

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                      CASE NO. 15888  
FOR A NONSTANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 5, 2018

Santa Fe, New Mexico

BEFORE:    WILLIAM V. JONES, CHIEF EXAMINER  
              DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner, and David K. Brooks, Legal Examiner, on  
Thursday, April 5th, 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  
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.  
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(505) 982-2043  
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INDEX

PAGE

Case Number 15888 Called	4
Mewbourne Oil Company's Case-in-Chief:	
Witnesses:	
Mitch Robb:	
Direct Examination by Mr. Bruce	5
Cross-Examination by Examiner Brooks	8
Cross-Examination by Examiner Jones	9
Jordan Carrell:	
Direct Examination by Mr. Bruce	11
Cross-Examination by Examiner Jones	15
Proceedings Conclude	16
Certificate of Court Reporter	17

EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 5	8
Mewbourne Oil Company Exhibit Numbers 6 through 10	14

1 (4:57 a.m.)

2 EXAMINER JONES: And we'll call the last  
3 case on the docket. That's always a good thing.

4 EXAMINER BROOKS: Especially this time of  
5 day.

6 EXAMINER JONES: Case Number 15888,  
7 application of Mewbourne Oil Company for a nonstandard  
8 oil spacing and proration unit and compulsory pooling,  
9 Lea County, New Mexico.

10 Call for appearances.

11 MR. BRUCE: Mr. Examiner, Jim Bruce of  
12 Santa Fe representing the Applicant. I have two  
13 witnesses, Mr. Robb, who has already been sworn and  
14 qualified, and then Mr. Carrell, the geologist needs to  
15 be sworn in.

16 EXAMINER JONES: Mr. Carrell, would you  
17 stand?

18 And will the court reporter swear the  
19 witness?

20 (Mr. Carrell sworn.)

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

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DIRECT EXAMINATION

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BY MR. BRUCE:

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

A. Exhibit 1 is a Midland Map showing Section 10 in Township 23 South, Range 34 East, Lea County, New Mexico, the proration unit being the east half of the west half of Section 10. It also shows the wellbore of the Ibex 10 B3NC Fed Com #1H.

And then on the second page is the C-102 for that well showing the pool being the Antelope Ridge, Northwest; Bone Spring Pool, with a pool code of 2207.

**Q. Could you identify Exhibit 2 and discuss who you seek to pool?**

A. Exhibit 2 is our tract ownership for the east half-west half of Section 10. We seek to pool Devon Energy Production Company, Siana Oil & Gas Company, Tom Ragsdale, 180 Petroleum, Brett D. Taylor, Michael A. Yates, EOG Resources, The Dow Chemical Company, Charles C. Albright III, Trustee, and the Rutherford Family 1970 Trust.

**Q. And, again, Charles C. Albright is unlocatable?**

A. Correct.

**Q. What is Exhibit 3?**

A. Exhibit 3 is my summary of communications for all the parties we seek to pool, showing the well

1 proposals and the email communications that I've had  
2 with all the parties.

3 Q. You've had numerous contacts with each party.  
4 In your opinion, have you made a good-faith effort to  
5 obtain voluntary joinder of these interest owners in the  
6 well?

7 A. Yes, I have.

8 Q. And have you made a good-faith effort to obtain  
9 the location of Charles C. Albright, Trustee?

10 A. Yes, I have.

11 Q. What is Exhibit 4?

12 A. Exhibit 4 is the AFE for the Ibex 10 B3NC Fed  
13 Com #1H that was sent to all the parties. It has a  
14 dry-hole cost of \$2,847,500, a total well cost of  
15 \$6,449,600.

16 Q. And is this cost in line with the cost of other  
17 wells of this depth drilled in this area of New Mexico?

18 A. Yes, it is.

19 Q. Do you request that Mewbourne be appointed  
20 operator of the well?

21 A. Yes, I do.

22 Q. And do you have a recommendation of the amount  
23 which Mewbourne should be paid for supervision and  
24 administrative expenses?

25 A. Yes, 8,000 a month for drilling, 850 for

1 producing -- 8,000 for drilling, 800 for producing.

2 Q. Are these amounts equivalent to those normally  
3 charge by Mewbourne and other operators in this area?

4 A. Yes.

5 Q. And are those the numbers that Mewbourne now  
6 has in its JOAs?

7 A. Yes, that's correct.

8 Q. Do you request that the overhead rates be  
9 adjusted periodically as provided by the COPAS  
10 accounting procedure?

11 A. Yes, I do.

12 Q. And do you request the maximum cost plus 200  
13 percent risk charge if an interest owner goes nonconsent  
14 in the well?

15 A. Yes, I do.

16 MR. BRUCE: Mr. Examiner, I noticed both as  
17 to -- well, you'll see in a minute -- the parties being  
18 pooled and especially the offset parties was pretty  
19 convoluted. And, again, the publication notices were  
20 published a day late. So, again, I'm going to ask that  
21 this case be continued to May 3rd.

22 EXAMINER JONES: We're going to have to get  
23 Florene some heart medicine when she sees this  
24 (laughter).

25 MR. BRUCE: Yeah. There's a lot of that

1 happening today.

2 Q. (BY MR. BRUCE) And what is Exhibit 5, Mr. Robb?

3 A. Exhibit 5 is the offset ownership for our Ibex  
4 10 well and all the parties offsetting those.

5 Q. Quite a few parties?

6 A. Yes, there are.

7 Q. Were Exhibits 1 through 5 prepared by you or  
8 compiled from company business records?

9 A. Yes, they were.

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

13 A. Yes.

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

16 EXAMINER JONES: Exhibits 1 through 5 are  
17 admitted.

18 (Mewbourne Oil Company Exhibit Numbers 1  
19 through 5 are offered and admitted into  
20 evidence.)

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

23 CROSS-EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. Same people that were unlocatable --

1 A. Yes.

2 Q. -- I assume, as in the previous case --

3 A. Yes.

4 Q. -- in 16057?

5 A. Except for Landis.

6 Q. So if I asked you the same questions about what  
7 you did to locate them, whether you have sent them --  
8 whether they're included in the notice that's been  
9 published -- will be published, your answers would be  
10 the same?

11 A. Yes, they would.

12 Q. Okay. I won't ask then.

13 CROSS-EXAMINATION

14 BY EXAMINER JONES:

15 Q. Is the surface location the first -- first  
16 completion -- is the well completion going to be  
17 standard?

18 A. Yes. We service Section 15, but the first take  
19 point is going to be standard.

20 Q. First take point, standard. Okay.

21 And this is all federal lands?

22 A. Correct.

23 Q. How many tracts did you say?

24 A. It varies across the section. I know there are  
25 four federal leases in Section 10.

1 Q. Okay. So at least four tracts. Okay.

2 And did we -- I guess I hate to start  
3 asking questions you already covered.

4 Not everybody was located, first of all,  
5 correct?

6 A. Yes.

7 Q. Okay. And the people being pooled, are they  
8 all working interests?

9 A. Yes.

10 Q. Okay. Are you asking for any other relief  
11 here, like the 150 days or that kind of thing? No?

12 A. (Indicating.)

13 EXAMINER BROOKS: Only one well here.

14 EXAMINER JONES: Only one well.

15 EXAMINER BROOKS: That's getting to be a  
16 rarity.

17 Q. (BY EXAMINER JONES) But the surface location is  
18 in another section, so they won't let you drill in --  
19 state surface, it looks like.

20 A. Yeah. So the case we just heard previous to  
21 this, surface is here (indicating). We're drilling this  
22 here and pad drilling up to Section 10.

23 Q. So it's convenience of location?

24 A. Yes.

25 Q. Okay. Thank you very much.

1 A. Thank you.

2 JORDAN CARRELL,  
3 after having been previously sworn under oath, was  
4 questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Would you please state your name and city of  
8 residence?

9 A. Jordan Carrell, Midland, Texas.

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

11 A. Mewbourne Oil Company. I'm a geologist.

12 Q. Have you previously testified before the  
13 Division?

14 A. Yes.

15 Q. And were your credentials as an expert  
16 petroleum geologist accepted as a matter of record?

17 A. Yes.

18 Q. And does your area of responsibility at  
19 Mewbourne include this area of southeast New Mexico?

20 A. It does.

21 Q. And are you familiar with the Bone Spring  
22 geology involved in this case?

23 A. I am.

24 MR. BRUCE: Mr. Examiner, I tender  
25 Mr. Carrell as an expert petroleum geologist.

1 EXAMINER JONES: He is so qualified.

2 Q. (BY MR. BRUCE) Mr. Carrell, could you identify  
3 Exhibit 6 for the Examiner?

4 A. Yes. Exhibit 6 is a gross sand isopach of the  
5 3rd Bone Spring Sandstone. This map shows, with the  
6 black-dotted line, the proration unit in Section 10.  
7 The yellow is our -- the yellow arrow is our proposed  
8 well. This also shows there is fairly uniform thickness  
9 through this area. There are no pinch-outs. I don't  
10 believe there are any major structural faults, as you'll  
11 see in the next exhibit. This also shows 2nd -- or  
12 sorry -- all of the Bone Spring horizontal wells that  
13 have been drilled, with their various colors.

14 Q. They're all north-south in this area?

15 A. They are.

16 Q. Exhibit 7?

17 A. Exhibit 7 is a structural contour map of the  
18 top of the 3rd Bone Spring Sand. This shows that we  
19 will be drilling updip, from heel to toe, and the dip is  
20 essentially direct -- running south. And, again, I  
21 don't see any structural features that would inhibit  
22 anything in drilling this well.

23 Q. And Exhibit 8?

24 A. Exhibit 8 is a three-well cross section, A to A  
25 prime, through Section 10 and down into Section 15. I

1 have highlighted with a red arrow the lower section of  
2 the 3rd Bone Spring Sand, which is what we're targeting.

3 **Q. Is it continuous across the proposed well unit?**

4 A. It is.

5 **Q. And in your opinion, will each quarter-quarter**  
6 **section in the well unit contribute more or less equally**  
7 **to production?**

8 A. Yes.

9 **Q. What is Exhibit 9?**

10 A. Exhibit 9 is a table of all of the 3rd Bone  
11 Spring Sand wells, permits and drilled wells that are on  
12 the previous exhibits. These show that the orientation  
13 are all north-south for the 3rd Bone Spring Sand. Of  
14 the -- of all the wells on here, only five -- sorry --  
15 yes. Five wells have been completed with production,  
16 which are highlighted there.

17 There's one north -- sorry -- east-west  
18 well in this area. Not included in this nine-section  
19 area, but just to the south. It's a Mewbourne well in  
20 Section 21, same township. That well was completed in  
21 2013 and has only made 75,000 barrels. It was one of  
22 our earlier wells in this area, and since then, we've  
23 drilled north-south for all of our Bone Spring wells  
24 here.

25 **Q. And what is Exhibit 10?**

1           A.     Exhibit 10 is our wellbore survey plan of the  
2     Ibex well.  On the last page, you can see a map view  
3     plat of the proration unit showing the first and last  
4     take points being 330 feet off the section lines.

5           **Q.     Were Exhibits 6, 7, 8 and 9 prepared by you?**

6           A.     They were.

7           **Q.     And is Exhibit 10 prepared from company**  
8     **business records?**

9           A.     Yes.

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

13          A.     Yes.

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

16                   EXAMINER JONES:  Exhibits 6 through 10 are  
17     admitted.

18                   (Mewbourne Oil Company Exhibit Numbers 6  
19     through 10 are offered and admitted into  
20     evidence.)

21                   MR. BRUCE:  I have no other questions of  
22     the witness.

23                   EXAMINER JONES:  Mr. Brooks?

24                   EXAMINER BROOKS:  No questions.

25

1 CROSS-EXAMINATION

2 BY EXAMINER JONES:

3 Q. This Lower 3rd Bone Spring Sand, it has that  
4 same little blip on the gamma ray that I talked to  
5 Mr. Troutman earlier. It looks like that's just a  
6 limestone stringer in there?

7 A. Yes. Yes. As he had stated, these are, we  
8 think, deposited by turbidites and that any carbonates  
9 within the 3rd Bone Spring Sand would be detrital pieces  
10 of reef that have come off the shelf as carbonate,  
11 reworked in the sand and then deposited.

12 Q. Oh, okay. Okay.

13 EXAMINER BROOKS: What is a turbidite?

14 THE WITNESS: A turbidite is a mass flow.  
15 So if you have some sort of event that causes -- maybe  
16 the slope of the -- going into the Basin exceeds a  
17 certain limit, then you get a mass flow of sediment  
18 coming down, kind of like an avalanche.

19 EXAMINER BROOKS: That's something that  
20 happens after deposition, though?

21 THE WITNESS: It's secondary. It would be  
22 another depositional event after the sediment had  
23 already been deposited further up the slope.

24 EXAMINER BROOKS: Thank you.

25 EXAMINER JONES: You could have told him

1 whatever you wanted to.

2 EXAMINER BROOKS: Yes, you could have  
3 pretty much.

4 THE WITNESS: (Laughter.)

5 EXAMINER JONES: Okay. Thank you very  
6 much.

7 MR. BRUCE: Ask that the matter be  
8 continued to May 3rd.

9 EXAMINER JONES: This case is continued to  
10 May the 3rd.

11 And the docket is closed.

12 (Case Number 15888 concludes, 5:12 p.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 DATED THIS 22nd day of April 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

25