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

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

COPY

APPLICATION OF MEWBOURNE OIL COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO; APPLICATION OF MEWBOURNE OIL  
COMPANY FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO; APPLICATION OF MEWBOURNE OIL COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

CASE NOS. 14273,  
14275, 14276

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REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner  
RICHARD EZEANYIM, Technical Examiner  
TERRY G. WARNELL, Technical Examiner

February 19, 2009

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Legal Examiner, RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL, Technical Examiner, on Thursday, February 19, 2009, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

James G. Bruce, Esq.  
Attorney at Law  
P.O. Box 1056  
Santa Fe, New Mexico 87504

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1 MR. BROOKS: As I recall, there was a  
2 request that 14275 and 14276 be consolidated; is that  
3 correct?

4 MR. BRUCE: And 14273. That one was not  
5 continued. They are all -- 273, 275 and 276 all involve  
6 the same property.

7 MR. BROOKS: Okay. At this time we call  
8 Case Number 14273, application of Mewbourne Oil Company  
9 for compulsory pooling, Eddy County, New Mexico; Case  
10 Number 14275, application of Mewbourne Oil Company for  
11 compulsory pooling, Eddy County, New Mexico; and Case  
12 Number 14276, application of Mewbourne Oil Company for  
13 compulsory pooling, Eddy County, New Mexico. Call for  
14 appearances.

15 MR. BRUCE: Mr. Examiner, Jim Bruce of  
16 Santa Fe, representing the applicant. I have one  
17 witness, Mr. Mitchell, who I'd ask the record to reflect  
18 has been previously sworn and qualified.

19 MR. BROOKS: The record will reflect that  
20 the previous announcement that Case Number 14273 was  
21 continued was in error.

22

23

24

25

1 CORY MITCHELL

2 Having been first duly sworn, testified as follows:

3 DIRECT EXAMINATION

4 BY MR. BRUCE:

5 Q. Mr. Mitchell, let's turn to the exhibit  
6 booklet, and the top exhibit, Exhibit 1, what does that  
7 reflect?

8 A. Exhibit 1 is land plat from Midland Map  
9 Company covering Township 20 South, Range 25 East.  
10 Included is Section 15. We have three well units  
11 highlighted, being the northeast of the southeast, which  
12 is Case 14273. Case 14275 is the southwest/southeast,  
13 and Case 14276 is the southeast/southeast.

14 MR. BROOKS: Could you go over that again?  
15 14273 is --

16 THE WITNESS: -- the northeast of the  
17 southeast of Section 15. Case 14275 is the  
18 southwest/southeast of Section 15, and Case 14276 is the  
19 southeast/southeast of Section 15. We request that all  
20 well units be pooled from the surface to the base of the  
21 Yeso formation.

22 Q. (By Mr. Bruce) Why does Mewbourne request  
23 that these three cases be consolidated for hearing?

24 A. The northeast/southeast and the south half of  
25 the southeast of Section 15 common fee tracks with all

1 the common in each three -- well unit being common title.

2 Q. Again, to reiterate the examiner's prior  
3 question, depths from surface -- interest ownership as to  
4 depths from surface to the base of the Yeso are common,  
5 are they not?

6 A. Correct.

7 Q. Again, what are the nearest Yeso pools?

8 A. The Cemetery-Yeso Pool and North Seven Rivers,  
9 Glorieta Yeso, within a mile of this area.

10 Q. And what are the names of the three wells  
11 involved in these cases?

12 A. In Case 14273, which is the northeast quarter  
13 of the southeast quarter of Section 15, that well is the  
14 Quick Draw "15" I No. 1. In Case 14275, which is the  
15 southwest/southeast of Section 15, that well is the Quick  
16 Draw "15" O No. 1. And in Case 14276, which is the  
17 southeast quarter of the southeast quarter of Section 15,  
18 that well will be the Quick Draw "15" P No. 1.

19 MR. EZEANYIM: Excuse me. If you look at  
20 those four cases, they are in the same southeast quarter;  
21 right? And then the one we just did is in Unit J. Is  
22 that --

23 MR. BRUCE: The case involving the -- the  
24 first case we did, the northwest/southeast that is  
25 different mineral title.

1 MR. EZEANYIM: That's why we did it,  
2 because it's just that one specific --

3 MR. BRUCE: Just that 140.

4 MR. EZEANYIM: Okay. That's because it  
5 has a different ownership interest?

6 MR. BRUCE: This 120 acres has common  
7 title. Although the witness divided it up into the three  
8 well units, if you look at the other exhibit packet for  
9 the first case, you'll see that is on the Midland Map  
10 Company map, common fee tract.

11 MR. EZEANYIM: Okay.

12 Q. (By Mr. Bruce) Mr. Mitchell, will all the  
13 wells be drilled at orthodox locations?

14 A. Yes, sir.

15 Q. What does Exhibit 2 reflect?

16 A. Exhibit 2 represents all the mineral interest  
17 owners and their addresses, along with their percent  
18 interests.

19 Q. Now, who do you seek to pool?

20 A. We seek to pool everybody, except Chesapeake  
21 and Mewbourne Oil Company, which would commence with  
22 Cathy J. Jones and end with Georgia E. Kotlinski.

23 Q. Now, in this tract, although there are -- I  
24 don't know -- 16, 18 people listed, actually how many  
25 mineral interest owners are in this 120-acre tract?

1           A.     In this 120-acre tract, there was over 60  
2 mineral owners, 60 plus.

3           Q.     What is Exhibit 3?

4           A.     Exhibit 3 is a summary of our communications.  
5 It includes proposed letters to interest owners, and  
6 copies of correspondence, handwritten notes, emails, all  
7 describing our communications.

8           Q.     And, again, there are certain unlocateable  
9 interest owners in this tract?

10          A.     Correct.

11          Q.     And, again, what did you do to try to locate  
12 these mineral owners?

13          A.     We searched through the Eddy County records,  
14 used several different Internet Websites to search for  
15 them, and we also searched our internal records.

16          Q.     In your opinion, has Mewbourne made a  
17 good-faith effort to locate all the interest owners or to  
18 obtain their voluntary joinder in these three wells?

19          A.     Yes, sir.

20          Q.     Could you identify Exhibits 4, 5 and 6 and  
21 describe them for the examiner?

22          A.     Exhibit 4 is an AFE for the Quick Draw "15" I  
23 No. 1 well. Exhibit 5 is a AFE for Quick Draw "15" O No.  
24 1 well, and Exhibit 6 would be an AFE for the Quick Draw  
25 "15" P No. 1.

1 Q. And all of these AFEs contain footage  
2 locations for these wells. Are those the accurate  
3 locations for these wells?

4 A. Yes, sir.

5 Q. And, again, there's a completed well cost of  
6 about \$914,000. Are those costs in line with the costs  
7 of other wells drilled at this depth in this area?

8 A. Yes, sir.

9 Q. Do you request that Mewbourne be appointed  
10 operator of the three wells?

11 A. Yes, sir.

12 Q. What is your recommendation for the overhead  
13 rates?

14 A. We recommend 4,000 a month to be allowed for  
15 the drilling well and \$400 a month be allowed for a  
16 producing well.

17 Q. And, again, do you request that these rates be  
18 adjusted pursuant to the COPAS accounting procedure?

19 A. Yes, sir.

20 Q. Does Mewbourne request the maximum cost plus  
21 200 percent risk charge against any non-presenting  
22 interest owners?

23 A. Yes, sir.

24 Q. Were the parties being pooled notified of  
25 these applications?

1 A. Yes, sir.

2 Q. Are Exhibits 7, 8 and 9 Affidavits of Notice  
3 for each of the three applications?

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, again, written  
6 notice was attempted as to all the people who had an  
7 address, whether or not valid, and there were certain  
8 letters that never came back or were returned as unable  
9 to deliver, and that's reflected in these Affidavits.

10 MR. BROOKS: All those people where  
11 included in the publication notice?

12 MR. BRUCE: Yes. Exhibits 10, 11 and 12  
13 are publications of notice for each well, and everyone  
14 who had no address or who had a bad address, was included  
15 in the Affidavits.

16 MR. BROOKS: Okay.

17 Q. (By Mr. Bruce) Were Exhibits 1 through 12  
18 prepared by you or under your supervision or compiled  
19 from company business records?

20 A. Yes, sir.

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

24 A. Yes, sir.

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

1 admission of Exhibits 1 through 12.

2 MR. BROOKS: Very good. Exhibits 1  
3 through 12 will be admitted.

4 (Exhibits 1 through 12 were admitted)

5 MR. BRUCE: I have nothing further of the  
6 witness.

7 MR. BROOKS: I believe you covered all the  
8 questions that I asked in previous cases, so it's not  
9 necessary that I ask any in this case.

10 MR. EZEANYIM: Do you have -- have you all  
11 gotten an APD for these wells?

12 THE WITNESS: Yes, sir.

13 MR. EZEANYIM: You have. And you have API  
14 numbers? We need these API numbers, very helpful. Do  
15 you have API numbers?

16 THE WITNESS: Yes, sir. For the Quick  
17 Draw "15" --

18 MR. EZEANYIM: Just a moment. I want to  
19 write it down. Or is it contained in the exhibits?  
20 Because when we write the order, we need to put it in  
21 there. Do you have those API numbers in here?

22 THE WITNESS: No, sir they're not  
23 included.

24 MR. EZEANYIM: So we need to write them  
25 down then. Okay. Go ahead. They are the same name?

1 THE WITNESS: Okay. The Quick Draw "15"  
2 I, which is Case 14273, API number on that is 3001536532.

3 MR. EZEANYIM: Okay.

4 THE WITNESS: Quick Draw "15" O, which is  
5 Case 14275, the API is 3001536533. And Quick Draw "15"  
6 P, which is Case 14276, the API is 3001536530. And I  
7 have the API for the previous case, if you'd like that  
8 one.

9 MR. EZEANYIM: Yes.

10 THE WITNESS: That is 3001536531.

11 MR. EZEANYIM: On these four cases, do we  
12 need to do an escrow?

13 MR. BRUCE: Yes, sir.

14 MR. EZEANYIM: Because you weren't able to  
15 find --

16 MR. BRUCE: There are unlocateables in  
17 each and every one of the cases.

18 MR. BROOKS: Mr. Warnell, you had a  
19 question?

20 MR. WARNELL: Yes, I do. Mr. Mitchell, I  
21 noticed on one of your APDs in our system that -- I think  
22 maybe two of them -- you had changed the location from  
23 what you originally applied for?

24 THE WITNESS: Yes, sir.

25 MR. WARNELL: Do you know why you did

1 that?

2 THE WITNESS: I think it had to do with  
3 internal views on where we wanted each well to be as far  
4 as the geology was concerned, so I think they had -- as  
5 far as all four of these wells are concerned, I think  
6 they changed each location to reflect that.

7 MR. WARNELL: Okay. Thank you. That's  
8 all I've got.

9 MR. BROOKS: Okay. If there's nothing  
10 further, then Case Number 14273 will be taken under  
11 advisement, Case Number 14275 will be taken advisement,  
12 and Case Number 14276 will be taken under advisement. So  
13 the record is clear, these cases were consolidated only  
14 for purposes of hearing. They're not consolidated, and  
15 separate orders will be entered for each case. Mr.  
16 Ezeanyim will be handling the next matter without my  
17 participation, so I'll leave the bench for the moment.

18 MR. EZEANYIM: Let's take about a  
19 10-minute break.

20 \* \* \*

21 I do hereby certify that the foregoing is  
22 a complete record of the proceedings in  
23 the Examiner hearing of Case No. \_\_\_\_\_,  
heard by me on \_\_\_\_\_.

24 \_\_\_\_\_, Examiner  
25 Oil Conservation Division

REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on February 19, 2009, proceedings in  
the above captioned case were taken before me and that I  
did report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

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

WITNESS MY HAND this 23rd day of February,  
2009.

*Jacqueline R. Lujan*  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2009