

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 OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO. CASE NO. 15729

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 (8:52 a.m.)

2 MR. BRUCE: And, Mr. Examiner, if you could
3 call Case 15729, which is kind of the same sections
4 involved.

5 EXAMINER McMILLAN: Okay. At this time we
6 will call Case Number 15729, application of Mewbourne
7 Oil Company for a nonstandard oil spacing unit -- oil
8 spacing -- excuse me -- and proration unit and
9 compulsory pooling, Eddy County, New Mexico.

10 Call for appearances.

11 MR. BRUCE: Mr. Examiner, Jim Bruce
12 representing the Applicant. I have one witness.

13 MS. KESSLER: And, Mr. Examiner, Jordan
14 Kessler representing Tap Rock.

15 EXAMINER McMILLAN: Thank you.

16 Please proceed.

17 MR. BRUCE: Mr. Examiner, if the record
18 could reflect the witness, Mr. Robb, was previously
19 sworn and qualified.

20 MITCHELL ROBB,
21 after having been previously sworn under oath, was
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Mr. Robb, what is Exhibit 1?

1 A. Exhibit 1 is a Midland Map of our Bone Spring
2 Hoss 2/11 B2B0 Federal Com #2H showing the proration
3 unit as the west half of the east half of Sections 2 and
4 11 of Township 25 South, Range 28 East.

5 **Q. And you are seeking to force pool the Bone**
6 **Spring Formation; is that correct?**

7 A. Correct.

8 **Q. What is Exhibit 2?**

9 A. Exhibit 2 is the tract ownership and the
10 working interest owners.

11 **Q. And, again, are you seeking to force pool**
12 **Devon, RKI and Pioneer Natural Resources?**

13 A. That's correct.

14 EXAMINER BROOKS: Okay. You said this was
15 the Bone Spring case, right?

16 MR. BRUCE: Yeah.

17 EXAMINER BROOKS: Looks to me like I've got
18 two copies of the same map.

19 EXAMINER McMILLAN: This one looks like the
20 east half of 2 -- this one (indicating) is the west
21 half of the east half.

22 EXAMINER BROOKS: Oh, I see. I see the
23 yellow line.

24 So the one with the west half of the east
25 half is the unit -- it says "15728." Is that correct?

1 MR. BRUCE: Yeah. That is correct. It
2 should be 9.

3 EXAMINER BROOKS: 15279.

4 And the one with the east half -- the
5 entire east half of the unit is 15728?

6 MR. BRUCE: Yup.

7 EXAMINER BROOKS: Okay.

8 Q. (BY MR. BRUCE) Mr. Robb, is Exhibit 2 pretty
9 much similar to the prior case, except the percentage
10 interests might vary a little bit?

11 A. Correct.

12 Q. What is Exhibit 3?

13 A. Exhibit 3 is our summary of communications with
14 Devon, RKI and Pioneer and essentially the exact same as
15 the previous case.

16 Q. Okay. So the proposal letters for this well,
17 the same as the prior well, went out at the same time,
18 and you've had pretty much the same communication with
19 these parties?

20 A. Yes.

21 Q. In your opinion, has Devon made -- Mewbourne
22 made a good-faith effort to obtain the voluntary joinder
23 of RKI and Devon and Pioneer in this well?

24 A. Yes, we have.

25 Q. What is Exhibit 4?

1 A. Exhibit 4 is the AFE for the Hoss 2/11 B2BO Fed
2 Com #2H.

3 Q. What is the completed well cost?

4 A. \$7,222,200.

5 Q. And is this cost reasonable and in line with
6 the cost of other Bone Spring horizontal wells of this
7 length drilled in this area?

8 A. Yes, it is.

9 Q. And was notice, again, given to all three
10 parties being pooled?

11 A. Yes.

12 Q. And is that reflected in Exhibit 5?

13 A. Yes, it does.

14 Q. And what overhead rates do you request for this
15 well?

16 A. 8,000 for drilling and 800 for producing.

17 Q. And are those equivalent to those charged by
18 other operators in this area for wells of this depth?

19 A. Yes.

20 Q. And do you request a maximum cost plus 200
21 percent risk charge in the event an interest owner goes
22 nonconsent in this well?

23 A. Yes, we do.

24 Q. Were Exhibits 1 through 5 prepared by you or
25 under your supervision?

1 A. Yes, they were.

2 **Q. And in your opinion, is the granting of this**
3 **application in the interest of conservation and the**
4 **prevention of waste?**

5 A. Yes.

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

8 MS. KESSLER: No objection.

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

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

14 MR. BRUCE: I have no further questions of
15 the witness.

16 CROSS-EXAMINATION

17 BY EXAMINER McMILLAN:

18 **Q. This is the San Lorenzo; Bone Spring, North**
19 **Pool?**

20 A. Yes.

21 **Q. 53610.**

22 **What is the status?**

23 A. This one has been drilled. We're waiting on
24 completions.

25 **Q. Any unlocatable interests?**

1 A. No.

2 Q. Any depth severances?

3 A. No.

4 Q. All quarter-quarter sections?

5 A. Yes.

6 Q. I guess my question is: Why do you have the
7 same overhead rates for the Bone Spring and the
8 Wolfcamp? That would be -- so get an engineer's --

9 MR. BRUCE: I used to be an engineer. May
10 I testify?

11 EXAMINER McMILLAN: (Laughter.)

12 Go ahead.

13 EXAMINER BROOKS: Nothing.

14 MR. BRUCE: And, again, Mr. Examiner, in
15 the prior hearing, the geologist testified about the
16 necessity of -- that each quarter-quarter section would,
17 more or less, contribute equally to production.

18 EXAMINER McMILLAN: Do you have any
19 objections to that?

20 MS. KESSLER: No objection.

21 EXAMINER McMILLAN: So you'll supply that
22 information, that the overhead rates --

23 MR. BRUCE: I will.

24 EXAMINER BROOKS: I guess I have one other
25 question. Do you have the actual costs on this one,

1 or are you -- drilling, not completion. But you have
2 the actual costs, or do you want us to use the same
3 thing that was proposed?

4 MR. BRUCE: Use the same language, because
5 I think it was --

6 EXAMINER BROOKS: Say something about a
7 schedule of estimated costs, including actual drilling
8 costs, to the extent -- something to that general
9 effect?

10 MR. BRUCE: Correct. Sure.

11 EXAMINER BROOKS: Okay.

12 MR. BRUCE: I have nothing further and ask
13 this matter be taken under advisement.

14 EXAMINER McMILLAN: And you will --

15 MR. BRUCE: I will furnish you.

16 EXAMINER McMILLAN: And what case number is
17 this?

18 MR. BRUCE: This is 15729.

19 EXAMINER McMILLAN: No. I'm sorry. What
20 was the previous case?

21 MR. BRUCE: It's on the order in front of
22 you.

23 THE WITNESS: 15728.

24 EXAMINER BROOKS: Is this 15635, or is that
25 the other one? I have one order here. I'm not sure.

1 MR. BRUCE: Yes. This is -- the prior case
2 is 15635, and for the Wolfcamp, it was 15656.

3 EXAMINER McMILLAN: Okay. So the geologic
4 testimony from Case Number 15635 shall be incorporated
5 into Case Number 15729.

6 MR. BRUCE: Thank you.

7 EXAMINER McMILLAN: Bearing that in mind,
8 Case Number 15729 shall be taken under advisement.

9 (Case Number 15729 concludes, 9:00 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
Date of CCR Expiration: 12/31/2017
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