jason Lodge.

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

1 A. Mewbourne Oil Company as a geologist.

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

4 A. Yes, I have.

5 Q. And were your credentials as an expert
6 petroleum geologist accepted as a matter of record?

7 A. Yes, they were.

8 Q. And are you familiar with the geology involved
9 in this application?

10 A. Yes, I am.

11 Q. Mr. Lodge, because in the first go-around we
12 weren't asking for the nonstandard unit and unorthodox
13 location, we didn't present much testimony in that. But
14 did you assist in preparing the original geologic plats
15 for this hearing?

16 A. Yes.

17 Q. What are the reasons for the 480-acre well
18 units in both cases and the reason for the unorthodox
19 locations?

20 A. In the north half of Section 33, there are two
21 lay-down wells. So we had an interest in the south
22 half, so that's why we drilled the south half of 33
23 and -- Section 4, mile-and-a-half well.

24 Q. And does Mewbourne -- Mewbourne prefer to drill
25 longer than one-mile laterals at this time?

1 A. Yes. If possible, that's what we prefer.

2 Q. Is it more economical?

3 A. Yes, it is.

4 Q. And as to the unorthodox locations, is it
5 basically the same reason, to extend the wellbore --
6 length of the wellbore?

7 A. Yes.

8 Q. And to make the wellbore more economical?

9 A. Yes, that's correct.

10 Q. And that would apply to both wells?

11 A. Yes.

12 MR. BRUCE: That's all the questions I have
13 of this witness, Mr. Examiner.

14 CROSS-EXAMINATION

15 BY EXAMINER JONES:

16 Q. You said that you prefer to drill longer
17 laterals. Does that mean a mile and a half or a mile
18 and a quarter or --

19 A. Yes, sir. Mile and a half is what we've been
20 doing. We have extended it in the Wolfcamp two miles.
21 We drilled one well that's two miles. We've drilled a
22 number of mile-and-a-half wells.

23 CROSS-EXAMINATION

24 BY EXAMINER MCMILLAN:

25 Q. So are you getting a greater than 25 percent

1 increase in reserves when you're drilling the
2 mile-and-a-halfes versus the mile?

3 A. Yes. That's the idea.

4 Q. Is this -- are the two-mile -- I'm just
5 curious. Are the two-miles that more economical than
6 the mile-and-a-half?

7 A. Our two-mile we haven't fractured yet, so I
8 can't -- I can't testify to that just yet.

9 EXAMINER BROOKS: No questions.

10 EXAMINER MCMILLAN: Okay. Thank you very
11 much.

12 MR. BRUCE: Mr. Examiner, the attorney for
13 Manuela Franco requested a continuance. I think you've
14 seen the correspondence. I did not object to that,
15 although I wanted to put these witnesses up and
16 acknowledge that by email. But I have no objection to a
17 two-week continuance as he requested.

18 EXAMINER MCMILLAN: Okay. Case Number
19 15510 and Case Number 15511 shall be continued until
20 October 13th.

21 (Case Numbers 15510 and 15511 conclude,
22 8:37 a.m.)

23

24

25

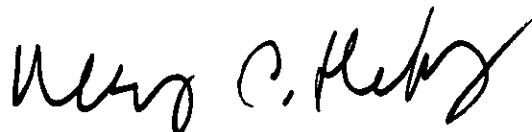
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3

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7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
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14 Record of the proceedings truly and accurately reflects
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16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

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