

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

CASE NO. 15095

ORIGINAL

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 April 3, 2014

14 Santa Fe, New Mexico

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

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17 This matter came on for hearing before the  
18 New Mexico Oil Conservation Division, Richard Ezeanyim,  
19 Chief Examiner, and Gabriel Wade, Legal Examiner, on  
20 Thursday, April 3, 2014, at the New Mexico Energy,  
21 Minerals and Natural Resources Department, 1220 South  
22 St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
23 New Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR  
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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1 (11:19 a.m.)

2 EXAMINER EZEANYIM: Now let's go back to  
3 our last case for the docket today, and that's Case  
4 Number 15095, application of Mewbourne Oil Company for a  
5 nonstandard oil spacing and proration unit and  
6 compulsory pooling, Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of  
9 Santa Fe representing the Applicant.

10 I have two witnesses, Mr. Mitchell and  
11 Mr. Cless, if the record could note that they have  
12 previously been sworn and qualified.

13 EXAMINER EZEANYIM: Thank you.

14 Any other appearances?

15 Okay. You may proceed.

16 COREY MITCHELL,

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

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

21 Q. Mr. Mitchell, could you identify Exhibit 1 for  
22 the Examiner?

23 A. Exhibit 1 is a Midland Map Company land plat  
24 showing Township 22 South, Range 25 East with our  
25 proposed spacing unit and well highlighted in the west

1 half of the -- west half-east half of Section 8.

2 Q. And what is the name of the proposed well?

3 A. It is the True Grit 8 B3BO Fed Com #1H.

4 Q. And do you have the API number for that well?

5 A. We do not have an API number yet. We've  
6 submitted the APD, but we have not received an approved  
7 permit yet.

8 Q. And is this well in any designated pool?

9 A. No, sir. It is in the wildcat Bone Spring pool  
10 right now.

11 Q. What is Exhibit 2?

12 A. Exhibit 2 is a our tract ownership for this  
13 well. It lists all the parties participating, as well  
14 as the parties we are seeking to pool. The parties we  
15 are seeking to pool are noted with an asterisk next to  
16 their name, and they total -- equal a little over 4.5  
17 percent.

18 Q. And it looks like there is a couple of dozen  
19 uncommitted parties, right?

20 A. Yes, sir.

21 Q. And they all own fairly small interests?

22 A. Yes, sir.

23 Q. Are they unleased mineral interests?

24 A. Yes, sir.

25 Q. Could you summarize your contacts with the

1 parties? And I refer you to Exhibit 3.

2 A. Exhibit 3 is a summary of our communications,  
3 which summarizes our phone calls, e-mails and letters  
4 with most of these parties. Some of the parties we were  
5 unable to locate, and attached to that summary are  
6 copies of the respective correspondence.

7 Q. You said there are a number of unlocatable  
8 parties. What steps did Mewbourne take to locate these  
9 interest owners?

10 A. We found their last address of record in the  
11 county, and we tried locating them through that, through  
12 Internet searches. We've also -- most of these people  
13 are part of one family, and we've been in talks with  
14 some of the family members trying to locate these people  
15 or their heirs.

16 Q. In your opinion, has Mewbourne either made a  
17 good-faith effort to obtain the voluntary joinder of the  
18 interest owners or a good-faith effort to locate the  
19 whereabouts of the parties being pooled?

20 A. Yes, sir.

21 Q. Does Mewbourne request that it be named  
22 operator of this well?

23 A. Yes, sir.

24 Q. Could you identify Exhibit 4 and discuss the  
25 cost of the proposed well?

1           A.    Exhibit 4 is our AFE, which sets out the  
2           estimated well costs for this well. We have estimated  
3           \$2,469,600 for dry-hole costs, and completed costs, we  
4           have an estimated \$5,186,200.

5           Q.    In your opinion, is this cost fair and  
6           reasonable and in line with the cost of other wells  
7           drilled to this depth in this area of Eddy County?

8           A.    Yes, sir.

9           Q.    And do you request maximum cost plus 200  
10          percent risk charge be assessed against nonconsenting  
11          interest owners?

12          A.    Yes, sir.

13          Q.    And what overhead rates do you request?

14          A.    We are requesting \$7,500 a month for drilling  
15          and \$750 a month for producing.

16          Q.    And are those rates the same as in your JOA  
17          with the consenting interest owners?

18          A.    Yes, sir.

19          Q.    And are those rates fair and reasonable?

20          A.    Yes, sir.

21          Q.    Was notice given to all of the parties who at  
22          least had a written address, whether it was valid or  
23          not?

24          A.    Yes, sir.

25          Q.    And is that reflected in my Exhibit 5?

1 A. Yes, sir.

2 MR. BRUCE: Mr. Examiner, Exhibit 6 is the  
3 Affidavit of Publication as against a number of members  
4 of the Elkins family, primarily, who did not have good  
5 addresses.

6 EXAMINER EZEANYIM: Okay.

7 Q. (BY MR. BRUCE) And what is Exhibit 7,  
8 Mr. Mitchell?

9 A. Exhibit 7 is a list of the offset ownership.

10 Q. And was notice given to all these parties?

11 A. Yes, sir.

12 Q. And is that reflected in Exhibit 8?

13 A. Yes, sir.

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

16 A. Yes, sir.

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

20 A. Yes, sir.

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

23 EXAMINER EZEANYIM: Exhibits 1 through 8  
24 will be admitted.

25 (Mewbourne Oil Company Exhibit Numbers 1

1 through 8 were offered and admitted into  
2 evidence.)

3 MR. BRUCE: And I have no further questions  
4 of the witness.

5 EXAMINER EZEANYIM: Okay. Thank you,  
6 Counselor.

7 No further questions. You may step down.

8 NATE CLESS,  
9 after having been previously sworn under oath, was  
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. Mr. Cless, would you identify Exhibit 9 for the  
14 Examiner and discuss the difference between this case  
15 and the other three cases?

16 A. Yes. Exhibit 9 is an isopach map of the 3rd  
17 Bone Spring interval. This is a gross isopach map of  
18 the 3rd Bone Spring Sand. Again, all the other cases  
19 we're targeting the 2nd Bone Spring interval. This one  
20 we're targeting the 3rd Bone Spring interval. Also, I  
21 want to point out that in this immediate area, there are  
22 no Bone Spring producers in this area. That's why this  
23 well is being designated as a wildcat Bone Spring pool.

24 But you can see -- I believe that there'll  
25 be approximately 350 gross from the 3rd Bone Spring



1 interval. You can see the location in my next exhibit,  
2 which is cross section A to A prime, and that kind of  
3 shows what the 3rd Bone Spring Sand looks like across  
4 this area.

5 Q. Move on to that exhibit, will you, please,  
6 Exhibit 10.

7 A. So, again, the two-well cross section, it goes  
8 from the well to the northwest of us, in 6D, to a well  
9 in 8I. And the well in 8I is a little bit closer to  
10 the -- it's about a quarter mile away from where our  
11 proposed lateral will be. You can see across this area,  
12 the 3rd Bone Spring Sand interval is very thick. It's  
13 approximately 300 to 350 feet thick, but its  
14 correlations are very consistent across here.

15 I've broken up the 3rd Bone Spring Sand  
16 into some smaller intervals, again what I call the green  
17 sand, the blue sand, the tan sand and the gray sand.  
18 And, again, those are just internal designations.

19 And then also on this cross section, you  
20 can see where we plan on targeting, which is the basal  
21 part of this third part of the Bone Spring interval.

22 Q. And based on your analysis of this area, is  
23 that the target zone for this particular well?

24 A. Yeah, we believe so, for a couple of reasons.  
25 This and other areas, when we've done microseismic, we

1 see the majority of the fractures going upward, so we  
2 tend to put -- we tend to put our laterals a little bit  
3 lower in this section. Also, porositywise, we seem to  
4 get better porosity development down in the lower third  
5 part of the Bone Spring of the 3rd Bone Spring interval.

6 Q. In your opinion, is the 3rd Bone Spring  
7 continuous across the proposed well unit?

8 A. Yes, sir.

9 Q. And geologically speaking, would you anticipate  
10 each quarter-quarter section contributing more or less  
11 equally to production?

12 A. Yes, sir.

13 Q. You said this is a wildcat. So at this point,  
14 you don't have anything to base a preferred orientation  
15 on for the well unit; is that correct?

16 A. No. That is correct.

17 Q. And what is Exhibit 11?

18 A. Exhibit 11 is a horizontal well plan given to  
19 us by Directional Drilling Company. It just shows where  
20 our kick-off point is, where our landing point is and  
21 where our bottom-hole location is. And our landing  
22 point will be 879 from the north and 1,921 from the east  
23 line of Section 8, and so we will be at a legal location  
24 when we land. Our first perforation will be a legal  
25 location.

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, sir.

5 Q. And were Exhibits 9 and 10 prepared by you?

6 A. Yes, sir.

7 Q. And was Exhibit 11 compiled from Mewbourne's  
8 company records?

9 A. Yes, sir.

10 MR. BRUCE: Mr. Examiner, I move the  
11 admission of Exhibits 9, 10 and 11.

12 EXAMINER EZEANYIM: Exhibits 9, 10 and 11  
13 will be admitted.

14 (Mewbourne Oil Company Exhibit Numbers 9  
15 through 11 were offered and admitted into  
16 evidence.)

17 MR. BRUCE: I have no further questions of  
18 the witness.

19 EXAMINER EZEANYIM: Thank you very much. I  
20 don't have questions, but --

21 CROSS-EXAMINATION

22 BY EXAMINER EZEANYIM:

23 Q. This is a wildcat 3rd Bone Spring Sand. Okay.  
24 Now, why did you choose to let your company drill  
25 north-south instead of east-west here, even though it's

1 demonstrated --

2 A. One of the reasons is for land reasons.  
3 Topographically -- in this area, the topography is  
4 pretty rugged, and so it was easier to get locations  
5 where it was easier to drill north-south in this  
6 particular area.

7 Also, in a different formation but further  
8 to the north, we've drilled some wells about ten miles  
9 to the north in the Yeso Formation, and we're drilling  
10 those north-south with good results. Whether that can  
11 be -- whether that can be brought down to this area,  
12 we're not sure, but, you know, those are the closest  
13 horizontal wells we've drilled in this area.

14 But this is one of those things where we  
15 plan on drilling a few wells out here, so we'll learn as  
16 we drill north-south.

17 Q. Yeah. You are just taking a stab at it to see  
18 what happens?

19 A. That's right.

20 Q. No further questions.

21 MR. BRUCE: I have nothing further in the  
22 matter, Mr. Examiner.

23 EXAMINER EZEANYIM: At this point, Case  
24 Number 15095 will be taken under advisement.

25 (Case Number 15095) concludes the proceedings in  
the Examiner hearing of Case No. 15095  
heard by me on 4/3/11

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

*Mary C. Hankins*

20

MARY C. HANKINS, CCR, RPR  
Paul Baca Court Reporters, Inc.  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2014

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