

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. 15672

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 13, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and Gabriel Wade, Legal Examiner, on Thursday, April 13, 2017, 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
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
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1 (9:29 a.m.)

2 EXAMINER McMILLAN: I'd like to call the
3 hearing back to order.

4 The next case that will be heard will be
5 Case Number 15672, application of Mewbourne Oil Company
6 for compulsory pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I have two
10 witnesses.

11 EXAMINER McMILLAN: Any other appearances?
12 Please proceed.

13 (Mr. Mitchell and Mr. Cless sworn.)

14 COREY MITCHELL,
15 after having been first duly sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

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

21 A. Corey Mitchell, Midland, Texas.

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

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

24 Q. Have you previously testified before the
25 Division?

1 A. I have.

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

4 A. They were.

5 Q. And are you familiar with the land matters
6 involved in this application?

7 A. Yes, sir.

8 MR. BRUCE: Mr. Examiner, I tender
9 Mr. Mitchell as an expert petroleum landman.

10 EXAMINER McMILLAN: So qualified.

11 Q. (BY MR. BRUCE) Mr. Mitchell, could you identify
12 Exhibit 1 for the Examiner and describe what Mewbourne
13 seeks in this case?

14 A. Exhibit 1 is a Midland Map Company land plat of
15 Township 23 South, 27 East, Eddy County, New Mexico.
16 Highlighted on the plat is our proposed well and
17 proration unit in Section 18. We are seeking to force
18 pool for our Slider 18 W2MD Fed Com #1H well.

19 Q. And what formation is being pooled in this
20 application?

21 A. It's the Wolfcamp Formation.

22 Q. And will the beginning and end of the producing
23 interval be at orthodox locations?

24 A. They will.

25 Q. What is the working interest ownership in the

1 **well unit? And I refer you to Exhibit 2.**

2 A. Exhibit 2 is our tract ownership. It shows
3 that Mewbourne Oil Company and ConocoPhillips are the
4 owners of the working interest.

5 Q. Does ConocoPhillips own one-quarter section and
6 Mewbourne the other?

7 A. Yes, sir.

8 Q. So you do not have an APD or an API number at
9 this point, do you?

10 A. I do.

11 Q. You do?

12 A. Yes, sir.

13 Q. Would you give that to the Examiner?

14 A. The API number is 30-015-43621.

15 Q. Now, could you identify Exhibit --

16 One thing about the Wolfcamp in this area,
17 are there any depth severances?

18 A. No, sir.

19 Q. Would you identify Exhibit 3 and discuss your
20 efforts to obtain a voluntary joinder of ConocoPhillips?

21 A. Exhibit 3 is a summary of our communications
22 with ConocoPhillips. Also attached to it is respective
23 documentation. ConocoPhillips has stated they plan on
24 participating in the well. We've just not received
25 their executed paperwork yet.

1 Q. And is the well on the drilling schedule and
2 upcoming?

3 A. Yes, sir, it is.

4 Q. So you need to obtain their joinder some way or
5 another?

6 A. Yes, sir.

7 Q. And if ConocoPhillips signs the JOA, will you
8 notify the Division?

9 A. Yes, sir.

10 Q. In your opinion, has Mewbourne made a
11 good-faith effort to obtain the voluntary joinder with
12 ConocoPhillips in this well?

13 A. Yes, sir.

14 Q. Could you identify Exhibit 4 for the Examiner?

15 A. Exhibit 4 is a copy of our AFE for the
16 respective well.

17 Q. And what are the completed well costs,
18 approximately?

19 A. Approximately, \$6,079,700.

20 Q. And are these costs in line with the costs of
21 other Wolfcamp horizontal wells drilled to this depth in
22 this area of New Mexico?

23 A. Yes, sir.

24 Q. Is this -- this well in the Purple Sage;
25 Wolfcamp?

1 A. It is.

2 Q. And was notice -- wait a minute.

3 Do you request that Mewbourne be appointed
4 operator of the well?

5 A. Yes, sir.

6 Q. What are your recommendations for the overhead
7 rates?

8 A. We are recommending 8,000 a month for drilling
9 and 800 a month for producing.

10 Q. And are these amounts equivalent to those
11 amounts charged by Mewbourne and other operators in this
12 area for wells of this depth?

13 A. Yes, sir, they are.

14 Q. And do you request that the rates be
15 periodically adjusted according to the COPAS accounting
16 procedure?

17 A. Yes, sir.

18 Q. Does Mewbourne request the maximum cost plus
19 200 percent risk charge for the well if ConocoPhillips
20 goes nonconsent in the well?

21 A. Yes, sir.

22 Q. Has ConocoPhillips participated in other wells
23 in this area?

24 A. They have.

25 Q. Was ConocoPhillips notified of this case?

1 A. Yes, sir, they were.

2 **Q. Is that reflected in Exhibit 5?**

3 A. Yes, sir.

4 **Q. Were Exhibits 1 through 5 either prepared by**
5 **you or compiled from company business records?**

6 A. Yes, sir.

7 **Q. And in your opinion, is the granting of this**
8 **application in the interest of conservation and the**
9 **prevention of waste?**

10 A. Yes, sir.

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

13 EXAMINER McMILLAN: Exhibits 1 through 5
14 may now be accepted as part of the record.

15 (Mewbourne Oil Company Exhibit Numbers 1
16 through 5 are offered and admitted into
17 evidence.)

18 MR. BRUCE: I pass the witness.

19 CROSS-EXAMINATION

20 BY EXAMINER McMILLAN:

21 **Q. What's the status?**

22 A. Proposed.

23 **Q. Any unlocatable interests?**

24 A. No, sir.

25 **Q. How big is the spacing unit? It's like 318?**

1 A. It's -- there are lots in here, so it's 315
2 acres.

3 EXAMINER WADE: I have no questions.

4 EXAMINER McMILLAN: Thank you.

5 THE WITNESS: Thank you.

6 NATE CLESS,
7 after having been previously sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. BRUCE:

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

12 A. Nate Cless.

13 **Q. Where do you reside?**

14 A. Midland, Texas.

15 **Q. What's your occupation?**

16 A. I'm a geologist.

17 **Q. For Mewbourne Oil Company?**

18 A. Yes, sir.

19 **Q. Have you previously testified before the**
20 **Division?**

21 A. Yes, sir, I have.

22 **Q. And were your credentials as an expert**
23 **petroleum geologist accepted as a matter of record?**

24 A. Yes, they were.

25 **Q. And are you familiar with the geology involved**

1 **in this application?**

2 A. Yes, sir.

3 MR. BRUCE: Mr. Examiner, I tender
4 Mr. Cless as an expert petroleum geologist.

5 EXAMINER McMILLAN: So qualified.

6 **Q. (BY MR. BRUCE) Mr. Cless, could you identify**
7 **Exhibit 6 for the Examiner?**

8 A. Exhibit 6 is a structure map on the top of the
9 Wolfcamp Formation around the proration unit we're
10 talking about here. I've also identified the horizontal
11 Wolfcamp producers in this area. The solid blue lines
12 represent the Wolfcamp Shale, and the pink lines
13 represent the Wolfcamp Sand. Both of those are part of
14 the Wolfcamp Formation. I've also identified
15 the outline of the proration unit in the west half of
16 Section 18, as well as the location of our proposed
17 well, which is indicated by the red arrow, in the west
18 half-west half of Section 19.

19 I've also identified the location of my
20 next exhibit, which is a three-well cross section
21 surrounding our proposed well.

22 **Q. The cross sections are taken from some deeper**
23 **Morrow or other wells in this area?**

24 A. Yes, sir.

25 **Q. Could you move on to the cross section and**

1 **discuss it for the Examiner?**

2 A. Yeah. Again, this is a three-well cross
3 section just with the three closest wells that go
4 through the Wolfcamp Formation in this particular area.
5 The top of the cross section is basically the top of the
6 Wolfcamp, and you can see the different correlative
7 markers through here. As I previously mentioned, there
8 have been Wolfcamp Sand horizontals that have been
9 drilled. That's going to be the upper part of the Upper
10 Wolfcamp. For this particular well, we're going to be
11 drilling what we call Wolfcamp D tests, which is
12 indicated -- the location of the Wolfcamp D is indicated
13 by that red arrow. Basically, we're landing in the
14 lower part of this Wolfcamp Shale interval. And you can
15 just see the uniform thickness and consistency of the
16 Wolfcamp in this -- in this particular interval.

17 **Q. And would you expect each quarter section in**
18 **the well unit to contribute more or less equally to**
19 **production?**

20 A. Yes, sir.

21 **Q. What is Exhibit 8?**

22 A. Exhibit 8 is just a production data table of
23 the Wolfcamp horizontal wells in this particular area.
24 I've identified the name, the operators, the locations,
25 when they were completed in the Wolfcamp, as well as the

1 their cumulative production. I've also identified
2 whether they're north-south or east-west wells and what
3 part of the Wolfcamp Formation that -- that they were
4 produced from.

5 There are two wells that are highlighted.
6 One -- I guess you can see. Four of these wells in here
7 are north-south wells, and one of the wells is an
8 east-west well. And we found -- we found that you can
9 actually drill in both directions in this particular
10 area. A lot it just depends on our land, the situation,
11 I guess.

12 But the first well I've highlighted in
13 green, that's a well that was completed in January of
14 2016, and it's -- it had made almost 90,000 barrels of
15 oil and seven-tenths of bcf. Then there is another
16 well. The other well that's highlighted is an east-west
17 well. That's highlighted in yellow. It's about six
18 months younger, but it had made 40,000 barrels and
19 five-tenths of bcf. So they're relatively comparable.
20 If you look at the monthly production, they're
21 relatively similar.

22 **Q. And finally what is Exhibit 9?**

23 A. Exhibit 9 is just the horizontal well plan that
24 we have for this particular well. The first page shows
25 a surface location of 185 from south, 330 from west. My

1 first take point will be 330 from south, 330 from west,
2 and that'll be our first perforation. And then our
3 bottom hole will be 330 from north, 330 from west, and
4 that'll be our last take point.

5 Q. Were Exhibits 6, 7 and 8 prepared by you?

6 A. Yes, sir.

7 Q. And was Exhibit 9 compiled from company
8 business records?

9 A. Yes, sir.

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

13 A. Yes, sir.

14 MR. BRUCE: Mr. Examiner, I move the
15 admission of 6 through 9.

16 EXAMINER McMILLAN: Exhibits 6 through 9
17 may now be accepted as part of the record.

18 (Mewbourne Oil Company Exhibit Numbers 6
19 through 9 are offered and admitted into
20 evidence.)

21 EXAMINER McMILLAN: I don't have any
22 questions.

23 EXAMINER WADE: No questions.

24 EXAMINER McMILLAN: The only thing I'm
25 surprised of is I want to know why there was no

1 unlocatable interests. This is a weird case.

2 MR. BRUCE: Sometimes -- sometimes land
3 work lurches uncontrollably, do the right thing
4 (laughter). And I didn't have any returned green cards
5 either.

6 EXAMINER McMILLAN: Wow.

7 MR. BRUCE: King of the day here.

8 EXAMINER McMILLAN: 15672 shall be taken
9 under advisement.

10 Thanks.

11 (Case Number 15672 concludes, 9:40 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

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.

20

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
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