

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 AND PRORATION  
8 UNIT AND COMPULSORY POOLING,  
9 EDDY COUNTY, NEW MEXICO.

CASE NO. 15106

ORIGINAL

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 April 3, 2014

13 Santa Fe, New Mexico

14 BEFORE: RICHARD EZEANYIM, CHIEF 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, on Thursday, April 3, 2014, at the New  
20 Mexico Energy, Minerals and Natural Resources  
21 Department, 1220 South St. Francis Drive, Porter Hall,  
22 Room 102, Santa Fe, New Mexico.

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

FOR APPLICANT MEWBOURNE OIL COMPANY:

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EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 7	9
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1 (10:12 a.m.)

2 EXAMINER EZEANYIM: At this point, I call  
3 Case Number 15106, application of Mewbourne Oil Company  
4 for a nonstandard oil and proration unit and compulsory  
5 pooling, Eddy County, New Mexico.

6 Call for appearances.

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

9 I have two witnesses.

10 EXAMINER EZEANYIM: Any other appearances?

11 Okay. The two witnesses please stand up;  
12 state your names to be sworn, please.

13 MR. CLESS: Nate Cless.

14 MR. PEARSON: Clayton Pearson.

15 (Mr. Cless and Mr. Pearson sworn.)

16 EXAMINER EZEANYIM: Counsel, you may  
17 proceed.

18 CLAYTON PEARSON,

19 after having been first duly sworn under oath, was  
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Mr. Pearson, where do you reside?

24 A. Midland, Texas.

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

1 A. Mewbourne Oil Company as a landman.

2 Q. Have you previously testified before?

3 A. I have not.

4 Q. Would you give us your education and employment  
5 background?

6 A. Absolutely. I graduated from Texas Tech  
7 University in May of 2011 with a degree in petroleum  
8 land management, and I started working for Mewbourne Oil  
9 Company in November of 2011.

10 Q. And does your area of responsibility at  
11 Mewbourne include this part of southeast New Mexico?

12 A. It does.

13 Q. And have you been working continually at  
14 Mewbourne for the past two-and-a-half years?

15 A. That's correct.

16 Q. And are you familiar with the land matters  
17 involved in this application?

18 A. Yes, I am.

19 MR. BRUCE: Mr. Examiner, I tender  
20 Mr. Pearson as an expert petroleum landman.

21 EXAMINER EZEANYIM: So qualified.

22 Q. (BY MR. BRUCE) Mr. Pearson, could you identify  
23 Exhibit 1 for the Examiner and describe the well unit,  
24 the zone being pooled and the well name?

25 A. Yes, sir. Exhibit 1 is a Midland Map Company

1 plat of Section 9, Township 20 South, Range 29 East,  
2 Eddy County, New Mexico. It shows the well unit, which  
3 is the north half-north half of Section 9 and proposed  
4 well path. We will be pooling the Bone Spring Formation  
5 in this nonstandard well unit.

6 Q. And the surface location will be adjoining  
7 Section 8?

8 A. That's correct.

9 Q. And the producing interval of the wellbore will  
10 be orthodox?

11 A. Yes.

12 Q. Can you identify Exhibit 2 for the Examiner?

13 A. Exhibit 2 is the tract ownership of the well  
14 unit, being the north half-north half of Section 9.

15 Q. And what parties does Mewbourne seek to pool at  
16 this time?

17 A. Those parties are denoted with an asterisk by  
18 their name and total interest is 4.93352 percent.

19 Q. So the Estate of Ralph Williamson, Jeffrey and  
20 Sandra Johnston, Michael Short, and Brooks Oil & Gas  
21 Interests?

22 A. As well as Davoil, Inc.

23 Q. Ah. Davoil, Inc.

24 A. Yes, sir.

25 Q. Could you identify Exhibit 3 for the Examiner

1 and summarize the context with these parties?

2 A. Sure. Exhibit 3 is a summary of communications  
3 held with each party that we are seeking to pool. The  
4 cover letter shows the dates and the different, various  
5 means of communication. And followed by that are the  
6 copies of the subject communication.

7 Q. Were all of these people locatable?

8 A. Yes, they were.

9 Q. And in your opinion, has Mewbourne made a  
10 good-faith effort to obtain the voluntary joinder of  
11 these parties?

12 A. Yes.

13 Q. Mr. Pearson, with respect to Brooks Oil & Gas  
14 Interests, do you anticipate them joining in the well?

15 A. Yes, that is correct, as well as several other  
16 parties we have been in touch with. We have not  
17 received finalized paperwork, but as we do receive that,  
18 we will release them.

19 Q. So looking at the listing under Brooks, they  
20 did execute the AFE but need to sign a JOA?

21 A. Correct.

22 Q. And if any of these parties voluntarily joins  
23 in the well, will Mewbourne notify the Division of their  
24 joinder?

25 A. Yes.

1 Q. Does Mewbourne request that it be appointed  
2 operator of the well?

3 A. Yes.

4 Q. And does Mewbourne request the cost plus 200  
5 percent risk charge in the event a person goes  
6 nonconsent in the well?

7 A. Yes.

8 Q. Could you identify Exhibit 4 for the Examiner?

9 A. Exhibit 4 is an AFE that was sent to all  
10 parties regarding this well.

11 Q. And what is the completed-well costs?

12 A. The completed-well cost is \$4,627,800.

13 Q. Is this cost fair and reasonable and in line  
14 with the cost of other wells of this type drilled in  
15 this area of Eddy County?

16 A. Yes.

17 Q. What overhead rates does Mewbourne request?

18 A. We are requesting \$7,000 a month to be allowed  
19 for drilling a well and \$700 a month for a producing  
20 well.

21 Q. And are these costs reasonable and under the --  
22 are they equivalent to the costs charged by Mewbourne  
23 and other operators for wells of this type in this area?

24 A. Yes.

25 MR. BRUCE: And, Mr. Examiner, Exhibit 5 is

1 simply my Affidavit of Notice. I would note one thing  
2 and that is that I omitted to identify a couple of  
3 parties who I later notified. I'd ask that this hearing  
4 be continued for two weeks so we can complete the notice  
5 process.

6 Q. (BY MR. BRUCE) And what is Exhibit 6,  
7 Mr. Pearson?

8 A. Exhibit 6 reflects the offset ownership of the  
9 surrounding section.

10 Q. So other than Mewbourne, the only offset owner  
11 is Endurance?

12 A. Correct.

13 Q. Was notice given to Endurance of this  
14 application?

15 A. Yes.

16 MR. BRUCE: And, Mr. Examiner, Exhibit 7 is  
17 my Affidavit of Notice to Endurance.

18 EXAMINER EZEANYIM: Okay.

19 Q. (BY MR. BRUCE) Mr. Pearson, in your opinion, is  
20 the granting of this application in the interest of  
21 conservation and the prevention of waste?

22 A. Yes.

23 Q. And were Exhibits 1 through 7 either prepared  
24 by you or compiled from company business records?

25 A. Yes.

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

3 EXAMINER EZEANYIM: Exhibits 1 through 7  
4 will be admitted.

5 (Mewbourne Oil Company Exhibit Numbers 1  
6 through 7 were offered and admitted into  
7 evidence.)

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

10 EXAMINER EZEANYIM: Okay. Thank you.

11 CROSS-EXAMINATION

12 BY EXAMINER EZEANYIM:

13 Q. What is the name of the pool in the Bone Spring  
14 wells; do you know?

15 A. I do. It is the Parkway Bone Spring.

16 Q. Do you know the pool code?

17 A. I do. 49622.

18 Q. 49 --

19 A. 49622.

20 Q. We talked about notice. You have a couple more  
21 you are going to notice?

22 MR. BRUCE: I have sent notice, but I  
23 notified them for the April 17th hearing.

24 Q. (BY EXAMINER EZEANYIM) It's a federal well,  
25 right?

1 A. Yes.

2 Q. Do you have an API number for this well?

3 A. I do. It is 30015 --

4 Q. 015. Okay.

5 A. Yes.

6 -- 4290.

7 Q. 300154290?

8 A. Correct.

9 Q. How many of those -- how many of those people  
10 in your -- what exhibit -- Exhibit Number 2, you said,  
11 with italics [sic], are the people that do have joinder  
12 but some of them are going to join?

13 A. That is correct.

14 Q. Including David Brooks Oil & Gas?

15 A. That's correct.

16 EXAMINER EZEANYIM: Is that right?

17 MR. BRUCE: It is.

18 Q. (BY EXAMINER EZEANYIM) But he indicated he was  
19 going to join, right?

20 A. Yes.

21 Q. Okay. Thank you. No further questions. You  
22 may step down.

23 EXAMINER EZEANYIM: Call your next witness.

24 NATE CLESS,

25 after having been previously sworn under oath, was



1 half-north half of Section 9. All the wells with the  
2 yellow circles produce out of the 2nd Bone Spring, and  
3 that's the target we're going for.

4           You can see horizontal wells that have been  
5 drilled in Sections 3,4, 5 and 8. In this immediate  
6 area, we pretty much drilled all of these wells.  
7 Mewbourne Oil Company pretty much drilled all of these  
8 wells, the first two in Section 5, north-south wells,  
9 and then the rest of the wells drilled in this area have  
10 all been east-west wells. And we've had much better  
11 results with the east-west orientation, so we're doing  
12 the lay-down in the north half-north half of Section 9.

13       Q.    The yellow denotes the 2nd Bone Spring,  
14 correct?

15       A.    Yes sir.

16       Q.    The second location for the Perazzi 9, the  
17 surface location is colored purple so as to designate it  
18 as a 3rd Bone Spring well. That's just to  
19 differentiate --

20       A.    That's a vertical well. The surface location  
21 is just the very beginning of that, so we're 150 feet  
22 into Section 8. But by the time we land our first  
23 perforation, it will be 330 to the west line.

24       Q.    I just want to make sure this will be a 2nd  
25 Bone Spring test well.

1 A. This will be.

2 Q. What is Exhibit 9?

3 A. Exhibit 9 is the structure map of the two wells  
4 in Section 9 that we're planning to be adjacent to our  
5 horizontal wellbore. It's a 2nd Bone Spring Sand. The  
6 first well is located in 9E, and the second well is  
7 located in 9A.

8 And then on this cross section. The two  
9 red lines identify the horizontal target, and this is  
10 the same interval that we've targeted in the wells in  
11 the north, Section 4. And it's kind of right in the  
12 middle of the entire 2nd Bone Spring Sand gross  
13 interval. The interval that we're targeting has the  
14 best porosity, the 2nd Bone Spring, at about 12 to 13  
15 percent and proven it's productive up to the north. So  
16 we believe it's productive up here in Section 9.

17 Q. In your opinion, do you believe the 2nd Bone  
18 Spring target interval is continuous across the proposed  
19 well unit?

20 A. Yes, sir, we do.

21 Q. And will each quarter-quarter section in the  
22 well unit contribute more or less equally to production?

23 A. Yes, sir.

24 Q. What is Exhibit 10?

25 A. Exhibit 10 is the production table of all the

1 Bone Spring well producers in this project area and  
2 nonsection project area. You can see that most of the  
3 Bone Spring well producers in this area are horizontal  
4 wells. I've listed the name, the operator, API and the  
5 location, as well as the Bone Spring wells' production  
6 of all this -- all these wells.

7 And you can see that Mewbourne has drilled  
8 the majority of the wells in this area. Again, I want  
9 to refer you to the north-south horizontals that have  
10 been drilled, the Colt 5 Federal #2H and Colt 5 Federal  
11 #3H, both drilled by Mewbourne back in 2009 and 2010,  
12 respectively. And in that time period, those wells  
13 produced 33,000 barrels and 53,000 barrels. If you look  
14 at all the other wells that were east-west drilled  
15 subsequently, at a later date, all of those wells have  
16 passed the cums of the two Colt wells drilled  
17 north-south. East-west is the preferred orientation to  
18 drill here.

19 Q. So you certainly don't want to be drilling  
20 vertical wells?

21 A. No. We've pretty much gone to horizontal these  
22 days.

23 Q. Finally, what is Exhibit 11?

24 A. Exhibit 11 is just the horizontal drilling plan  
25 that was furnished to us by the Directional Drilling

1 Company, and it has the wellbore diagram of where we're  
2 going to be kicking off, where our landing point is and  
3 where our bottom hole will be. And this well will be --  
4 the TD of this well is 12,794 feet TVD of 7,917.

5 Q. So the planned landing point would be, what,  
6 over 500 feet east of the surface location?

7 A. Yeah. We do project that we will come in right  
8 around 330 feet from the west line of Section 9. And  
9 we'll make sure -- we'll be running, I believe, a packer  
10 completion in this area, put our first pour at a legal  
11 location.

12 Q. And how many completions stages does Mewbourne  
13 use?

14 A. 24 in the lower Bone Spring wells, 2nd Bone  
15 Spring Sand completions.

16 Q. Were Exhibits 8 through 11 prepared by you or  
17 compiled from company business records?

18 A. Yes, sir.

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

22 A. Yes, sir.

23 MR. BRUCE: Mr. Examiner, I'd move the  
24 admission of Exhibits 8 through 11.

25 EXAMINER EZEANYIM: Exhibits 8 through 11

1 will be admitted.

2 (Mewbourne Oil Company Exhibit Numbers 8  
3 through 11 were offered and admitted into  
4 evidence.)

5 MR. BRUCE: I have no further questions of  
6 the witness.

7 CROSS-EXAMINATION

8 BY EXAMINER EZEANYIM:

9 Q. These are real production wells?

10 A. Yes. There is real production.

11 Q. So north-south can be as productive as  
12 east-west?

13 A. That's correct.

14 Q. So that's why we're here, to make sure that  
15 happens. But somebody will tell me the north-south are  
16 not profitable, but I can see here. So that's good.

17 No further questions. Thank you.

18 EXAMINER EZEANYIM: Anything further,  
19 Mr. Bruce?

20 MR. BRUCE: That's all I have. May we  
21 please continue it?

22 EXAMINER EZEANYIM: At this time, 15098  
23 [sic] will be continued for two weeks.

24 For notice requirements, right?

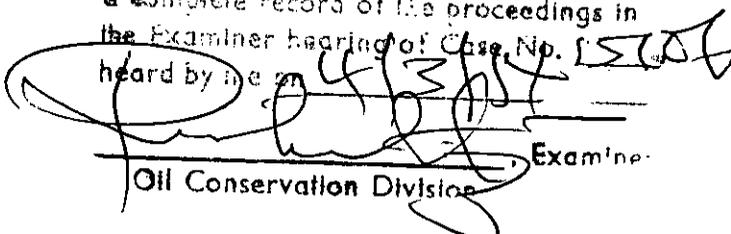
25 MR. BRUCE: Yes. 15106.

1 EXAMINER EZEANYIM: 15106 will be continued  
2 to -- what is that -- April 17th.

3 MR. BRUCE: 17th.

4 (Case Number 15106 concludes, 10:30 a.m.)  
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15 I do hereby certify that the foregoing is  
16 a complete record of the proceedings in  
17 the Examiner hearing of Case No. 15106  
18 heard by me on 4/13/07

  
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Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

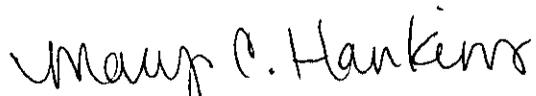
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CERTIFICATE OF COURT REPORTER

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

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

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



MARY C. HANKINS, CCR, RPR  
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