

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

APPLICATION OF MEWBOURNE OIL COMPANY FOR A
NON-STANDARD OIL SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 15359

OCTOBER 15, 2015
1220 S. St. Francis Drive
Santa Fe, NM 87505

HEARING EXAMINER: MICHAEL MCMILLAN

LEGAL COUNSEL: GABRIEL WADE

APPEARING FOR THE APPLICANT:

JIM BRUCE, Esq.
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505-982-2043

REPORTED BY: JAN GIBSON, CCR, RPR, CRR
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1 (Note: In session.)

2 HEARING EXAMINER MCMILLAN: I would like
3 to call Case No. 15359, Application of Mewbourne Oil
4 Company for a Non-Standard Oil Spacing and Proration
5 Unit and Compulsory Pooling, Lea County, New Mexico.
6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce, Santa
8 Fe, representing the applicant. I have two
9 witnesses, Mr. Pearson and Mr. Cless, both of whom
10 have been previously sworn and qualified.

11 HEARING EXAMINER MCMILLAN: Any other
12 appearances?

13 CLAYTON PEARSON
14 after having been first duly sworn under oath,
15 was questioned and testified as follows:

16 EXAMINATION

17 BY MR. BRUCE

18 Q. Mr. Pearson, again, you have Exhibit 1,
19 the landman's affidavit from the original hearing,
20 do you not?

21 A. That's correct.

22 Q. Turn to the attachments. What is
23 Attachment A?

24 A. Attachment A is a plat showing Section 9,
25 Township 23 South, Range 34 East, Lea County, New

1 Mexico and the highlighted yellow proration unit as
2 well as the red wellbore.

3 Q. And what zone is being force pooled in
4 this well?

5 A. The Bone Spring formation is being pooled.

6 Q. That's the entire Bone Spring interval?

7 A. That's correct.

8 Q. Who is being pooled in this well unit?

9 A. Enduro Operating, LLC is being pooled.

10 Q. What is Attachment B?

11 A. Attachment B is the tract ownership of the
12 acreage subject to this well. It shows each party's
13 leasehold interest in this acreage.

14 Q. And is it Enduro?

15 A. Yes, sir.

16 Q. Enduro is the only party being pooled?

17 A. That's correct.

18 Q. Has Mewbourne had contacts with Enduro?

19 A. We have had communications with them on
20 multiple occasions regarding this well.

21 Q. What is Attachment C?

22 A. Attachment C is a summary of those
23 communications we have had in the past few months
24 with them.

25 Q. And there are quite a few communications?

1 A. That's correct.

2 Q. And they have never agreed to sign a JOA
3 or join in the well at this point?

4 A. That is correct.

5 Q. If they signed up, would you notify the
6 division of such joinder?

7 A. We would.

8 Q. What is Attachment E?

9 A. Attachment E is a copy of our AFE for the
10 subject well.

11 Q. What is the completed well cost?

12 A. \$5,097,100.

13 Q. Is that cost reasonable in line of the
14 cost of other horizontal lines of this depth in this
15 area of New Mexico?

16 A. Yes.

17 Q. And what overhead rates does Mewbourne
18 request?

19 A. I believe it's \$7500 to drilling months
20 and \$750 for producing.

21 Q. Are those rates reasonable and in line
22 with the cost of operating wells in this area by
23 Mewbourne and other operators?

24 A. Yes.

25 Q. Does Mewbourne believe it's made a

1 reasonable effort to obtain voluntary joinder of
2 Enduro in this well?

3 A. Yes.

4 Q. Do you request the maximum costs and 200
5 percent risk charges?

6 A. Yes.

7 Q. Do you request Mewbourne be appointed as
8 operator of this well?

9 A. Yes.

10 Q. What is the final attachment, Attachment
11 E?

12 A. Attachment E is the offset ownership of
13 this well.

14 Q. And was notice given to Enduro of this
15 application?

16 A. Yes.

17 Q. And was notice given to the offsets?

18 A. It was.

19 MR. BRUCE: Mr. Examiner, it's in the case
20 file, but Exhibits 3 and 4. Exhibit 3 is the notice
21 to the party being pooled and Exhibit 4 is the
22 notice to the offsets, and they all received notice.

23 Q. Were attachments A through E either
24 prepared by you or compiled from company business
25 records?

1 A. Yes.

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

5 A. It is.

6 MR. BRUCE: Mr. Examiner, I move the
7 admission of Attachments A through E.

8 HEARING EXAMINER MCMILLAN: Attachments A
9 through E may now be accepted as part of the
10 witness.

11 (Note: Attachments admitted.)

12 MR. BRUCE: No further questions.

13 HEARING EXAMINER MCMILLAN: Where is the
14 letter that states the overhead?

15 THE WITNESS: It was not stated in any
16 communication. That's what we agreed to under the
17 JOA, I believe. Oh, excuse me. Actually, on the
18 verified statement which is Exhibit 1.

19 MR. BRUCE: Second page.

20 THE WITNESS: Paragraph H.

21 Q. Are the \$7500 and \$750 rates commonly used
22 by Mewbourne and other operators in this area?

23 A. Yes.

24 LEGAL COUNSEL WADE: I believe what
25 Mr. McMillan was asking is was there a communication

1 to the party being pooled regarding the costs?

2 MR. BRUCE: What do you mean, the overhead
3 rates?

4 LEGAL COUNSEL WADE: Overhead rates.

5 THE WITNESS: I believe we sent them a
6 proposed JOA which has the same published rates.

7 LEGAL COUNSEL WADE: Maybe we are just
8 missing that?

9 MR. BRUCE: If we didn't submit it I can
10 certainly give it to you later.

11 HEARING EXAMINER MCMILLAN: Yes, you will.

12 MR. BRUCE: Okay. I usually don't submit
13 the JOAs.

14 HEARING EXAMINER MCMILLAN: Just something
15 in there that states for the record what --

16 MR. BRUCE: We will get that to you, Mr.
17 Examiner.

18 HEARING EXAMINER MCMILLAN: Yeah, just
19 e-mail it to me.

20 MR. BRUCE: I will.

21 LEGAL COUNSEL WADE: No questions.

22 HEARING EXAMINER MCMILLAN: Thank you.

23 NATE CLESS

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

1 EXAMINATION

2 BY MR. BRUCE

3 Q. Mr. Cless was the geologist who signed the
4 affidavit originally marked as No. 2 which was
5 marked into evidence, but we will resubmit the
6 geologic exhibits.

7 Mr. Cless, you are familiar with the
8 geology in this area?

9 A. Yes, I am.

10 Q. Did you prepare exhibits for presentation
11 today?

12 A. Yes, I did.

13 Q. Are these exhibits identical to the
14 exhibits attached to your affidavit previously
15 submitted as Exhibit 2?

16 A. Yes.

17 Q. Let's move on to Exhibit 5 and discuss
18 that for the examiner.

19 A. Exhibit 5 is a gross aspect map of the
20 Third Bone Springs Sand interval in this area. I
21 have identified the location of our proposed well in
22 the east half east half of Section 9. All of the
23 other green horizontals on the map are Second Bone
24 Spring Sand horizontals. For this particular well
25 we are going to be drilling a Third Bone Springs

1 sand. I've also identified the location of my next
2 exhibit, which is Cross-Section 8A Prime.

3 Q. Why don't you discuss that.

4 A. Cross-section 8A Prime covers the Third
5 Bone Springs sand interval. It runs from the
6 northwest to the southeast, and you can see next to
7 the second wellbore I have identified where we have
8 gone horizontal or where we're planning on going
9 horizontal in this particular well. We tend to
10 target the Third Bone Spring Sand interval.

11 You can just see based on the porosity
12 logs, the porosity becomes more consistent and
13 continuous throughout the third part of the Lower
14 Bone Springs Sand interval. It ranges from 10 to 12
15 percent as the porosity throughout the lower part of
16 the Third Bone Springs Sand, and it's a continue
17 porosity area.

18 Q. In your opinion will each quarter quarter
19 section in the well unit contribute more or less
20 equally to production?

21 A. Yes.

22 Q. With respect to orientation of the well
23 unit, why are you choosing stand-ups?

24 A. We've drilled, just to the southeast of
25 here, we've drilled multiple Third Bone Springs sand

1 horizontals in a north/south direction and one well
2 east/west. There's just a significant difference
3 between the north/south and the east/west wells.
4 The north/south are much more productive. So we
5 established that north/south is the way to go. You
6 can see other offset operators have done the same
7 thing in this area.

8 Q. What is Exhibit 7?

9 A. Production table of the Bone Springs
10 interval. These are all just the horizontal wells.
11 Again, like I said, all the wells in this offset
12 area are Second Bone Spring Sand horizontals and we
13 plan on drilling a third Bone Springs Sand
14 horizontal, so this is more or less to provide the
15 data of the Second Bone Springs Sand or just the
16 offset the horizontals.

17 Q. And the stand-up Second Bone Springs wells
18 appear to be fairly successful?

19 A. Yes, they do. We operate the west half of
20 the section also and we've drilled the stand-up
21 Second Bone Springs Sand over there, which we are
22 pleased with.

23 Q. Finally, what is Exhibit 8?

24 A. Horizontal drilling plan that we have for
25 this particular well. You can see on the front page

1 I've listed the surface location of 185 from south,
2 750 from east, a landing point of 549 from south,
3 832 from east, which is a legal location, and then a
4 bottom hole location of 333 from the north, 961 from
5 the east, which is, again, a legal orthodox
6 location.

7 Q. How many completion zones?

8 A. We will do a plug-in perf frac on this and
9 we'll run 15 stages.

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 Q. And were Exhibits 5 through 8 prepared by
15 you or under your supervision or compiled from
16 company business records?

17 A. Yes, they were.

18 MR. BRUCE: Mr. Examiner, I move the
19 admission of Exhibits 5 through 8.

20 HEARING EXAMINER MCMILLAN: Exhibits 5
21 through 8 may now be accepted as part of the record.

22 (Note: Exhibits 5 through 8 admitted.)

23 MR. BRUCE: No further questions.

24 HEARING EXAMINER MCMILLAN: Why in the
25 east half are you -- are you developing the second

1 Bone Springs also?

2 THE WITNESS: Yes, we will. Like I said,
3 we had good success in the third sand. We are
4 testing both the second sand and the third sand up
5 here. In general, the second sand was a little bit
6 better on the western half so we started there and
7 we're just working our way towards the east, but we
8 fully intend to develop the second sand all the way
9 across the section.

10 LEGAL COUNSEL WADE: No questions.

11 HEARING EXAMINER MCMILLAN: No further
12 questions. Thank you. Case No. 15359 will be taken
13 under advisement. Thank you.

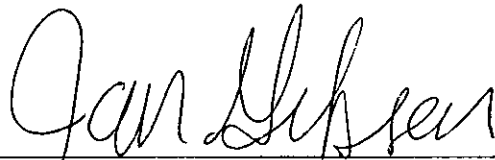
14 (Note: The proceedings were concluded.)
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____
_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, 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 and was reduced to printed form under my direct supervision.

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.



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
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