

1 NEW MEXICO OIL CONSERVATION DIVISION

2 STATE LAND OFFICE BUILDING

3 STATE OF NEW MEXICO

4 CASE NO. 10637

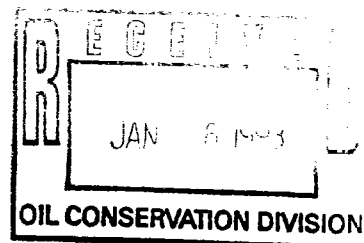
5
6 IN THE MATTER OF:7
8 The Application of Mewbourne Oil
9 Company for Compulsory Pooling,
Eddy County, New Mexico.10
11
12
13
14
15 BEFORE:

16 MICHAEL E. STOGNER

17 Hearing Examiner

18 State Land Office Building

19 December 17, 1992

20
21
22
23 REPORTED BY:24 CARLA DIANE RODRIGUEZ
25 Certified Court Reporter
for the State of New Mexico

ORIGINAL

A P P E A R A N C E S

FOR THE NEW MEXICO OIL CONSERVATION DIVISION:

ROBERT G. STOVALL, ESQ.

General Counsel
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
BY: JAMES BRUCE, ESQ.

FOR DEVON ENERGY CORPORATION:

CAMPBELL, CARR, BERGE & SHERIDAN, P.C.
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
BY: WILLIAM F. CARR, ESQ.

FOR OXY, U.S.A., INC.:

KELLAHIN and KELLAHIN
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
BY: W. THOMAS KELLAHIN, ESQ.

I N D E X

Page Number

Appearances 2

WITNESSES FOR THE APPLICANT:

1. D. PAUL HADEN
Examination by Mr. Bruce 5
Examination by Mr. Stogner 10

2. DEXTER HARMON
Examination by Mr. Bruce 12
Examination by Mr. Stogner 16

Certificate of Reporter 18

E X H I B I T S

Reference

Exhibit No. 1 6
Exhibit No. 2 7
Exhibit No. 3 7
Exhibit No. 4 8
Exhibit No. 5 9
Exhibit No. 6 12
Exhibit No. 7 13
Exhibit No. 8 15

1 EXAMINER STOGNER: Call next case, No.
2 10637.

3 MR. STOVALL: Application of Mewbourne
4 Oil Company for compulsory pooling, Eddy County,
5 New Mexico.

6 EXAMINER STOGNER: Call for
7 appearances?

8 MR. BRUCE: Mr. Examiner, Jim Bruce
9 from the Hinkle law firm in Santa Fe representing
10 the Applicant. I have two witnesses to be
11 sworn.

12 MR. CARR: May it please the Examiner,
13 my name is William F. Carr with the Santa Fe law
14 firm Campbell, Carr, Berge & Sheridan. I would
15 like to enter my appearance on behalf of Devon
16 Energy Corporation. I do not intend to call a
17 witness.

18 EXAMINER STOGNER: Any other
19 appearances?

20 MR. KELLAHIN: Mr. Examiner, I'm Tom
21 Kellahin of the Santa Fe law firm of Kellahin and
22 Kellahin, appearing today on behalf of Oxy, USA,
23 Inc.

24 EXAMINER STOGNER: Do you have any
25 witnesses?

1 MR. KELLAHIN: No, sir.

2 EXAMINER STOGNER: Will the witnesses
3 please stand to be sworn.

4 [The witnesses were duly sworn.]

5 D. PAUL HADEN

6 Having been first duly sworn upon his oath, was
7 examined and testified as follows:

8 EXAMINATION

9 BY MR. BRUCE:

10 Q. Would you please state your name for
11 the record?

12 A. My name is Paul Haden.

13 Q. Where do you reside?

14 A. I live in Midland, Texas.

15 Q. What is your occupation and who are you
16 employed by?

17 A. I'm a petroleum landman. I'm employed
18 by Mewbourne Oil Company.

19 Q. Have you previously testified before
20 the Division as a landman?

21 A. Yes, I have.

22 Q. Were your credentials accepted as a
23 matter of record?

24 A. Yes, they were.

25 Q. Are you familiar with the land matters

1 involved in this case?

2 A. Yes, I am.

3 MR. BRUCE: Mr. Examiner, I would
4 tender the witness as an expert petroleum
5 landman.

6 EXAMINER STOGNER: Mr. Haden is so
7 qualified.

8 Q. Briefly, Mr. Haden, what does Mewbourne
9 seek in this case?

10 A. Mewbourne Oil Company seeks to pool all
11 mineral interests from the base of the Abo
12 formation to the base of the Morrow formation,
13 this is for a Morrow test well to be drilled in
14 the east half of Section 35, a location 1980 feet
15 from the south line and 1980 feet from the east
16 line of Section 35, Township 17 South, Range 27
17 East of Eddy County, New Mexico.

18 Q. Only 320-acre pools or formations are
19 being spaced, is that correct?

20 A. Yes, that's correct.

21 Q. Okay. Let's refer to Exhibit No. 1.
22 Would you briefly discuss its contents for the
23 Examiner?

24 A. Exhibit No. 1 is a land plat showing
25 Mewbourne Oil Company's proposed spacing unit for

1 this Morrow test well. The spacing unit consists
2 of the east half of Section 35, which is outlined
3 in yellow on the plat. The location is indicated
4 by a pink dot.

5 Q. And referring to Exhibit 2, who is the
6 party that you seek to pool?

7 A. We are seeking to pool Devon Energy
8 Corporation.

9 Q. And Mr. Kellahin entered an appearance
10 on behalf of Oxy, USA, Inc. Is Mewbourne seeking
11 to pool them?

12 A. No, sir, we are not. We hereby dismiss
13 them.

14 Q. Even though they had previously been
15 notified?

16 A. Yes, that's correct.

17 Q. Referring to Exhibit 3, could you
18 discuss your correspondence or phone calls with
19 Devon, or its predecessor, in order to get them
20 to join?

21 A. Okay. Devon's predecessor is, of
22 course, Hondo Oil & Gas Company. We first
23 requested a farmout out of their interest in the
24 spacing unit. This was by letter dated November
25 26, 1991. We also followed that up with a letter

1 dated January 13, 1992, various phone calls ever
2 since then.

3 To date, December 16, 1992, they
4 indicated they would probably farm out and retain
5 some sort of back-in, but no agreement has been
6 executed.

7 Q. And in this packet you sent a letter
8 dated January 23, 1992, providing them with an
9 AFE, did you not?

10 A. Yes, that's correct.

11 Q. And during the course of the
12 negotiations you asked them to either join or
13 farm out?

14 A. That's also correct.

15 Q. Was that expressed both to Hondo and to
16 Devon?

17 A. Yes.

18 Q. In your opinion, do you think you've
19 made a good-faith effort to obtain the joinder of
20 Devon Energy Corporation in this well?

21 A. In my opinion I so believe.

22 Q. Is Exhibit 4 your affidavit of notice
23 regarding notice to Devon Energy Corporation?

24 A. Correct.

25 Q. What is Exhibit 5?

1 A. Exhibit No. 5 is an AFE or estimated
2 well cost for this Morrow test well. On this
3 AFE, it indicates the cost of the well of
4 \$438,825 to casing point, and for a completed
5 well cost, \$783,960. This is for a 10,000-foot
6 Morrow test well.

7 Q. And is this proposed well cost in line
8 with those normally encountered by Mewbourne and
9 other operators in this area of Eddy County?

10 A. Yes, sir, it is.

11 Q. Do you have a recommendation as to
12 amounts to be charged for supervision charges?

13 A. We are recommending a cost of \$6,167
14 for a drilling well cost, and for a producing
15 well, \$626.50.

16 Q. And were these rates approved for any
17 of the other Mewbourne wells in this area?

18 A. Yes, that's correct. More particularly
19 as to the Mewbourne Oil Company Diamond A 35
20 State #1 well, this well is located in the north
21 half of Section 35 of Township 17 South, Range 28
22 East. This is approved under Order No. R-9684.

23 Q. In your opinion, are those charges
24 reasonable?

25 A. We believe they are reasonable.

1 Q. Does Mewbourne request that it be named
2 operator of the well?

3 A. Yes, that's correct.

4 Q. And will the geologist discuss the risk
5 penalty involved?

6 A. Yes, he will.

7 Q. Were Exhibits 1 through 5 prepared by
8 you or under your direction or compiled from
9 company records?

10 A. Yes, that's correct.

11 Q. In your opinion, will the granting of
12 this application be in the interests of
13 conservation and the prevention of waste?

14 A. I believe it to be.

15 MR. ERUCE: Mr. Examiner, at this time
16 I move the admission of Exhibits 1 through 5.

17 EXAMINER STOGNER: Exhibits 1 through 5
18 will be admitted into evidence.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Mr. Haden, you referred to Order No.
22 R-9684 to justify the overhead charges. When was
23 that order issued and to what depth did that well
24 go?

25 A. Okay. That order was issued June 25,

1 1992. That was for a 10,600-foot test, estimated
2 well depth.

3 Q. Has there been any compulsory pooling
4 orders that Mewbourne has subsequent to that June
5 date?

6 A. Yes, sir, there have been other force
7 pooling orders. Another one was for our Turkey
8 Track 15 State #1 well.

9 Q. Do you remember what the overhead
10 charges on that one were?

11 A. The same rate. That was under Order
12 R-9688.

13 Q. Any others?

14 A. There are a couple more. I can't
15 recall. There's currently a case under
16 advisement involving our Chalk Bluff 36 State #1
17 well.

18 Q. Same overhead charges requested at that
19 time, and were they also granted in the other one
20 that you alluded to?

21 A. Yes, sir.

22 EXAMINER STOGNER: Any other questions
23 of Mr. Hader? He may be excused.

24 MR. BRUCE: Call Mr. Harmon to the
25 stand.

DEXTER HARMON

Having been first duly sworn upon his oath, was examined and testified as follows:

EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence?

A. My name is Dexter Harmon. I live in Midland, Texas.

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

A. I work for Mewbourne Oil Company, and I'm one of the district geologists.

Q. Have you previously testified before the Division as an expert petroleum geologist?

A. Yes, I have.

Q. Are you familiar with the geology involved in this prospect?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I tender Mr. Harmon as an expert geologist.

EXAMINER STOGNER: Mr. Harmon is so qualified.

Q. Mr. Harmon, would you please refer to your Exhibit 6 and discuss the target formation

1 in this area?

2 A. Exhibit 6 is a production map of wells
3 that have penetrated the Morrow formation, our
4 target formation in this area. It consists of
5 nine sections surrounding Section 35.

6 In these nine sections, 10 wells have
7 penetrated the Morrow so far. Of those 10 wells,
8 three are good, economic producers. There's one
9 well currently drilling in the area to the Morrow
10 at this time in the south half of Section 1.

11 Q. Is the Morrow the primary objective?

12 A. Yes, it is.

13 Q. What about the Atoka? Is there much of
14 a chance of that?

15 A. The Atoka hasn't been economically
16 productive in this area as of yet.

17 Q. Is there anything else you care to
18 state on this exhibit?

19 A. Nothing.

20 Q. Would you please move on to the
21 cross-section marked Exhibit 7.

22 A. Exhibit No. 7 is a stratigraphic
23 cross-section, L - L' showing the Morrow
24 formation. It is constructed from a northwest to
25 southeast direction. Each individual Morrow sand

1 in the area has been given a color name for
2 identification and mapping purposes by us.

3 Below each log on this cross-section is
4 a scout ticket for the log that shows completion
5 information. Perforations in each well are
6 colored in red, and they're in the center depth
7 column of each log, and the drill stem test
8 intervals are also marked in the center depth
9 column.

10 Basically, you've got three wells in
11 this cross-section. The two wells on either end
12 of it are very good Morrow producing wells, and
13 the well in the middle had a good drill stem test
14 in the Morrow, but was never hooked up or
15 produced.

16 Our primary objective will be the lower
17 Morrow brown sand that's signified on this map.
18 The basic risk in this area is hitting sands with
19 enough porosity to make an economic well. The
20 nature of the Morrow sands in this area are that
21 they're channelized and they meander through the
22 area generally from a northwest to a southeast
23 direction.

24 We also see a few sands that we
25 consider bars that go in the opposite direction

1 of that in this area. And that would be like the
2 Middle Morrow green sands on the first log on the
3 cross-section.

4 Q. And finally, could you comment briefly
5 on Exhibit 8?

6 A. Exhibit No. 8 is a structure map
7 constructed on the top of the Lower Morrow and it
8 shows that the Morrow dip is to the southeast in
9 this area at about 200 foot per mile.

10 Q. What penalty do you recommend against
11 Devon Energy Corporation if it does not join in
12 the well?

13 A. We recommend cost of the well plus 200
14 percent.

15 Q. In your opinion, is that justified by
16 the geological risk involved in drilling this
17 well?

18 A. Yes, it is.

19 Q. Is there also mechanical risk involved
20 in drilling these wells?

21 A. Yes, there is. We've drilled several
22 wells in this area and we encounter loss
23 circulation and have mechanical problems like
24 that in this area.

25 Q. In your opinion, is the granting of

1 Mewbourne's application in the interest of
2 conservation and the prevention of waste?

3 A. Yes, it is.

4 Q. Were Exhibits 7 through 9 prepared by
5 you or under your direction?

6 A. Exhibits 6 through 8 were.

7 MR. BRUCE: Mr. Examiner, at this time
8 I move the admission of Exhibits 6 through 8.

9 EXAMINER STOGNER: Exhibits 6 through 8
10 will be admitted into evidence.

11 EXAMINATION

12 BY EXAMINER STOGNER:

13 Q. Briefly again, that Carper-Sivley #15
14 Magruder--

15 A. Right.

16 Q. --that was drilled in 1962 and tested
17 the Morrow?

18 A. Yes, sir.

19 Q. And no Morrow production was found,
20 according to your Exhibit 6. Briefly, what was
21 the history of that particular well again after
22 that point, after it tested dry in the Morrow?

23 A. This well was drilled in November of
24 1962. It drill-stem tested the Morrow, which was
25 indicated on the logs; plugged 7 million cubic

1 feet of gas, plus 3.5 barrels of distillate in
2 one hour.

3 The well was plugged and then reentered
4 later, and the Morrow was IP'd for 60 barrels of
5 oil per day but there's no production ever found
6 on the well in any of the production books, so it
7 was never hooked up to a gas pipeline and there's
8 no oil production in the books or anything.

9 EXAMINER STOGNER: Okay. Any other
10 questions of this witness?

11 MR. BRUCE: No.

12 EXAMINER STOGNER: He may be excused.
13 Anything further, Mr. Bruce?

14 MR. BRUCE: No, sir.

15 EXAMINER STOGNER: If not, Case 10637
16 will be taken under advisement.

17 (And the proceedings concluded.)
18
19

20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case 10637,
23 heard by me on 17 September 1992.

24  Examiner
25 Oil Conservation Division

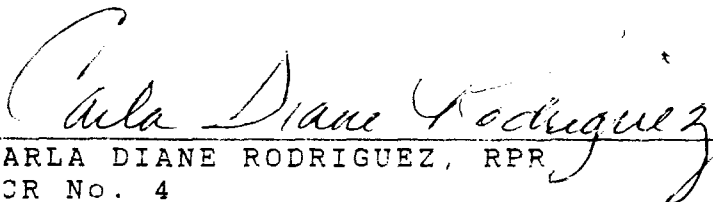
CERTIFICATE OF REPORTER

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

I, Carla Diane Rodriguez, 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 caused my notes to be transcribed
under my personal supervision; 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 December 23,
1992.


CARLA DIANE RODRIGUEZ, RPR
CCR No. 4