

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 A NONSTANDARD GAS SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO. CASE NO. 15728

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 22, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 22, 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.

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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1 (8:37 a.m.)

2 EXAMINER McMILLAN: At this time I would
3 like to call Case Number 15728, application of Mewbourne
4 Oil Company for a nonstandard gas spacing and proration
5 unit and compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

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

10 EXAMINER McMILLAN: Any other appearances?

11 MS. KESSLER: Mr. Examiner, Jordan Kessler,
12 from the Santa Fe office of Holland & Hart, on behalf of
13 Tap Rock Resources. No witnesses.

14 EXAMINER McMILLAN: Please proceed.

15 (Mr. Robb sworn.)

16 MR. BRUCE: Mr. Examiner, first of all,
17 I've handed you a copy of Order R-14336. This matter
18 was heard before, and a number of people were force
19 pooled into it. The reason we're coming back is there
20 are a number of the bigger operators who had originally,
21 more or less, committed to the well unit, and then they
22 never signed anything. So we're here to force pool
23 these.

24 EXAMINER McMILLAN: So we're essentially
25 hearing the case again?

1 MR. BRUCE: Well, we have to present
2 additional land testimony.

3 EXAMINER McMILLAN: Okay.

4 MR. BRUCE: And that order did approve the
5 nonstandard unit for the wells, so I don't intend to
6 present a geologic witness, although I do have one if
7 you have questions.

8 EXAMINER BROOKS: There is not a copy of
9 the order in this packet. Did you --

10 MR. BRUCE: I just gave it to Mr. McMillan.

11 EXAMINER BROOKS: Oh, okay. I was going to
12 start reading that. I was wondering why it wasn't in
13 the packet.

14 MITCHELL ROBB,
15 after having been previously sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Please state your name.

20 A. Mitchell Robb.

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

22 A. Mewbourne Oil Company as a petroleum landman.

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

25 A. I have not.

1 **Q. Would you summarize for the Examiners your**
2 **educational and employment background?**

3 A. I went to the University of Oklahoma. I
4 graduated with an energy management and finance degree.
5 I interned with Mewbourne Oil Company the summer of 2014
6 and got hired on January of 2015, and I have worked for
7 them since then.

8 **Q. And does your area of responsibility at**
9 **Mewbourne include this portion of southeast New Mexico?**

10 A. Yes.

11 **Q. And are you familiar with the land matters**
12 **involved in this application?**

13 A. I am.

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

16 MS. KESSLER: No objection.

17 EXAMINER McMILLAN: So qualified.

18 **Q. (BY MR. BRUCE) Mr. Robb, could you identify**
19 **Exhibit 1 for the Examiners and describe the well**
20 **involved and the lands involved in the well?**

21 A. This is a Midland Map of Sections 2 and 11,
22 Township 25 South, Range 28 East and the proration unit
23 for the Hoss 2/11 W2BO Fed Com #1H well in the east half
24 of Section 2 and the east half of Section 11.

25 **Q. And you are here seeking to force pool the Bone**

1 **Spring Formation for that well?**

2 A. No, the Wolfcamp.

3 **Q. This is the B2B0?**

4 EXAMINER McMILLAN: Case Number 15728?

5 MR. BRUCE: 15728.

6 EXAMINER McMILLAN: Yeah, Purple Sage;
7 Wolfcamp. And the map you're showing shows the Bone
8 Spring.

9 MR. BRUCE: Well, there should -- it should
10 be a Bone Spring map. Let me give you --

11 EXAMINER McMILLAN: This is the Bone
12 Spring?

13 MR. BRUCE: Yeah. It's a Bone Spring well.

14 EXAMINER McMILLAN: Yeah. But your
15 application is for --

16 MR. BRUCE: There are two.

17 EXAMINER McMILLAN: 728 is for a gas
18 spacing.

19 MR. BRUCE: Oh, is that the one?

20 EXAMINER McMILLAN: Yes.

21 MR. BRUCE: I switched the land plats.

22 EXAMINER McMILLAN: So this should be --

23 MR. BRUCE: I switched the numbers, is what
24 I did. You can keep that one in front of you,
25 Mr. Examiner. It'll show up in a minute.

1 EXAMINER BROOKS: So we exchange the whole
2 packet?

3 MR. BRUCE: Yeah.

4 EXAMINER BROOKS: Yeah. I see this is the
5 320-acre unit.

6 Q. (BY MR. BRUCE) Sorry about that, Mr. Robb.

7 And, again, this -- certain interest
8 owners -- smaller interest owners were force pooled in
9 this well before?

10 A. Yes.

11 Q. Refer to Exhibit 2. And could you describe
12 that for the Examiners?

13 A. So Exhibit 2 is a tract ownership of the
14 working interest owners, comprising the east half of
15 Section 2 and the east half of Section 11. And then the
16 parties with an asterisk are the parties we're seeking
17 to force pool.

18 Q. Could you identify those for the record?

19 A. Yes. Devon Energy Production Company, RKI
20 Exploration & Production and Pioneer Natural Resources.

21 Q. And Mewbourne does not seek to force pool Tap
22 Rock Resources, does it?

23 A. Correct.

24 (The court reporter requested the witness
25 speak louder.)

1 Q. And what is the approximate interest being
2 force pooled?

3 A. 3.150762 percent.

4 Q. And could you identify Exhibit 3 and describe
5 the contents [sic] you've had with the three companies
6 being pooled today?

7 A. Exhibit 3 is our summary of communications with
8 Devon, RKI and Pioneer. It also shows the well
9 proposals that we sent to them dated December 7th for
10 Devon; January, 17th for Scratch, assigned to RKI; and
11 Pioneer dated May 15th, 2017.

12 Q. So you've been dealing with these entities for
13 five to eight months?

14 A. Correct.

15 Q. And they just simply don't want to join. Have
16 any of them just said, "Force pool me"?

17 A. Yes.

18 Q. Which ones?

19 A. Devon and RKI -- or sorry -- and RKI.

20 Q. And does your remainder of Exhibit 3 contain
21 various emails and other contacts with these interest
22 owners?

23 A. Yes.

24 Q. In your opinion, has Mewbourne made a
25 good-faith effort to obtain the voluntary joinder of the

1 **parties in the well?**

2 A. We have.

3 **Q. What is Exhibit 4?**

4 A. Exhibit 4 is an AFE that --

5 (The court reporter requested the witness
6 speak louder.)

7 **Q. What is the estimated completed well costs?**

8 A. \$8,657,600.

9 **Q. Has this well recently been completed?**

10 A. No.

11 **Q. Is it drilling?**

12 A. Yes. It's currently drilling.

13 **Q. So this AFE still is current?**

14 A. Yes.

15 **Q. And is it -- in your opinion, is it fair and**
16 **reasonable and in line with the cost of other wells**
17 **drilled to the Wolfcamp in this area of southeast**
18 **New Mexico?**

19 A. Yes, it is.

20 **Q. And what overhead rates do you request?**

21 A. 8,000 a month for drilling and 800 for
22 producing.

23 **Q. And are these amounts fair and equal to those**
24 **charged by other operators in this area?**

25 A. They are.

1 Q. And do you request the maximum cost plus 200
2 percent risk charge in the event some of those parties
3 go nonconsent in the well?

4 A. Yes.

5 Q. And was notice given to all of the parties
6 being pooled today?

7 A. Yes, it was.

8 Q. And is that reflected in my Affidavit of Notice
9 marked as Exhibit 5?

10 A. Yes.

11 MR. BRUCE: Mr. Examiners, although I
12 notified additional entities, Tap Rock and Chevron
13 U.S.A., I've only included the green and white cards for
14 the three parties we're pooling today, since --

15 Q. (BY MR. BRUCE) Mr. Robb, has Devon [sic] come
16 to terms with Chevron?

17 A. Yes, we have.

18 Q. So I didn't include all the green cards, only
19 for the parties we're pooling.

20 EXAMINER BROOKS: And those are Devon, RKI
21 and Pioneer?

22 MR. BRUCE: Yes.

23 Q. (BY MR. BRUCE) And in your opinion, is the
24 granting of this application in the interest of
25 conservation and the prevention of waste?

1 A. Yes.

2 Q. And were Exhibits 1 through 5 either prepared
3 by you or compiled from company business records?

4 A. Yes.

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

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

9 (Mewbourne Oil Company Exhibit Numbers 1
10 through 5 are offered and admitted into
11 evidence.)

12 EXAMINER McMILLAN: So, basically, this
13 well has already been compulsory pooled; is that right?

14 MR. BRUCE: Yes, Mr. Examiner. It was --
15 it was pooled from -- it had quite a large number of
16 smaller interest owners. And at the time, Mewbourne
17 thought it could come to terms with these other larger
18 operators, and they haven't acted.

19 EXAMINER BROOKS: In that scenario, I
20 assume that you do not contemplate, and we would not,
21 the way we've been doing things, contemplate that the
22 smaller owners who have already been pooled would be
23 given another opportunity to come into the well?

24 MR. BRUCE: I wouldn't say so.

25 EXAMINER BROOKS: I wouldn't think so

1 either. That's the way we've been doing it. But you
2 have to give the people you're pooling now an
3 opportunity. We always give them an opportunity after
4 the order is entered.

5 MR. BRUCE: Correct.

6 EXAMINER BROOKS: And that would raise the
7 question, since you're drilling now -- there is often a
8 gap between drilling and completion of this type of
9 well. Do you plan to propose to them on the basis of
10 actual drilling costs and estimated completion costs?

11 MR. BRUCE: If those are available, yes. I
12 mean, sometimes it takes a while to collect the actual
13 costs.

14 EXAMINER BROOKS: Yes, I know. So we will
15 have to do some crafting in the way we write that
16 paragraph.

17 MR. BRUCE: Sure.

18 EXAMINER BROOKS: Okay. Thank you.

19 CROSS-EXAMINATION

20 BY EXAMINER McMILLAN:

21 Q. Okay. So for this order, were there any
22 unlocatable interests?

23 A. No.

24 Q. Are there any depth severances within the
25 Wolfcamp?

1 A. No.

2 **Q. And the project area will be orthodox, correct?**

3 A. I believe so.

4 MR. BRUCE: Yes. There was testimony on
5 that in the last hearing.

6 **Q. (BY EXAMINER McMILLAN) Okay. There was**
7 **testimony in the previous case that all quarter sections**
8 **are expected to contribute equally to production?**

9 A. Correct.

10 MR. BRUCE: The geologist did testify in
11 that case.

12 **Q. (BY EXAMINER McMILLAN) What is the API?**

13 A. 30-015-44158.

14 EXAMINER BROOKS: No further questions.

15 MR. BRUCE: With that, I'd request that
16 this matter be taken under advisement.

17 EXAMINER BROOKS: Do you have return
18 receipts for all three additional parties?

19 MR. BRUCE: Yes, Exhibit 5. The three
20 parties being pooled received actual notice of this
21 hearing.

22 EXAMINER BROOKS: And you have those
23 attached to the exhibit?

24 EXAMINER McMILLAN: I don't see them.

25 MR. BRUCE: Exhibit 5.

1 EXAMINER BROOKS: Exhibit 5. That would be
2 behind Exhibit 4. Oh, here they are (laughter). The
3 problem is you don't have these nice dividers like your
4 competition does (laughter).

5 EXAMINER McMILLAN: With that in mind --

6 EXAMINER BROOKS: We have a return receipt
7 from Pioneer. We have a return receipt from RKI, and we
8 have a return receipt from Devon.

9 MR. BRUCE: That is correct.

10 EXAMINER BROOKS: Thank you.

11 EXAMINER McMILLAN: Case Number 15728 shall
12 be taken under advisement.

13 And at this time, we will incorporate the
14 geologic testimony from Case Number --

15 MR. BRUCE: Actually, Mr. Examiner, let me
16 give you -- I gave you the wrong order here.

17 EXAMINER BROOKS: You want this one back?

18 EXAMINER McMILLAN: The geologic testimony
19 from Case Number 15636 shall be taken in the record, and
20 this case shall be taken under advisement.

21 Thanks.

22 Did I say that right?

23 EXAMINER BROOKS: As far as I can tell. I
24 don't vouch for the case number, since there's been so
25 much confusion.

1 EXAMINER McMILLAN: Okay. Give me a second
2 here.

3 (Case Number 15728 concludes, 8:52 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.

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