

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. 16003

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 8, 2018

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, March 8, 2018, 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  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043  
jamesbruc@aol.com

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1 (10:21 a.m.)

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

4 The next case we're going to hear is Case  
5 Number 16003. So Case Number 16003, please proceed.

6 MR. BRUCE: I do have one witness -- two  
7 witnesses. One needs to be sworn in.

8 EXAMINER McMILLAN: Please proceed.

9 (Mr. Jolly sworn; Mr. Crosby previously  
10 sworn.)

11 TYLER JOLLY,  
12 after having been first duly sworn under oath, was  
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

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

18 A. Tyler Jolly, Midland, Texas.

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

20 A. Mewbourne, and I'm a landman.

21 Q. Have you previously testified before the  
22 Division?

23 A. Yes, sir.

24 Q. Were your credentials as an expert landman  
25 accepted as a matter of record?

1           A.    Yes, sir.

2           **Q.    Are you familiar with the land matters in this**  
3 **application?**

4           A.    Yes.

5                         MR. BRUCE:  Mr. Examiner, I tender  
6 Mr. Jolly as an expert petroleum landman.

7                         EXAMINER McMILLAN:  Are there other  
8 appearances?

9                         MR. BRUCE:  Not in this one.

10                        EXAMINER BROOKS:  This is 16003?

11                        EXAMINER McMILLAN:  Correct.

12           **Q.    (BY MR. BRUCE) What is Exhibit 1?**

13           A.    Exhibit 1 is a Midland Map Company plat showing  
14 the wellbores and proration unit of the Night Ranger 28  
15 W2AP Fee #1H and the Night Ranger 28 W0AP Fee #2H.  And  
16 the well bears API Number 30-015-44286, and that's for  
17 the W2AP.  And the W0AP Fee #2H bears API Number  
18 30-015-44285.  Both wells will be drilled into the  
19 Purple Sage; Wolfcamp Gas with Pool Code 98220.

20           **Q.    And what is Exhibit 2?**

21           A.    Exhibit 2 is our tract ownership of both wells.  
22 Both wells have the same formation and proration unit.  
23 BNSF Railway is indicated on this spreadsheet as not  
24 having an interest.  And in early discussions, we  
25 thought that BNSF had a mineral interest, and they also

1 claimed that mineral interest. But further title  
2 research has indicated that BNSF does not contain [sic]  
3 a mineral interest in the east half of 28. We're just  
4 pooling the interest out of an abundance of caution.

5 **Q. They're still claiming an interest, however --**

6 A. Yes.

7 **Q. -- to the best of your knowledge?**

8 **What is Exhibit 3?**

9 A. Exhibit 3 is our summary of communications. We  
10 sent a well proposal, looks like, August 29 of last  
11 year, and that was received. And since then, I've  
12 emailed and called Jennifer Kindred Farmer's National  
13 Company, who is agent for BNSF, with offers to lease the  
14 interest, although we have not come to terms.

15 **Q. Is that -- on Exhibit 1, is that the railroad**  
16 **grate crossing the well unit?**

17 A. Yes, that's correct.

18 **Q. And many times the railroad did own that**  
19 **right-of-way in fee, correct?**

20 A. That's correct. Actually, we did a Google  
21 search, and it looks like the railroad itself ends in  
22 Section 21. And it looks like it's just a right-of-way,  
23 that they didn't extend the railroad through until  
24 Section 28, not that that affects title. But --

25 **Q. In your opinion, has Mewbourne made a**

1     **good-faith effort to obtain the voluntary joinder of all**  
2     **interest owners in this well?**

3           A.     Yes.

4           **Q.     Are there any unlocatable owners?**

5           A.     No.

6           **Q.     Would you identify Exhibits 4 and 5? Just give**  
7     **a --**

8           A.     Exhibit 4 is the AFE for the Night Ranger 28  
9     W0AP Fee #2H, with a surface location of 220 feet from  
10    the north line and 380 feet from the east line, and a  
11    bottom-hole location of 330 feet from the south line and  
12    380 feet from the east line.

13          **Q.     What is the completed well cost?**

14          A.     Well, the dry-hole cost is \$2,158,900, and the  
15    completed well cost is \$5,844,200.

16                   And Exhibit 5 is the AFE for the Night  
17    Ranger W2AP Fee #1H, surface-hole location at 220 feet  
18    from the north line, 330 feet from the east line, and a  
19    bottom-hole location of 330 feet from the south line and  
20    330 feet from the east line. And this well has a  
21    dry-hole cost of \$2,472,900 and a completed well cost of  
22    \$6,122,000.

23          **Q.     And are these costs reasonable?**

24          A.     Yes.

25          **Q.     And are they in line with the cost of other**

1 wells drilled by Mewbourne and other operators in this  
2 area?

3 A. Yes.

4 Q. Do you request that Mewbourne be appointed  
5 operator of the well?

6 A. Yes.

7 Q. What recommendation do you have for the  
8 supervision and administrative expenses?

9 A. We request \$7,500 a month be allowed for  
10 drilling the well and \$750 a month be allowed for  
11 producing the well.

12 Q. And are these amounts reasonable and equivalent  
13 to those charged by Mewbourne and other operators?

14 A. Yes.

15 Q. Do you request that the rates be adjusted  
16 periodically as provided by the COPAS accounting  
17 procedure?

18 A. Yes.

19 Q. And does Mewbourne request a cost plus 200  
20 percent risk charge?

21 A. Yes.

22 Q. Was BNSF notified of this hearing?

23 A. Yes.

24 Q. And is that reflected in my Exhibit 6?

25 A. Yes.

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

4           A.    Yes.

5           **Q.    Were Exhibits 1 through 6 prepared by you or**  
6 **under your supervision or compiled from company business**  
7 **records?**

8           A.    Yes.

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

11                      EXAMINER McMILLAN:  Exhibits 1 through 6  
12 may now be accepted as part of the record.

13                      (Mewbourne Oil Company Exhibit Numbers 1  
14 through 6 are offered and admitted into  
15 evidence.)

16                      MR. BRUCE:  I have no further questions.

17                                       CROSS-EXAMINATION

18 BY EXAMINER McMILLAN:

19           **Q.    I'm not clear on the surface location --**  
20 **surface- and bottom-hole locations.**

21                      MR. BRUCE:  Mr. Examiner, they're set forth  
22 at the top of Exhibits 4 and 5, the AFEs.

23                      EXAMINER McMILLAN:  Because our database  
24 shows something slightly different.  That's the reason.

25                      MR. BRUCE:  Okay.

1 Q. (BY EXAMINER McMILLAN) Any depth severances?

2 A. No.

3 Q. What's the status?

4 A. Both have been proposed.

5 Q. So basically all you're saying is that BNSF  
6 claims interest, and you got -- and Mewbourne says no,  
7 but your compulsory pooling --

8 MR. BRUCE: Correct.

9 THE WITNESS: We had a broker take-off  
10 done, and it indicated they did have an interest. We've  
11 had a professional title attorney look at all the  
12 documents, and he's saying that they do not have an  
13 interest.

14 Q. (BY EXAMINER McMILLAN) Okay. So you're  
15 compulsory pooling out of an abundance of caution?

16 A. Yes.

17 Q. All right. That makes sense.

18 EXAMINER BROOKS: No questions.

19 EXAMINER McMILLAN: Okay. Thank you.

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

23

24 DIRECT EXAMINATION

25 BY MR. BRUCE:

1           **Q.    Please state your name.**

2           A.    Charles Crosby.

3                       MR. BRUCE:   And, Mr. Examiner, may the  
4 record reflect that Mr. Crosby has been previously sworn  
5 and qualified?

6           **Q.    (BY MR. BRUCE) We've seen these types of the**  
7 **exhibits before, Mr. Crosby. Let's be very brief. What**  
8 **is Exhibit 7?**

9           A.    It's a structure contour map at the top of the  
10 Wolfcamp showing consistent structural dip to the east,  
11 proration unit highlighted by the dashed black box and  
12 the proposed wells shown by the dashed red arrow, the  
13 Wolfcamp Shale wells highlighted by the blue lines, the  
14 Wolfcamp Sand wells highlighted by the violet lines and  
15 the cross-section line labeled "A to A prime."

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

17          A.    It's a cross section representative of the  
18 Wolfcamp, the entire Wolfcamp section in the area of  
19 interest, just showing consistent Wolfcamp Sand  
20 throughout the area. And the red arrow shows the  
21 proposed landing zone.

22          **Q.    Will each quarter section, in your opinion,**  
23 **contribute more or less equally to production?**

24          A.    Yes.

25          **Q.    Is there any faulting in the Wolfcamp?**

1 A. No.

2 Q. What is Exhibit 9?

3 A. It's a table of production statistics just  
4 showing the Wolfcamp wells with similar completion and  
5 completion date, have similar production regardless of  
6 well orientation.

7 Q. And what is Exhibit 10?

8 A. It's our proposed survey for the well surface-  
9 and bottom-hole locations listed at the top.

10 Q. And what is Exhibit 11?

11 A. It's the same structure map just highlighting  
12 the location of the W2.

13 Q. And Exhibit 12?

14 A. Same cross section just showing the consistency  
15 of the landing zone in the Wolfcamp D, with the proposed  
16 landing zone highlighted by the red arrow.

17 Q. And in your opinion, will each quarter section  
18 in the Wolfcamp D contribute more or less equally to  
19 production?

20 A. Yes.

21 Q. Is Exhibit 13 the same production table as  
22 previously shown?

23 A. Yes, it is.

24 Q. And what is Exhibit 14?

25 A. This is a survey for the W2 well showing the

1 surface- and bottom-hole locations at the top.

2 Q. And will the first and last take points of each  
3 well be at orthodox locations?

4 A. Yes.

5 Q. Were Exhibits 7 through 14 prepared by you or  
6 under your supervision or compiled from company business  
7 records?

8 A. Yes.

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

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I move the  
14 admission of Exhibit 7 through 14.

15 EXAMINER McMILLAN: Exhibits 7 through 14  
16 may now be accepted as part of the record.

17 (Mewbourne Oil Company Exhibit Numbers 7  
18 through 14 are offered and admitted into  
19 evidence.)

20 MR. BRUCE: I have no further questions of  
21 the witness.

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CROSS-EXAMINATION

BY EXAMINER McMILLAN:

Q. Okay. Will the project area be orthodox?

A. Yes.

EXAMINER McMILLAN: Go ahead.

EXAMINER BROOKS: No questions.

EXAMINER McMILLAN: Once again, you need better names.

Okay. Case Number 16003 may be taken under advisement.

(Case Number 16003 concludes, 10:33 a.m.)

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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 DATED THIS 26th day of March 2018.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

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