

3 IN THE MATTER OF THE HEARING CALLED
4 BY THE OIL CONSERVATION DIVISION FOR
5 THE PURPOSE OF CONSIDERING:

6 APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 14941
7 FOR A NONSTANDARD OIL SPACING AND
8 PRORATION UNIT AND COMPULSORY POOLING,
9 EDDY COUNTY, NEW MEXICO.

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12
13 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
14 DAVID K. BROOKS, LEGAL EXAMINER
15 PHILLIPE GOETZE, TECHNICAL EXAMINER

16 February 21, 2013

17 Santa Fe, New Mexico

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, and David K. Brooks, Legal Examiner, and
21 Phillip Goetze, Technical Examiner on Thursday, February
22 21, 2013, at the New Mexico Energy, Minerals and Natural
23 Resources Department, 1220 South St. Francis Drive,
24 Porter Hall, Room 102, Santa Fe, New Mexico.

25 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

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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Mewbourne Oil Company Exhibit Numbers 9 through 13 17

1 (9:02 a.m.)

2 EXAMINER EZEANYIM: Call the next case on
3 the docket, and this is Case Number 14941. This case
4 was continued from January 24th, application of
5 Mewbourne Oil Company for a nonstandard oil spacing and
6 proration unit and compulsory pooling, Eddy County, New
7 Mexico.

8 Call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce from
10 Santa Fe representing the Applicant.

11 I have two witnesses, and if the record
12 could reflect that they are the same witnesses as
13 before, Mr. Mitchell and Mr. Cless, who have been been
14 previously sworn and qualified.

15 EXAMINER EZEANYIM: Okay. Any other
16 appearances?

17 Okay. You may proceed.

18 COREY MITCHELL,
19 after having been previously sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Mr. Mitchell, are you familiar with the land
24 matters involved in this case?

25 A. Yes, sir.

1 Q. Could you identify Exhibit 1, and describe the
2 well unit and identify the well name?

3 A. Exhibit 1 is a Midland Map Company land plat of
4 Township 18 South, Range 31 East. Our well unit for
5 Tamano 15 AD Fed Com #1H is highlighted in yellow, which
6 is the north half-north half of Section 15.

7 Q. And what zone are you seeking to force pool?

8 A. The Bone Spring being in the Tamano Bone Spring
9 pool.

10 EXAMINER EZEANYIM: What?

11 THE WITNESS: The Tamano Bone Spring pool.

12 I believe it is Pool Code Number 580407.

13 EXAMINER EZEANYIM: 5804 --

14 THE WITNESS: 07.

15 EXAMINER EZEANYIM: Tamano Bone Spring?

16 THE WITNESS: Yes, sir.

17 Q. (BY MR. BRUCE) Is that pool developed on the
18 statewide rules?

19 A. Yes, sir.

20 Q. And do you have the API rule number of the well
21 for Mr. Ezeanyim?

22 A. Yes, sir. It is 3001540868. ✓

23 EXAMINER EZEANYIM: 300 -- can you give me
24 that again?

25 THE WITNESS: 3001540868. ✓

1 MR. BRUCE: Mr. Examiner, in the original
2 application, we did ask for forced pooling of the
3 vertical portion of the wellbore, 40-acre well units.
4 That can be dismissed. We are seeking only to force
5 pool the Bone Spring Formation.

6 EXAMINER EZEANYIM: For the project area?

7 MR. BRUCE: Yes.

8 EXAMINER EZEANYIM: So dismiss the 40-acre
9 unit?

10 MR. BRUCE: Correct.

11 Q. (BY MR. BRUCE) Could you identify Exhibit 2 for
12 the Examiner?

13 A. Exhibit Number 2 is an ownership summary, which
14 lists out all the respective owners in this well. The
15 party we are seeking to pool is located at the bottom,
16 and it is Ard Oil.

17 Q. Now, let's go into this -- there is a footnote
18 there. Could you reference that footnote for the
19 Examiner and describe a little bit about Ard Oil's
20 situation?

21 A. Footnote number one down there states that all
22 the parties to this well have elected to participate in
23 the well with the expectation of Ard Oil, who has
24 elected to go nonconsent under the JOA that they are a
25 party to.

1 Q. And is the purpose of this pooling only to
2 obtain their -- this is federal land; is it not?

3 A. Yes, sir.

4 Q. And Mewbourne will need to get a
5 communitization agreement?

6 A. Yes, sir.

7 Q. And has Ard Oil, to this date, failed to sign
8 the comm agreement for this well?

9 A. Yes, sir.

10 Q. So you are only seeking to force pool them for
11 the comm agreement?

12 A. Yes, sir.

13 Q. And you're not seeking any penalty on
14 ~~production or anything?~~

15 A. No, sir.

16 EXAMINER EZEANYIM: Let me ask something.
17 They're a party to the Joint Operating Agreement, right?
18 They are a party to that, but they don't want to
19 participate in the drilling of this well?

20 MR. BRUCE: That is correct.

21 EXAMINER EZEANYIM: And is that why you are
22 going to the comm agreement?

23 MR. BRUCE: They have never -- and I can
24 have Mr. Mitchell discuss this a little bit more, but
25 they have been called, and they have been sent the comm

*fed land
BSM*

1 agreement, and they have not -- they've never responded.
2 Mr. Examiner, I think Mr. Brooks is familiar with the
3 Ard family.

4 EXAMINER BROOKS: I am.

5 MR. BRUCE: But they never respond --
6 hardly ever respond to anything, and so that's why we're
7 seeking to force pool them for purposes of the comm
8 agreement, which the BLM will accept in lieu of a
9 signature.

10 EXAMINER BROOKS: And anything that Hudson
11 signs on, they won't sign (laughter).

12 EXAMINER EZEANYIM: So let me understand.
13 If Ard Oil doesn't exist, we shouldn't be doing
14 composite pooling anyway. Everybody would be involved.

15 MR. BRUCE: Right. Right.

16 THE WITNESS: Correct.

17 Q. (BY MR. BRUCE) And what is Exhibit 3,
18 Mr. Mitchell?

19 A. Exhibit 3 is a summary of our proposal to Ard
20 Oil, one for the proposal of the drilling of the well.
21 They no longer accept our mail certified, so we have to
22 send it overnight mail. And the receipt that they
23 received our overnight mail is attached to that as well.

24 Q. And what is Exhibit 4?

25 A. Exhibit 4 is our letter where we sent the comm

1 agreement to Ard Oil, along with the receipt -- the
2 receipt that they received it via overnight mail.

3 Q. And, again, neither you nor Mr. Smith have ever
4 received any response from them regarding signing the
5 comm agreement?

6 A. No, sir.

7 Q. And although it's not expressly required for
8 information purposes, Exhibit 5 is an AFE. Could you
9 identify the cost of the proposed well?

10 A. Our estimated costs on this AFE, we have an
11 estimated dry-hole cost of \$2,383,900, and then a
12 completed cost estimated at \$4,389,900.

13 Q. And because the Ard entity was nonconsent, they
14 will not be responsible for any of the well costs,
15 correct?

16 A. Correct.

17 MR. BRUCE: And, Mr. Examiner, Exhibit 6 is
18 my Affidavit of Notice to the Ards.

19 And I do have a question for Mr. Brooks.

20 Because of the Ards refusing to accept
21 certified mail, I do not have a green card back. As you
22 can see, I also shipped it by FedEx, and FedEx has
23 delivered. In that instance, Mr. Brooks, do we need to
24 publish?

25 EXAMINER BROOKS: No, I don't think so.

1 You know where they are.

2 MR. BRUCE: Yeah.

3 EXAMINER BROOKS: It's not a question of
4 somebody you can't locate.

5 MR. BRUCE: Yeah.

6 EXAMINER BROOKS: So I don't see any need
7 to publish.

8 MR. BRUCE: Okay.

9 Q. (BY MR. BRUCE) Mr. Mitchell, does Exhibit 7
10 correctly reflect all offsets, either operators or
11 working interest owners, to the proposed well unit?

12 A. Yes, sir.

13 Q. And were those offset operators, other than
14 Mewbourne, given notice of the application?

15 A. Yes, sir.

16 Q. And is that reflected in the Affidavit of
17 Notice marked as Exhibit 8?

18 A. Yes, sir.

19 MR. BRUCE: And, Mr. Examiner, you'll
20 notice that one offset -- initially Bright Hawk/Burkard
21 Venture did not receive notice, but we got a correct
22 address -- or a corrected address, and so a subsequent
23 letter was sent out to them so that all of the offsets
24 did receive actual notice of the application.

25 Q. (BY MR. BRUCE) Mr. Mitchell, in your opinion,

1 is the granting of this application in the interest of
2 conservation and the prevention of waste?

3 A. Yes, sir.

4 Q. And were Exhibits 1 through 8 prepared by you
5 or compiled from company business records?

6 A. Yes, sir.

7 MR. BRUCE: Mr. Examiner, I'd move the
8 admission of Exhibits 1 through 8.

9 EXAMINER EZEANYIM: And Exhibits 1 through
10 8 will be admitted.

11 (Mewbourne Oil Company Exhibit Numbers 1
12 through 8 were offered and admitted into
13 evidence.)

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

16 EXAMINER EZEANYIM: Any questions?

17 EXAMINER BROOKS: I think not. Thank you.
18 Well, I would just say -- no, never mind. I don't need
19 to ask the witness. Go ahead. I'm sorry.

20 EXAMINER EZEANYIM: No questions?

21 EXAMINER BROOKS: No questions.

22 EXAMINER EZEANYIM: The pool name is -- can
23 you repeat that pool name?

24 THE WITNESS: Tamano Bone Spring pool.

25 MR. BRUCE: How do you spell Tamano?

1 THE WITNESS: T-A-M-A-N-O.

2 EXAMINER EZEANYIM: And the notice for the
3 40-acre is dismissed?

4 MR. BRUCE: That is correct.

5 EXAMINER EZEANYIM: And the pooling will
6 only will be done on the Bone Spring and not on the
7 other one, right?

8 MR. BRUCE: Correct.

9 EXAMINER EZEANYIM: When we said go ahead
10 with the overhead rate, we didn't talk about them?

11 MR. BRUCE: Well, I don't think we need the
12 overhead rates, since we're not charging the Ards any
13 money under the order.

14 EXAMINER EZEANYIM: Under which order?

15 EXAMINER BROOKS: Well, under our order,
16 the Ards are not participating, so --

17 EXAMINER EZEANYIM: Oh. They went
18 nonconsent.

19 EXAMINER BROOKS: Yeah. The overhead is
20 being charged to the operating agreement.

21 EXAMINER EZEANYIM: Okay. Not applicable.
22 Okay. You may step down. Thanks.

23 NATE CLESS,
24 after having been previously sworn under oath, was
25 questioned and testified as follows:

DIRECT EXAMINATION

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BY MR. BRUCE:

Q. Mr. Cless, are you also familiar with the geology involved in this case?

A. I am.

Q. Could you identify Exhibit 9 for the Examiner?

A. Nine is a structure map on the base of the 2nd Bone Spring A Sand. That's the target sand that we're going to be shooting -- that we're to be going horizontal in.

I've also, on this map, marked the wells that produce out of the Bone Spring Formation. In this particular area, most of the wells will produce out of the 2nd Bone Spring Sand, which is highlighted in yellow, or the 2nd Bone Spring carbonate, which is highlighted in blue.

Up in Section 10, we have drilled three east-to-west 2nd Bone Spring Sand horizontals. And outside of that, there really have been no other 2nd Bone Spring horizontals drilled in this immediate area. And then you can see the location of our proposed horizontal in the north half-north half of Section 15.

Q. And will you please identify Exhibit 10 and discuss its contents?

A. Exhibit 10 is a gross ISOPACH map of the 2nd

1 Bone Spring A Sand. And, again, that's the target
2 intervals that we're going to be going for. To the left
3 of each vertical wellbore is a number, and that number
4 represents the gross thickness of each particular well.
5 So you can see in the north half-north half -- we
6 estimate that it's going to be roughly 90 feet thick --
7 90 to 95 feet thick across that north half-north half of
8 Section 15.

9 Q. So you were anticipating each quarter-quarter
10 section to be more or less included in production?

11 A. Yes, sir, we do.

12 Q. Let's move on to your cross section.

13 A. So this here is a three-well cross section
14 going through all the -- through the closest wells.
15 They're offsetting our proposed location. You can see
16 down on the right what I've listed as horizontal target.
17 That's what we -- that's what -- internally, we
18 designate that as the 2nd Bone Spring A Sand interval.
19 And you can see, just going from the wells, 15D to 15C
20 to 15G, that 2nd Bone Spring Sand interval is a pretty
21 uniform, consistent thickness across that -- across that
22 area.

23 Q. Looking up at the locator map up above, I
24 notice that there are some pretty decent 2nd Bone Spring
25 carbonate vertical wells, correct?

1 A. Yes, sir. Yes, sir. On this -- on this cross
2 section, the 2nd Bone Spring carbonate occurs just at
3 the top of -- on the right, you can see what I've
4 designated as the 2nd Bone Spring upper Sand. The 2nd
5 Bone Spring carbonate is just above that interval, and
6 that's what is being produced out of those wells that
7 are highlighted in the blue.

8 Q. Let's move on to your production plot. Could
9 you identify that?

10 A. Exhibit 12 is the production plot of the Bone
11 Spring producers in Section 10 and Section 15 of this
12 area. Once again, I've identified the name and the
13 operator and the API of all these wells, as well as the
14 CUM oil, CUM gas and CUM water.

15 I've highlighted two wells in this
16 particular area. The first one is the Tamano 10 Fed Com
17 #4. It's a vertical well. That was drilled by
18 Mewbourne back in 2005, and in that time interval, it
19 made just over 39,000 barrels of oil. So that's
20 roughly -- in eight years, it's made about 39,000
21 barrels of oil.

22 And the second well I've highlighted is the
23 Tamano 10 Fed Com #6H. There is a typo on this. The
24 completion date of that well is actually 2011, so it
25 should be November of 2011. So just a little bit over a

1 year -- it's been producing for just about a year now,
2 and in that time, it's made almost 38,000 barrels of
3 oil. So roughly just under a year, that well has made
4 almost the same amount as our vertical well that was
5 drilled almost eight years ago.

6 Q. And would you expect your proposed well to
7 efficiently and economically drain this particular
8 segment of the Bone Spring reservoir?

9 A. Yes. We believe horizontal drilling is the way
10 to go in efficiently draining this interval.

11 Q. And this well is about what, a
12 township-and-a-half away from the well in the previous
13 case, correct?

14 A. Yes. It's to the east of the well in the
15 previous case that we just discussed.

16 Q. And are you drilling weigh-downs [sic] rather
17 than stand-ups based on the performance of your well in
18 Section 10?

19 A. Yeah. Like I said, we drilled those three
20 wells in Section 10, all of which have been good
21 economic wells for us, and so there are no other
22 vertical -- there are no other north-south 2nd Bone
23 Spring Sand in this immediate area. So we really don't
24 have anything to compare it to right now, but like I
25 said, we've drilled good east-west horizontals in

1 Section 10, so we believe that is the proper way to do.

2 Q. And finally, can you identify Exhibit 13 and
3 discuss briefly the drilling of the proposed well?

4 A. Exhibit 13 is our horizontal well -- proposed
5 horizontal well plan that we got from Directional
6 Drilling Company. You know, I've listed the service
7 location, the landing point and the bottom-hole
8 location, all of which are legal locations. If you flip
9 to the -- just flip through that, it has the details,
10 outline of our proposed wellbore.

11 And then the last well on that is, again,
12 the wellbore diagram of our proposed horizontal well.
13 It shows our kick-off one, where our estimated landing
14 point is, and then where our bottom-hole location will
15 be.

16 Q. And there is no pilot hole in this well?

17 A. There is no pilot hole in this well.

18 Q. In your opinion, is the granting of this
19 application in the interest of conservation and the
20 prevention of waste?

21 A. Yes, it is.

22 Q. And were Exhibits 9 through 13 either prepared
23 by you or compiled from company business records?

24 A. Yes, sir, they were.

25 MR. BRUCE: Mr. Examiner, I'd move the

1 admission of Exhibits 9 through 13.

2 EXAMINER EZEANYIM: Exhibits 9 through 13
3 will be admitted.

4 (Mewbourne Oil Company Exhibit Numbers 9
5 through 13 were offered and admitted into
6 evidence.)

7 MR. BRUCE: I have no further questions of
8 the witness.

9 EXAMINER EZEANYIM: Thank you.
10 Mr. Brooks?

11 EXAMINER BROOKS: No questions.

12 EXAMINER EZEANYIM: Mr. Goetze?

13 EXAMINER GOETZE: No questions.

14 EXAMINER EZEANYIM: And no questions. You
15 may step down.

16 THE WITNESS: Thank you.

17 MR. BRUCE: I have nothing further in this
18 matter, Mr. Examiner.

19 EXAMINER EZEANYIM: Thank you, Mr. Bruce.

20 At this point, Case Number 14941 will be
21 taken under advisement.

22 And that concludes the hearing today.

23 (Case Number 14941 Concludes, 9:20 a.m.)

24 I do hereby certify that the foregoing is
25 a complete record of the proceedings in
the Examiner hearing of Case No. 14941
heard by me on 3/21/13. See 944

[Handwritten signature and date]

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

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

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

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19



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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2013

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