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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:

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

CASE NO. 14274

ORIGINAL

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

February 19, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Legal Examiner, RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL, Technical Examiner, on Thursday, February 19, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

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1 MR. BROOKS: At this time we call Case
2 Number 14274, Application of Mewbourne Oil Company for
3 compulsory pooling, Eddy County, New Mexico. Call for
4 appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of
6 Santa Fe, representing the applicant. I have one
7 witness.

8 THE COURT: Very good. May the witness
9 please identify yourself, and the Court Reporter will
10 swear the witness.

11 MR. MITCHELL: My name is Cory Mitchell
12 with Mewbourne Oil Company.

13 [Witness sworn.]

14 MR. BROOKS: Be seated down at the witness
15 chair.

16 CORY MITCHELL

17 Having been first duly sworn, testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Would you please state your name and city of
21 residence for the record?

22 A. My name is Cory Mitchell, from Midland, Texas.

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

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

25 Q. Have you previously testified before the

1 Division?

2 A. No, sir.

3 Q. Would you please summarize your educational
4 background for the examiner?

5 A. I attended Texas Tech University for four
6 years. I then did an internship with Dominion in
7 exploration and production for about four months, and I,
8 then, was employed by Mewbourne Oil Company where I've
9 been for almost a year and a half.

10 Q. Does your area of responsibility at Mewbourne
11 include this area of southeast New Mexico?

12 A. Yes, sir.

13 Q. And do you work exclusively at the Permian
14 Basin?

15 A. Yes, sir.

16 Q. Are you familiar with the land matters
17 involved in this application?

18 MR. BRUCE: Mr. Examiner, I tender the
19 witness as an expert petroleum landman.

20 MR. BROOKS: So accepted.

21 Q. (By Mr. Brooks) Mr. Mitchell, all of the
22 exhibits are in a little folder. If you turn to the
23 first page, Exhibit 1, the land plat, could you identify
24 that and describe what Mewbourne seeks in this
25 application?

1 A. Exhibit 1 is a land plat from Midland Map
2 Company covering Township 20 South, Range 25 East.
3 Included is Section 15. On this exhibit, highlighted is
4 is the northwest quarter of the southeast quarter, where
5 we are seeking to pool all lands from the surface to the
6 base of the Yeso formation.

7 Q. And what are the nearest Yeso pools in this
8 area?

9 A. You have the Cemetery-Yeso Pool and also the
10 North Seven Rivers Glorieta Yeso, which is within a mile.
11 Each one is within a mile.

12 Q. Are they both developed on state wide 40-acre
13 spacing?

14 A. Yes, sir.

15 Q. What is the name of this proposed well?

16 A. This proposed well would be the Quick Draw
17 "15" J Well No. 1.

18 Q. And will it be drilled at an orthodox oil well
19 location?

20 A. Yes, sir.

21 Q. Referring to Exhibit 2, could you identify the
22 working interest ownership in this well unit?

23 A. Exhibit 2 covers all the working interest
24 owners, their addresses and their percent interests. On
25 page 2 and 3, the individuals with asterisks are the

1 particular ones that were interested in the pool.

2 Q. However, at this time, do you wish to dismiss
3 Nearburg Exploration Company?

4 A. We do. We would like to pool everybody
5 commencing with Paul Martin to ending with Byron Mann
6 with the exception of Nearburg, which we would like to
7 dismiss.

8 Q. And are the parties being pooled all unleased
9 mineral interests?

10 A. They are.

11 Q. And approximately in this tract, how many
12 interests owners are there, leased or unleased?

13 A. In this tract, there's 20 plus, approximately,
14 21.

15 Q. Now, what is Exhibit 3?

16 A. Exhibit 3 is a summary of all our
17 communications with individuals, proposed letters to our
18 interest owners on trying to lease them, including a
19 summary of our communication and copies of correspondence
20 or handwritten notes describing communications and
21 emails.

22 Q. Now, I notice there are several unlocateable
23 interest owners listed in your correspondence. What did
24 you do to attempt to locate these owners?

25 A. We examined Eddy County records. We did -- we

1 used several different internet search sites to locate
2 them, and we also searched our internal records.

3 Q. And still there were certain people you were
4 unable to locate?

5 A. Correct. We either could not find any
6 locateable address to use, or we had addresses that were
7 not current.

8 Q. In your opinion, has Mewbourne made a
9 good-faith effort either to locate all interest owners or
10 to obtain the voluntary joinder of the interest owners in
11 this well?

12 A. Yes, sir.

13 Q. What is Exhibit 4?

14 A. Exhibit 4 is an AFE for the Quick Draw "15" J
15 Number 1.

16 Q. What are the dry hole and completed well
17 costs?

18 A. Our dry hole cost is \$356,600, and the
19 completed well cost is 914,200.

20 Q. Now, this AFE is dated back in November. Have
21 prices started to decline somewhat?

22 A. Correct. They have started to decline. So if
23 we were to do this AFE at today's date, the prices would
24 be cheaper.

25 Q. And are the costs as reflected in the AFE in

1 line with the cost of other wells drilled at this depth
2 in this area of New Mexico?

3 A. Yes, sir.

4 Q. And Mewbourne has drilled other Yeso wells in
5 this area?

6 A. Yes, sir.

7 Q. And it has a good handle on the cost?

8 A. Yes, sir.

9 Q. Do you request that Mewbourne be appointed
10 operator of the well?

11 A. Yes, sir.

12 Q. And do you have a recommendation for the
13 amounts which Mewbourne should be paid for supervision
14 and administrative expenses?

15 A. We would like to recommend 4,000 a month for
16 the drilling of the well and 400 month be allowed for
17 producing well.

18 Q. Are these amounts equivalent to those normally
19 charged by Mewbourne and other operators for wells of
20 this depth?

21 A. Yes, sir.

22 Q. Do you request that these rates be adjusted
23 periodically as provided by the COPAS accounting
24 procedure?

25 A. Yes, sir.

1 Q. Does Mewbourne request the maximum cost plus
2 200 percent risk charge against any non-presenting
3 interest owner of the well?

4 A. Yes, sir.

5 Q. And were the parties being pooled notified of
6 this hearing?

7 A. Yes, sir.

8 Q. And is Exhibit 4 the Affidavit of Mailing sent
9 out by me?

10 A. That's Exhibit 5.

11 Q. Or Exhibit 5?

12 A. Yes, sir.

13 Q. And some of these -- the last few pages of
14 Exhibit 5, these were returned as unlocateable or people
15 didn't pick them up; correct?

16 A. Yes, sir.

17 Q. Was noticed published in the Carlsbad
18 newspaper as against all unlocateable owners?

19 A. Yes, sir.

20 Q. Is that reflected in Exhibit 6?

21 A. Yes, sir.

22 Q. Were Exhibits 1 through 6 prepared by you or
23 under your supervision or compiled from company business
24 records?

25 A. Yes, sir.

1 Q. And is the granting of this application in the
2 interest of conservation and the prevention of waste?

3 A. Yes, sir.

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

6 MR. BROOKS: One through 6 are admitted.

7 (Exhibits 1 through 6 were admitted.)

8 MR. BRUCE: I have no further questions of
9 the witness.

10 MR. BROOKS: Thank you. The interval you
11 said was from the surface to the base of Yeso. Of
12 course, the Yeso is not a real deep formation. But is
13 the ownership uniform throughout that vertical interval?

14 THE WITNESS: Yes, sir.

15 MR. BROOKS: I take it you have reached an
16 agreement with Nearburg?

17 THE WITNESS: Yes, sir.

18 MR. BROOKS: And is that -- are they
19 farming out their interest or are they participating --

20 THE WITNESS: They gave us a lease
21 covering their interest.

22 MR. BROOKS: So the people that you're
23 pooling are everybody with an asterisk by their name,
24 except Nearburg?

25 THE WITNESS: Correct.

1 MR. BROOKS: Now, did you get green cards
2 from everyone except the ones that are marked, "address
3 unknown," on this Exhibit 2?

4 THE WITNESS: Yes. We had -- all the
5 others we, actually, had the mail returned, as they were
6 no longer located at that address or the forwarding
7 address had expired.

8 MR. BROOKS: But there are three here,
9 Marilyn Harris, Tommy Harris and Paul Martin, Paul or
10 Kenneth Martin, that you have addresses. And did you get
11 notice to those people?

12 THE WITNESS: We did send those to those
13 addresses, yes sir.

14 MR. BROOKS: Have you got green cards for
15 them?

16 MR. BRUCE: No, Mr. Examiner, we did not.

17 MR. BROOKS: Did not get green cards.

18 MR. BRUCE: Did not. If you'll look at
19 the last few pages of Exhibit 5 --

20 MR. BROOKS: Were they included on the --

21 MR. BRUCE: They are included. I believe
22 I --

23 MR. BROOKS: Yeah. These are unsigned, so
24 these are copies you made from --

25 MR. BRUCE: I told you before, out of an

1 excess of caution, I started naming virtually everybody
2 in the --

3 MR. BROOKS: These people are named on the
4 the publication?

5 MR. BRUCE: Yes, sir.

6 MR. BROOKS: The AFE gives the location
7 2310 from the south line and 2310 from the east line. Is
8 that where you propose to drill the well?

9 THE WITNESS: Yes, sir.

10 MR. BROOKS: I think that covers all my
11 questions. Thank you.

12 MR. EZEANYIM: From what you just said
13 about drilling the well, when do you hope to drill this
14 well?

15 THE WITNESS: Fairly soon. Within the
16 next few months.

17 MR. EZEANYIM: So within one year?

18 THE WITNESS: Yes, sir.

19 MR. EZEANYIM: That's all I have.

20 MR. BROOKS: Well, I guess I could make
21 the same comment I made to somebody on the phone. It
22 takes some trepidation to drill a well these days. Okay.
23 Thank you.

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

Examiner

Oil Conservation Division

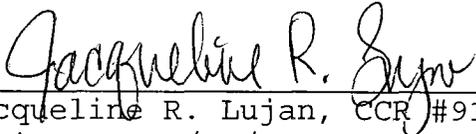
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on February 19, 2009, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 23rd day of February,
2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009