

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
7 FOR A NONSTANDARD OIL SPACING AND
8 PRORATION UNIT AND COMPULSORY POOLING,
9 EDDY COUNTY, NEW MEXICO.

CASE NO. 15078

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 23, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Richard Ezeanyim,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, January 23, 2014, at the New Mexico Energy,
Minerals and Natural Resources Department, 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

1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

3 JAMES G. BRUCE, ESQ.
4 Post Office Box 1056
5 Santa Fe, New Mexico 87504
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6

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8 Case Number 15078 Called

3

9 Mewbourne Oil Company's Case-in-Chief:

10 Witnesses:

11 Paul Haden:

12 Direct Examination by Mr. Bruce

4

13 Cross-Examination by Examiner Ezeanyim

10

14 Tyler Hill:

15 Direct Examination by Mr. Bruce

11

16 Proceedings Conclude

17

17 Certificate of Court Reporter

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20 EXHIBITS OFFERED AND ADMITTED

21 Mewbourne Oil Company Exhibit Numbers 1, 2, 3
and 7 and 8

10

22

23 Mewbourne Oil Company Exhibit Numbers 4, 5, 6
and 9

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24

25

1 (9:04 a.m.)

2 EXAMINER EZEANYIM: Now we go back to the
3 order we have. We are going back to number two.

4 Do you have your witnesses available?

5 MR. BRUCE: Yes, sir.

6 EXAMINER EZEANYIM: Okay. Good.

7 At this point, I call Case Number 15078,
8 and this is the application of Mewbourne Oil Company for
9 a nonstandard oil spacing and proration unit and
10 compulsory pooling, Eddy County, New Mexico.

11 Call for appearances.

12 MR. BRUCE: Mr. Examiner, Jim Bruce of
13 Santa Fe representing the Applicant. I have two
14 witnesses.

15 EXAMINER EZEANYIM: Any other appearances,
16 please?

17 Okay. May the two witnesses stand up and
18 be sworn? State your names first.

19 MR. HADEN: Paul Haden.

20 MR. HILL: Tyler Hill.

21 (Witnesses sworn.)

22 PAUL HADEN,
23 after having been first duly sworn under oath, was
24 questioned and testified as follows:
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DIRECT EXAMINATION

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BY MR. BRUCE:

Q. Mr. Haden, where do you reside?

A. I reside in Midland, Texas.

Q. And who do you work for and in what capacity?

A. Mewbourne Oil Company as a landman.

Q. Have you previously testified before the
Division?

A. Yes, I have.

Q. Were your credentials as a petroleum landman
accepted as a matter of record?

A. Yes, they were.

Q. Are you familiar with the land matters involved
in this application?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I'd tender
Mr. Haden as an expert petroleum landman.

EXAMINER EZEANYIM: Mr. Haden is so
qualified.

Q. (BY MR. BRUCE) Mr. Haden, can you identify
Exhibit 1 and describe the well we are seeking to force
pool?

A. Yes. Exhibit Number 1 is a land plat of the
area taken from the Midland Map Company. It shows our
proposed project area shaded in yellow. It also shows

1 our surface and bottom-hole locations, of which the
2 surface location is 350 feet from the south line, 120
3 feet from the east line, 350 feet from the south line --

4 EXAMINER EZEANYIM: I need to get those
5 numbers. Are these the fiscal locations of the well
6 what is the surface.

7 THE WITNESS: Surface is 350 from the south
8 line, 120 from the east line, and the bottom hole, 350
9 from the south line and 330 from the west line. This is
10 in Section 4 of Township 20 South, Range 29 East.

11 EXAMINER EZEANYIM: Do you know what is the
12 penetration --

13 THE WITNESS: This is Bone Spring.

14 EXAMINER EZEANYIM: Yeah, but do you know
15 the location of the penetration point?

16 MR. BRUCE: Mr. Examiner, we do have the
17 well plat, and we can give that to you.

18 EXAMINER EZEANYIM: Oh, okay. And I can
19 find that information there?

20 THE WITNESS: Yes.

21 This is for the Burton 4 PM Federal Com #1H
22 well.

23 Q. (BY MR. BRUCE) And will the producing interval
24 of the wellbore be at orthodox locations?

25 A. Yes, it will.

1 Q. What is Exhibit 2?

2 A. Exhibit 2 is the contractual ownership in this
3 proposed well in the south half of the south half of
4 Section 4. It shows all the participants. It also
5 shows Mill Neck Associates with an asterisk by the side
6 of it, and this entity is one in which we are seeking to
7 force pool.

8 Q. And is Mill Neck Associates an unlocatable
9 entity?

10 A. That's correct.

11 Q. Mewbourne has been drilling wells in this area
12 for a number of years; is that correct?

13 A. That's correct.

14 Q. And has Mewbourne force pooled Mill Neck
15 Associates before?

16 A. Yes, many times.

17 Q. And have you had a number of title opinions
18 prepared on this acreage?

19 A. Yes, we have.

20 Q. And have you looked for Mill Neck Associates
21 over the years?

22 A. Yes, we have, the old addresses and Internet.

23 Q. If I recall correctly, you've probably force
24 pooled them eight or ten times, right?

25 A. At least.

1 EXAMINER EZEANYIM: Therefore, are you
2 keeping money for a nonperson? You will be escrowing
3 something?

4 THE WITNESS: Yes.

5 MR. BRUCE: They will be escrowed.

6 EXAMINER EZEANYIM: Also, you know we don't
7 get involved in escrow. We don't meddle in those.

8 THE WITNESS: Right.

9 EXAMINER EZEANYIM: And that is the only
10 person you are trying to force pool today?

11 THE WITNESS: Yes.

12 EXAMINER EZEANYIM: With that Mill Neck,
13 you shouldn't be here, right? If Mill Neck is not in
14 this lease, then you have consent?

15 MR. BRUCE: Correct.

16 THE WITNESS: Yeah.

17 EXAMINER EZEANYIM: Okay. It has to do
18 with the oil and gas aspect, because if we can't find
19 them, we have to give them due process. They might get
20 up tomorrow. You never know.

21 THE WITNESS: You never know.

22 EXAMINER EZEANYIM: Go ahead.

23 Q. (BY MR. BRUCE) And over the years, do you
24 believe Mewbourne has made a good-faith effort to locate
25 Mill Neck Associates?

1 A. Yes, we have.

2 Q. Would you identify Exhibit 3 and discuss the
3 contents?

4 A. Exhibit Number 3 is a copy of our AFE for this
5 proposed well. It indicates the surface and bottom-hole
6 locations, also the well name and the cost -- estimated
7 cost of the well, which would be 2,647,000, casing
8 point, and a completed well cost of \$4,734,100. This
9 AFE is dated September 13th.

10 Q. In your opinion, are the costs reflected on
11 this AFE fair and reasonable?

12 A. Yes, they are.

13 Q. And are they in line with the cost of the other
14 wells drilled to this depth in this area of New Mexico?

15 A. That's correct.

16 Q. Other horizontal wells, I should say.

17 A. Yes.

18 Q. Does Mewbourne have a recommendation for the
19 amounts which should be allowed for overhead and
20 administrative expenses?

21 A. Yes. 7,000 for the drilling well rate and 700
22 a month for producing.

23 Q. And are these rates reasonable and in line with
24 the rates charged by other operators in this area for
25 wells of this type?

1 A. That's correct. It's the same rates that are
2 in our operating agreement between the parties.

3 Q. And does Mewbourne request it be appointed
4 operator by the Division?

5 A. Yes, we do.

6 MR. BRUCE: Mr. Examiner, Exhibit 7 --
7 they're kind of out of order, but Exhibit 7 is the
8 Affidavit of Publication from the Carlsbad newspaper as
9 to Mill Neck Associates.

10 Q. (BY MR. BRUCE) Mr. Haden, did you search the
11 records to see who the offset operators were as to this
12 well?

13 A. Yes. They were notified.

14 Q. And is the only offset -- other than --
15 Mewbourne is the only offset operator other than
16 Endurance Resources?

17 A. Correct.

18 Q. And they were given notices reflected by the
19 affidavit marked Exhibit 8?

20 A. That's correct.

21 Q. In your opinion, is the granting of this
22 application in the interest of conservation and the
23 prevention of waste?

24 A. Yes.

25 Q. And were Exhibits 1 through 3 and 7 and 8

1 prepared by you or compiled from company business
2 records?

3 A. Yes, they were.

4 MR. BRUCE: Mr. Examiner, I'd move the
5 admission of Exhibits 1, 2, 3, 7 and 8.

6 EXAMINER EZEANYIM: Exhibits 1, 2, 3, 7 and
7 8 will be admitted.

8 (Mewbourne Oil Company Exhibit Numbers 1,
9 2, 3 and 7 and 8 were offered and
10 admitted into evidence.)

11 MR. BRUCE: I have no further questions of
12 the witness.

13 EXAMINER EZEANYIM: Okay. Very good.

14 CROSS-EXAMINATION

15 BY EXAMINER EZEANYIM:

16 Q. Do you know the name of the pool in this Bone
17 Spring Formation?

18 A. Yes. This is the Parkway Bone Spring.

19 Q. What?

20 A. Parkway Bone Spring. It's Pool Code Number
21 49622.

22 Q. 49 --

23 A. 622.

24 Q. Okay. Parkway Bone Spring, right?

25 A. Yes.

1 The API number, if you want to know that --

2 EXAMINER EZEANYIM: Yeah.

3 THE WITNESS: -- is 3-015-41827.

4 EXAMINER EZEANYIM: Thank you very much.

5 Okay. Now, I missed it. Is this fee,
6 federal or state land.

7 THE WITNESS: This is federal.

8 EXAMINER EZEANYIM: Federal.

9 You done with him?

10 MR. BRUCE: Yes, sir.

11 EXAMINER EZEANYIM: Okay. You may step
12 down.

13 Call your next witness.

14 MR. BRUCE: Call Mr. Hill.

15 TYLER HILL,

16 after having been previously sworn under oath, was
17 questioned and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. Mr. Hill, where do you reside?

21 A. Midland, Texas.

22 Q. And who do you work for and in what capacity?

23 A. Mewbourne Oil Company, geologist.

24 Q. Have you previously testified before the
25 Divison?

1 A. Yes.

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

4 A. Yes.

5 Q. And are you familiar with the geology involved
6 in this application?

7 A. Yes.

8 MR. BRUCE: Mr. Examiner, I tender Mr. Hill
9 as an expert petroleum geologist.

10 EXAMINER EZEANYIM: Mr. Hill is so
11 qualified.

12 Q. (BY MR. BRUCE) Mr. Hill, let's first move to
13 Exhibit 4. Could you identify that for the Examiner and
14 discuss the zone you are seeking to test?

15 A. Yes. This is a nine-section plat around the
16 Burton 4. The structures on top of the 2nd Bone Spring
17 Upper Sand and the gross isopach is the gross upper
18 sand. I also have the producing zone in color code with
19 1st Sand, 3rd Bone Spring Carbonate, Avalon Sand, 2nd
20 Bone Spring Carbonate, 2nd Bone Spring Sand, 3rd Bone
21 Spring Sand.

22 The zone of interest here is the 2nd Bone
23 Spring Sand, which is in yellow. The gross sand is
24 denoted by the bold underlined numbers underneath the
25 wellbore, and the completed wells have the circle at the

1 bottom-hole location.

2 The structure is dipping slowly to the
3 southeast, and if you could also denote the A to A prime
4 is a two-well cross section near our proposed Burton 4
5 PM.

6 Q. And why don't you move on to that cross
7 section, Exhibit 5?

8 A. This is a two-well cross section showing the
9 2nd Bone Spring Sand interval. The interval that we are
10 targeting is the upper 2nd Sand. It's denoted in red.
11 The porosity ranges from 8 to 12 percent, and the depth
12 is around 7,950. And in between these two wells, the
13 sand is continuous.

14 Q. In your opinion, will each quarter-quarter
15 section in the well unit contribute more or less equally
16 to the production?

17 A. I believe it should.

18 EXAMINER EZEANYIM: You believe? It should
19 be, or it shouldn't be?

20 THE WITNESS: It should.

21 EXAMINER EZEANYIM: I want that for the
22 record.

23 Q. (BY MR. BRUCE) Mr. Hill, in looking at your
24 Exhibit 4, there are a number of other wells around
25 there, some lay-down units and some stand-up units.

1 Could I refer you to your Exhibit 9, and could you
2 discuss why Mewbourne drilled these wells in Section 4
3 on lay-down pieces?

4 A. Yes. The first ten wells are vertical wells,
5 and then after that, they go to horizontal. Going
6 across the columns, we've got well name, operator, API
7 unit, the location, vertical versus horizontal, Bone
8 Spring completion date, the interval, cum oil, cum gas
9 and cum water.

10 I'll refer you to the highlighted yellow
11 one, the Burton 4 #4. It's also in Section 4HE,
12 horizontal. It's a lay-down. We completed this well in
13 June of -- July of 2012. So far it has cumed 88,000
14 barrels of oil, three-tenths of a bcf and 76,000 barrels
15 of water.

16 And in Section 5, we drilled the Colt 5
17 Federal 3H. This is the well highlighted in green.
18 This is a north-south horizontal. We completed it in
19 November of 2010, also in the 2nd Bone Spring Sand. And
20 to date, it has produced 56,000 barrels of oil,
21 two-tenths of a bcf of gas, and 47,000 barrels of water.
22 So we believe that based on this data, we should be
23 doing lay-downs versus stand-ups.

24 EXAMINER EZEANYIM: There is one in red,
25 the Meridian Federal.

1 THE WITNESS: Yes.

2 EXAMINER EZEANYIM: Which well is that?

3 THE WITNESS: This is a vertical well just
4 to prove that the 2nd Bone Spring Sand does produce,
5 which is why we're drilling horizontal wells.

6 EXAMINER EZEANYIM: I can see. That was
7 1990.

8 THE WITNESS: Yes, sir.

9 EXAMINER EZEANYIM: Cum oil 45, right?

10 THE WITNESS: Yes, sir.

11 EXAMINER EZEANYIM: I'm from the old
12 school. When you say -- it is a small M. I was
13 thinking million instead of thousands. If you want to
14 use thousands, from the old school, it's capital M,
15 right? So when I saw M, small letter M, I thought you
16 got 5 million, and I thought, oh, that's wonderful. I
17 want you have to 5 million. But it's thousand you mean,
18 right?

19 THE WITNESS: Yes, sir.

20 EXAMINER EZEANYIM: So I'm going to denote
21 it with a capital M. I'm from the old school. Capital
22 M. Mm means million. The small letter M is million. I
23 mean, that's how we looked at it at that time. You are
24 from the new school.

25 THE WITNESS: Yes, sir.

1 MR. BRUCE: That's for my own -- but if you
2 didn't tell me, I would think it's 5 million barrels
3 because it's small letter M.

4 Go ahead.

5 Q. (BY MR. BRUCE) Mr. Hill, could you just
6 identify Exhibit 6?

7 A. Yes. This is a Stryker horizontal well plan
8 that we plan to drill that will show the wellbore
9 diagram, as well as our planned targets on the following
10 pages.

11 Q. How many completion stages does Mewbourne use
12 in its wells?

13 A. 20.

14 Q. And finally, getting back to one of
15 Mr. Ezeanyim's prior question, on the front page, it
16 does show the landing point for the -- for the well,
17 correct?

18 A. Yes, sir.

19 Q. Which is approximately, oh, 475 or 80 feet east
20 of the surface location?

21 A. Correct.

22 Q. Were Exhibits 4, 5, 6 and 9 prepared by you or
23 under your supervision or compiled from company business
24 records?

25 A. Yes, sir.

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

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I'd move the
6 admission of Exhibits 4, 5, 6 and 9.

7 EXAMINER EZEANYIM: Exhibits 4, 5, 6 and 9
8 will be admitted.

9 (Mewbourne Oil Company Exhibit Numbers 4,
10 5, 6 and 9 were offered and admitted into
11 evidence.)

12 MR. BRUCE: I have no further questions of
13 the witness.

14 EXAMINER EZEANYIM: Okay. Thank you very
15 much.

16 No questions.

17 THE WITNESS: Yes, sir.

18 EXAMINER EZEANYIM: You may step down.

19 Call your next witness.

20 MR. BRUCE: That's all I have,

21 Mr. Examiner

22 EXAMINER EZEANYIM: Case Number 15078 will
23 be taken under advisement. Let's take a break.

24 (Case Number 15078 concludes; break taken)

25 9:21 a.m.) I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 100-78 heard by me on 11/22/78.

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.

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Mary C. Hankins

MARY C. HANKINS, CCR, RPR
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