

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. 13,409

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

February 3rd, 2005

Santa Fe, New Mexico

2005 FEB 17 AM 9 01

50/412 SCNM

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 3rd, 2005, 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.

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## I N D E X

February 3rd, 2005  
Examiner Hearing  
CASE NO. 13,409

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

## E X H I B I T S

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

GAIL MacQUESTEN  
 Deputy General Counsel  
 Energy, Minerals and Natural Resources Department  
 1220 South St. Francis Drive  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

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

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:51 a.m.:

3           EXAMINER JONES: And I believe the next case is  
4 Case -- We'll call Case 13,409, Application of Mewbourne  
5 Oil Company for compulsory pooling, Eddy County, New  
6 Mexico.

7           Call for appearances.

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

10          EXAMINER JONES: Any other appearances?  
11 Will the witness please stand to be sworn?

12          (Thereupon, the witness was sworn.)

13                         D. PAUL HADEN,

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

16                                 DIRECT EXAMINATION

17 BY MR. BRUCE:

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

20           A.    Mr. Hearing Examiner, my name is Paul Haden. I  
21 live in Midland, Texas. I'm a petroleum landman for  
22 Mewbourne Oil Company.

23           Q.    Have you previously testified before the Division  
24 as a landman?

25           A.    Yes, I have.

1 Q. And are you familiar with the land matters  
2 involved in this Application?

3 A. Yes, I am.

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

6 EXAMINER JONES: Mr. Haden is qualified as an  
7 expert petroleum landman.

8 Q. (By Mr. Bruce) Mr. Haden, would you identify  
9 your Exhibit 1 and describe briefly what Mewbourne seeks in  
10 this case?

11 A. Exhibit Number 1 is a land plat of the area. It  
12 shows a portion of Township 18 South, Range 30 East. Also  
13 shows Section 29 and also the spacing unit which our well  
14 is to be dedicated to, which is outlined in yellow, with  
15 the proposed location indicated as a red dot.

16 Q. And you are seeking to pool both the north half,  
17 southeast quarter, for 80-acre units, correct?

18 A. That's correct.

19 Q. And the northwest quarter, southeast quarter, for  
20 40-acre units?

21 A. That's correct.

22 MR. BRUCE: Mr. Examiner, the 80-acre unit is --  
23 Now I can't find the pool name. There are special pool  
24 rules for that pool.

25 THE WITNESS: I believe that's --

1 MR. BRUCE: It's the Santo Nino-Bone Spring  
2 Pool --

3 THE WITNESS: Yes.

4 MR. BRUCE: -- excuse me.

5 Q. (By Mr. Bruce) What is the well's approximate  
6 footage location?

7 A. The footage location is approximately 1980 feet  
8 from the south line and 2130 feet from the east line of  
9 this Section 29.

10 Q. And that would be orthodox under the 80-acre pool  
11 rules?

12 A. Yes, sir.

13 Q. As well as the 40-acre pool rules?

14 A. Correct.

15 Q. What is the ownership of the well? And I refer  
16 you to Exhibit 2.

17 A. Exhibit 2 describes the ownership in the  
18 southeast quarter of Section 29 for convenience purposes,  
19 it shows the ownership in the north half of the southeast  
20 quarter, also the ownership in the northwest of the  
21 southeast quarter and the ownership in the northeast of the  
22 southeast quarter.

23 It also describes the unit ownership in the north  
24 half of the southeast quarter.

25 Q. Now, with respect to the parties in Exhibit 2, in

1 the north half of the southeast quarter, which ones do you  
2 seek to pool at this time?

3 A. We are seeking to pool Petroleum Reserves  
4 Corporation; John A. Yates; John A. Yates, trustee of the  
5 Trust "Q" created under the will of Peggy A. Yates,  
6 deceased; Yates Drilling Company; Myco Industries, Inc.;  
7 Sacramento Partners Limited Partnership; and New Tex Oil  
8 Company.

9 Q. Now, of these, do you -- have some of these  
10 parties preliminary agreed to join in the well?

11 A. Yes, sir, the Yates group has agreed to join in  
12 the well, they have executed our AFE.

13 Q. But they haven't signed a JOA at this point?

14 A. They have not signed a JOA yet.

15 Q. And --

16 A. New Tex Oil Company has agreed to give us a term  
17 assignment in lieu of joining, in which they are currently  
18 in the process of executing our term assignment.

19 Q. And if those parties do voluntarily join in the  
20 well, will the Division be notified that they are not  
21 subject to any pooling order?

22 A. That's correct.

23 Q. Okay. Let's discuss your efforts to obtain the  
24 voluntary joinder of these parties. Could you identify  
25 Exhibit 3 for the Examiner?

1           A.   Exhibit 3 is a -- it first lists a summary of  
2   communications between all the parties.  It also sets forth  
3   copies of my written correspondence with the parties, as  
4   well as any notes of any phone conversations with these  
5   parties.

6           Q.   And so you have -- besides the letters, you have  
7   had phone calls?

8           A.   Yes, I have.

9           Q.   And several contacts with each interest owner?

10          A.   Correct.

11          Q.   And in your opinion has Mewbourne made a good  
12   faith effort to obtain the voluntary joinder of these  
13   parties in the well?

14          A.   Yes, we believe we have.

15          Q.   Could you identify Exhibit 4 for the Examiner and  
16   discuss the cost of the proposed well?

17          A.   Exhibit Number 4 is a copy of our authorization  
18   for expenditure.  It gives the well location, which I've  
19   described previously, for the Pinta 29 Federal Com Number 2  
20   well.  This well is to be drilled to a proposed depth of  
21   7600 feet beneath the surface.

22          Q.   And what is the completed well cost?

23          A.   The completed well cost is \$792,900, and  
24   estimated dryhole cost would be \$437,800.

25          Q.   And is this cost in line with the cost of other

1 wells drilled to this depth in this area of Eddy County?

2 A. That's correct.

3 Q. Has Mewbourne drilled some other Bone Spring  
4 wells in this section?

5 A. Yes, we have drilled some Bone Spring wells in  
6 the west half of Section 29.

7 Q. Okay, so they have a good -- Mewbourne has a good  
8 handle on the cost to drill this well?

9 A. We think we do.

10 Q. Does Mewbourne request that it be designated  
11 operator of the well?

12 A. Yes, we do.

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

16 A. Yes, sir, we are requesting \$5000 per month to be  
17 allowed for a drilling well and \$500 per month to be  
18 allowed for a producing well.

19 Q. And are these amounts equivalent to those  
20 normally charged by Mewbourne and other operators in this  
21 area for wells of this depth?

22 A. That's correct.

23 Q. And do you request that these rates be adjusted  
24 periodically as required by the COPAS accounting procedure?

25 A. We do.

1 Q. Does Mewbourne request that the maximum cost-  
2 plus-200-percent risk charge be assessed against any  
3 nonconsenting interest owner?

4 A. We do.

5 Q. And finally, were the nonconsenting parties  
6 notified of this hearing?

7 A. Yes, sir, they were.

8 Q. And is that shown by the affidavit marked as  
9 Exhibit 5?

10 A. That's correct.

11 Q. Were Exhibits 1 through 5 prepared by you or  
12 under your supervision or compiled from company business  
13 records?

14 A. They were.

15 Q. And in your opinion is the granting of this  
16 Application in the interests of conservation and the  
17 prevention of waste?

18 A. Yes.

19 MR. BRUCE: Mr. Examiner, I move the admission of  
20 Mewbourne's Exhibits 1 through 5.

21 EXAMINER JONES: Exhibits 1 through 5 are  
22 admitted into evidence.

23 EXAMINATION

24 BY EXAMINER JONES:

25 Q. Mr. Haden, the -- you're going from the bottom of

1 the Queen to the top, or the base of the Bone Spring?

2 A. The base of the Bone Spring formation. We're  
3 requesting to pool from the base of the Queen formation  
4 through the base of the Bone Spring formation.

5 Q. That is right inside the North Benson-Queen Unit,  
6 the boundaries of the North Benson-Queen, the --

7 A. Right, yes, this acreage is within the North  
8 Benson-Queen Unit. The North Benson-Queen Unit apparently  
9 is outlined on the plat.

10 Q. Okay. But the acreage as defined in the unit,  
11 are you going from the base of that to the base of the Bone  
12 Springs, or are you going from -- are you just calling it  
13 the base of the --

14 A. We're just calling it from the base of the Queen  
15 formation.

16 MR. BRUCE: They would have no rights in the  
17 unitized formation --

18 THE WITNESS: Right.

19 MR. BRUCE: -- so if there's any difference,  
20 yeah.

21 EXAMINER JONES: Okay. Yeah, I used to work on  
22 that North Benson-Queen Unit years ago.

23 MR. BRUCE: On Exhibit 2, Mr. Examiner, I think  
24 the stratigraphic equivalent of the base is that 3385 feet  
25 subsurface.

1 EXAMINER JONES: Okay.

2 THE WITNESS: Right.

3 Q. (By Examiner Jones) Okay. And for some reason,  
4 the geologists call this Bone Spring out here, because  
5 there's no -- I guess there's no San Andres, Glorieta,  
6 Paddock, or Paddock, Blinebry and Tubb?

7 A. For all practical purposes --

8 Q. They're just --

9 A. Yeah, there's --

10 Q. It's north of the Delaware Basin, but they're  
11 calling it Bone Spring; is that --

12 A. Right.

13 Q. Okay. So basically at the base of the Bone  
14 Spring, is that the top of the Wolfcamp, or is it --

15 A. Right, that's the top of the Wolfcamp --

16 Q. Okay.

17 A. -- as far as I know.

18 Q. Yeah. So what kind of oil -- what kind of wells  
19 are you expecting out here?

20 A. We drilled several wells in the west half of this  
21 section. They started out at 150 barrels of oil per day to  
22 200, with some water, and they eventually level off where  
23 they -- they initially flow, and then they level off in  
24 production, you have to put a pump on them.

25 They wind up -- We initially drilled some wells

1 in, I believe, 1992, and those wells have since gone down  
2 to an average of 5 to 10 barrels of oil per day plus,  
3 estimating, 25 to 30 barrels of water per day with some  
4 casinghead gas.

5 Q. So you have to -- you have a saltwater disposal  
6 well around here somewhere?

7 A. Yes, I believe. I don't know for sure where it  
8 is within the section.

9 Q. And the Bone Spring, is it real thick so you're  
10 perforating a whole bunch of different intervals, or --

11 A. It's various sand intervals which we perforate,  
12 yeah, we do perforate a large interval with these sands.

13 Q. And they all have to be frac'd, right?

14 A. We have always frac'd them.

15 Q. I didn't see that on your AFE. I guess it's on  
16 there somewhere.

17 A. Let's see. Let's look under treating, up --  
18 let's see --

19 Q. Okay.

20 A. -- yeah, it's got \$50,000, item 312.

21 Q. That's not very much money for that, but --

22 A. No.

23 Q. In other words, you think it's going to be  
24 economical, you're willing to --

25 A. Right, with today's oil prices, that's why we're

1 out there.

2 EXAMINER JONES: Okay. Okay, that's -- Gail, do  
3 you have anything?

4 MS. MacQUESTEN: No questions, thank you.

5 EXAMINER JONES: Do you have anything else,  
6 Mr. --

7 MR. BRUCE: I have nothing further in this  
8 matter, Mr. Examiner.

9 EXAMINER JONES: With that, we'll take Case  
10 13,409 under advisement.

11 (Thereupon, these proceedings were concluded at  
12 9:07 a.m.)

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_,  
heard by me on \_\_\_\_\_.

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\_\_\_\_\_, Examiner  
Oil Conservation Division

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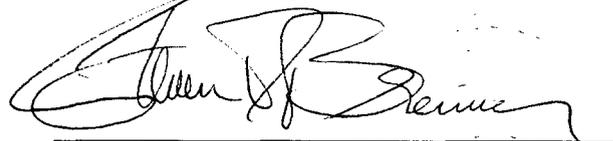
## CERTIFICATE OF REPORTER

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 February 3rd, 2005.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006