

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:)
)
 APPLICATION OF MEWBOURNE OIL COMPANY)
 FOR COMPULSORY POOLING, EDDY COUNTY,)
 NEW MEXICO)

CASE NO.

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ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Hearing Examiner

November 1st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, Examiner, on Thursday, November 1st, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

WVJ 11/5/07

I N D E X

November 1st, 2007
 Examiner Hearing
 CASE NO. 14,021

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APPLICANT'S WITNESS:	
<u>D. PAUL HADEN</u> (Landman)	
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* * *

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

FOR HARVEY E. YATES COMPANY:

GORDON K. YAHNEY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:49 a.m.:

3 EXAMINER JONES: Okay, let's call Case 14,021,
4 Application of Mewbourne Oil Company for compulsory
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness.

9 EXAMINER JONES: Any other appearances?

10 MR. YAHNEY: Gordon Yahney representing Harvey E.
11 Yates Company.

12 MR. BRUCE: They are a party being pooled, Mr.
13 Examiner.

14 EXAMINER JONES: Okay.

15 MR. BRUCE: We have no objection.

16 EXAMINER JONES: Okay, any other appearances?

17 Okay, will the witness please stand to be sworn?

18 (Thereupon, the witness was sworn.)

19 D. PAUL HADEN,

20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Will you please state your name for the record?

25 A. My name is Paul Haden.

1 Q. And where do you reside?

2 A. Midland, Texas.

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

4 A. Mewbourne Oil Company as a landman.

5 Q. Have you previously testified before the
6 Division?

7 A. Yes, I have.

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

10 A. Yes, they were.

11 Q. Are you familiar with the land matters involved
12 in this Application?

13 A. Yes, sir, I am.

14 MR. BRUCE: Mr. Examiner, I'd tender Mr. Haden as
15 an expert petroleum landman.

16 EXAMINER JONES: Mr. Haden is qualified as an
17 expert in petroleum land matters.

18 Q. (By Mr. Bruce) Mr. Haden, could you identify
19 Exhibit 1 and describe briefly what Mewbourne seeks in this
20 case?

21 A. Exhibit Number 1 is a land plat taken from
22 Midland Map Company. It illustrates our proposed spacing
23 unit as indicated shaded in yellow, which is the west half
24 of Section 18 of 19 South, 28 East. It also indicates our
25 proposed well site, which is 660 from the south and 1800

1 feet from the west line.

2 Q. And you seek an order pooling the west half for
3 320-acre well units?

4 A. Yes, sir, we do.

5 Q. And do you also seek the pooling of the southwest
6 quarter as to 160-acre well units?

7 A. Yes, we do.

8 Q. What is the name of the proposed well?

9 A. The proposed well name is Mossberg 18 State Com
10 Number 1 well.

11 Q. And what is the working interest ownership in the
12 well? And I refer you to Exhibit 2.

13 A. Exhibit 2 describes the working interest
14 ownership in the well. The west half of Section 18
15 contains lots 1 through 4, and also the east half of the
16 west half. It comprises a total of 332.48 acres. It
17 describes tract number 1, the ownership in the southwest
18 quarter which consists of lots 3 and 4 in the east half of
19 the southwest quarter, which is a southwest-quarter
20 equivalent. It sets forth the ownership in that 116.12-
21 acre tract.

22 Tract number 2 which consists of lots 1 through
23 4, the east half, northwest, and the east half, southwest
24 quarter, which is a west-half equivalent, describes the
25 unit ownership in the well.

1 Q. And of these parties, who does Mewbourne seek to
2 force pool?

3 A. Mewbourne seeks to pool EOG Resources, Inc., with
4 a unit interest of 24.06159 percent, also Harvey E. Yates
5 Company with a 1.84829-percent interest, and also Lobo --
6 Lobos Energy Partners with a 3.84317-percent unit working
7 interest.

8 Q. And does page 2 of Exhibit 2 simply show the four
9 tracts comprising the west half of Section 18?

10 A. Yes, it does.

11 Q. What is Exhibit 3?

12 A. Exhibit 3 contains copies of our communications
13 and notes with the parties being pooled. The first page is
14 a summary of the communications with these companies, which
15 would include dates wherein the well was proposed. It
16 indicates follow-up letters, also follow-up phone calls
17 with these companies. It indicates the working interest
18 ownership for the companies being pooled, which are EOG
19 Resources, Inc.; Dominion, which is -- Dominion Exploration
20 Production, Inc., is a predecessor in title to Lobos Energy
21 Partners. It also has Harvey E. Yates Company, and the
22 contacts for each company with the phone numbers.

23 Q. Okay. So you sent several letters and you
24 followed them up with telephone calls?

25 A. Yes, we did.

1 Q. And in your opinion, has Mewbourne made a good-
2 faith effort to obtain the voluntary joinder of the
3 interest owners in the well?

4 A. Yes, we have.

5 Q. Would you identify Exhibit 4 and discuss the cost
6 of the proposed well?

7 A. Exhibit 4 is an AFE dated September 19th, 2007.
8 It indicates the estimated well cost.

9 Q. And what is the total completed well cost?

10 A. Total completed well cost is \$1,982,300, and cost
11 to casing point is \$1,275,500.

12 Q. Are these costs in line with the costs of other
13 wells drilled to this depth in this area of Eddy County?

14 A. As far as we know, they are.

15 Q. Do you request that Mewbourne be appointed
16 operator of the well?

17 A. Yes, we do.

18 Q. Do you have a recommendation for the supervision
19 and administrative expenses which Mewbourne should be paid
20 as operator?

21 A. Yes, we're recommending \$6000 per month for a
22 drilling well and \$600 per month for a producing well.

23 Q. And are these amounts in line with the charges
24 normally made by Mewbourne and other operators in this area
25 for wells of this depth?

1 A. Yes, they are. In fact, these are the same
2 charges that the other interest owners have signed on the
3 operating agreement dated August 15th, '07.

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

6 A. Yes, sir, we do.

7 Q. And does Mewbourne request the maximum cost-plus-
8 200-percent risk charge if any interest owner nonconsents
9 the well?

10 A. Yes, we do.

11 Q. Finally, were the parties being pooled notified
12 of this hearing?

13 A. Yes, they were.

14 Q. And is that reflected in Exhibit 5?

15 A. That's correct.

16 MR. BRUCE: Mr. Examiner, Exhibit 5 includes all
17 the parties originally noticed, but a couple of these --
18 Jalapeno Corporation and Gary N. Pointer and his wife Janie
19 C. Pointer -- have subsequently joined, so they --

20 EXAMINER JONES: Okay.

21 MR. BRUCE: -- are not being pooled.

22 Q. (By Mr. Bruce) Were Exhibits 1 through 5
23 prepared by you or under your supervision, or compiled from
24 company business records?

25 A. Yes, they were.

1 Q. And in your opinion is the granting of this
2 Application in the interests of conservation and the
3 prevention of waste?

4 A. Yes, that's correct.

5 MR. BRUCE: Mr. Examiner, I'd move the admission
6 of Exhibits 1 through 5.

7 EXAMINER JONES: Exhibits 1 through 5 will be
8 admitted.

9 EXAMINATION

10 BY EXAMINER JONES:

11 Q. Mr. Haden, the -- 500 feet below the top of the
12 San Andres to the base of the Morrow, is there San Andres
13 production out here?

14 A. I don't believe so. There's some Grayburg
15 production, but that is shallower.

16 Q. But that term was in a land title?

17 A. Yes, that term was -- 500 feet below the top of
18 the San Andres formation, that's where the chain of
19 ownership split.

20 Q. Splits, okay.

21 A. Right.

22 Q. And the base of the Morrow -- Do you mean the
23 base of the Pennsylvanian, or do you mean the base of the
24 Morrow?

25 A. Well --

1 Q. It says the base of the Morrow on that land title
2 too.

3 A. Yes. Well, it could say through the
4 Pennsylvanian. Morrow is within the Pennsylvanian, so...

5 Q. Usually not much below the Morrow --

6 A. No --

7 Q. -- I guess.

8 A. -- well, right.

9 Q. Usually you go into the Mississippian after that,
10 so...

11 A. Yeah. Morrow is not Mississippian.

12 Q. Okay. And there's -- There's just three parties,
13 I take it?

14 A. Yes. I might also indicate that EOG Resources,
15 Inc., as of Monday, said they're going to participate, and
16 they're -- signed their AFE, they will be signing the
17 operating agreement.

18 Also the same goes with Harvey E. Yates Company.
19 They have actually signed an AFE and some signature pages
20 to the operating agreement but were in disagreement on some
21 of the revisions that they request in the operating
22 agreement.

23 MR. BRUCE: If they subsequently join all the
24 agreements, will you notify the Division so we're not
25 subject to a pooling order?

1 THE WITNESS: Yes, we will.

2 Q. (By Examiner Jones) Now say that one more time.
3 You mean you would change the --

4 MR. BRUCE: No --

5 Q. (By Examiner Jones) -- JOA a little bit?

6 A. We will dismiss them from the pooling once they
7 sign all the --

8 Q. Oh, okay.

9 A. -- documents.

10 Q. Yeah.

11 A. And Lobos Energy, they are in the same boat.
12 They will either farm out to us or join in the well, but
13 they just have not done either one of them yet.

14 Q. Okay. And Dominion, was that --

15 A. Dominion is predecessor-in-title to Lobos
16 Energy --

17 Q. Oh, okay.

18 A. -- Lobos Energy bought all of --

19 Q. Okay.

20 A. -- all of Dominion's production in southeast New
21 Mexico.

22 Q. Okay. It changes so fast. I think Pogo's
23 getting bought right now.

24 A. Oh, yeah, it's happening all the time.

25 Q. Some deep pockets out there, I guess.

1 A. Yeah.

2 Q. Okay, this is a vertical orthodox location?

3 A. Yes, sir.

4 Q. No API number yet?

5 A. Oh, yes, we do have that, matter of fact. API
6 number is 30-015-35881.

7 You'll notice on the plat that our well --
8 proposed location is right by a -- what looks to be like a
9 well, an oil well.

10 Q. Okay.

11 A. This well is a Grayburg oil well which produces
12 -- I mean, it's a leaseholder, that's all it is.

13 Q. Okay.

14 A. One or two days a year.

15 Q. Okay.

16 A. And it's a shallower well than what our well will
17 be.

18 EXAMINER JONES: Okay. Okay, that's all the
19 questions I've got.

20 Will the party from Heyco stand up and spell your
21 last name again? I'm so sorry, I --

22 MR. YAHNEY: My name is Gordon Yahney. Last name
23 is spelled Y-a-h-n-e-y.

24 EXAMINER JONES: Okay. Do you want to make a
25 statement?

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MR. YAHNEY: Our comments are -- that we submitted to Mewbourne are in the exhibits here. You're welcome to look at them. I have no statement to make.

EXAMINER JONES: Okay. Thank you very much. And thank you, Mr. Haden --

THE WITNESS: Thank you.

EXAMINER JONES: -- Mr. Bruce.

With that, we'll take Case 14,021 under advisement.

(Thereupon, these proceedings were concluded at 9:02 a.m.)

* * *

I do hereby certify that the foregoing is a correct record of the proceedings in the hearing of Case No. _____ heard by me on _____

_____, Examiner
Oil Conservation Division

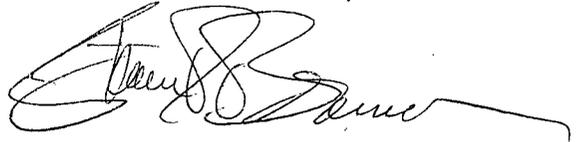
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 1st, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010