

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:)
APPLICATION OF MEWBOURNE OIL COMPANY)
FOR COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)

CASE NO. 12,929

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

September 19th, 2002

Santa Fe, New Mexico

02 OCT -3 PM 6:19
STEVEN T. BRENNER

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, September 19th, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

September 19th, 2002
 Examiner Hearing
 CASE NO. 12,929

	PAGE
EXHIBITS	3
APPEARANCES	4
APPLICANT'S WITNESSES:	
<u>D. PAUL HADEN</u> (Landman)	
Direct Examination by Mr. Bruce	6
Examination by Mr. Feldewert	14
<u>BRIAN M. MONTGOMERY</u> (Engineer)	
Direct Examination by Mr. Bruce	17
<u>MIKE BURKE</u> (Geologist)	
Direct Examination by Mr. Bruce	20
Examination by Examiner Brooks	28
REPORTER'S CERTIFICATE	34

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	14
Exhibit 2	7	14
Exhibit 3	10	14
Exhibit 4	12	14
Exhibit 5	17	19
Exhibit 6	20	28
Exhibit 7	21	28
Exhibit 8	23	28
Exhibit 9	24	28
Exhibit 10	24	28
Exhibit 11	25	28
Exhibit 12	26	28
Exhibit 13	13	14

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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
324 McKenzie
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504

FOR HARVEY E. YATES COMPANY
and SHINNERY INVESTMENT COMPANY:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: MICHAEL H. FELDEWERT

* * *

ALSO PRESENT:

MICHAEL E. STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 11:30 a.m.:

3 EXAMINER BROOKS: And we'll call Case Number
4 12,929, the Application of Mewbourne Oil Company for
5 compulsory pooling, Eddy County, New Mexico.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
7 representing the Applicant. I have three witnesses.

8 MR. FELDEWERT: Michael Feldewert with the Santa
9 Fe office of the law firm of Holland and Hart. I'm here on
10 behalf of Harvey E. Yates Company as well as Shinnery
11 Investment Company, and I have no witnesses today.

12 MR. BRUCE: And Mr. Examiner, if the record could
13 reflect that the three witnesses I have, Mr. Haden, Mr.
14 Montgomery and Mr. Burke, have all been previously sworn
15 and qualified.

16 EXAMINER BROOKS: The record will so reflect.
17 The exhibit folder, I take it, is the one labeled
18 "Esperanza '14' State Com. #1 Well"?

19 MR. BRUCE: Yes, sir.

20 EXAMINER BROOKS: Very good, you may proceed --
21 Hold on a second.

22 (Off the record)

23 EXAMINER BROOKS: We will -- In order to be more
24 expeditious about disposing the docket, Mr. Stogner has
25 indicated to me that he would like to hear the Application

1 in Case Number --

2 (Off the record)

3 EXAMINER BROOKS: Oh, I see, I see.

4 EXAMINER STOGNER: Let's go off the record.

5 (Off the record)

6 EXAMINER BROOKS: Back on the record.

7 D. PAUL HADEN,

8 the witness herein, after having been first duly sworn upon
9 his oath, was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. BRUCE:

12 Q. Mr. Haden, could you identify Exhibit 1 and state
13 what Mewbourne seeks in this case?

14 A. Exhibit Number 1 is a land plat. It indicates
15 the proposed spacing unit, being outlined in yellow. It
16 also indicates the proposed location, which is a red dot.
17 The proposed location is currently at 685 feet from the
18 south line and 660 feet from the west line of Section 14,
19 Township 21 South, Range 27 East, the spacing unit being
20 the west half.

21 Q. And do you seek to pool in this one from the -- I
22 forget, from the surface or from the base of the Yates
23 formation?

24 A. This would be from below the base of the Yates
25 formation through the base of the Morrow formation.

1 Q. And do you also seek to pool the southwest
2 quarter of Section 14 and the southwest southwest of
3 Section 14 for 160- and 40-acre units, respectively?

4 A. That's correct.

5 Q. This is state land involved in this -- state
6 minerals involved in this Application?

7 A. Yes, the west half is all state minerals.

8 Q. Now, although it's not in the Application, in
9 this case do you seek to exclude the Atoka formation from
10 the pooling Application?

11 A. Yes, sir, we seek to exclude the Atoka formation
12 at this current time, as there is a marginal Atoka gas well
13 in the northwest quarter which is currently dedicated to
14 the north half of 14.

15 Q. Okay. Looking at the west half unit, as in the
16 previous Exhibit 2, does that set forth the interest
17 ownership in the three well units you are talking about?

18 A. Yes, it does.

19 Q. And without going into detail, let's perhaps turn
20 to the -- page 2 of this exhibit, which shows the west half
21 of Section 14. At this time, who do you seek to pool in
22 this case?

23 A. At this time we seek to pool Devon Energy
24 Production Company, L.P.; Shinnery Investment Company;
25 Yates Energy Corporation; Cibola Energy Corporation;

1 Jalapeno Corporation; and the other parties have committed
2 their interests in written form.

3 Q. Okay. Now, with respect -- Mr. Feldewert is here
4 on behalf of Harvey E. Yates Company and Shinnery
5 Investment Company. Has there been a preliminary agreement
6 with those parties?

7 A. Yes, Harvey E. Yates Company, who also speaks for
8 Shinnery Investment Company, has agreed to execute a term
9 assignment in our favor, of which I've requested them to
10 submit their form of assignment for our approval. Thus far
11 I have not seen that, so until there is an executed written
12 agreement we will continue to name them in the pooling.
13 Once this agreement is finalized, we would therefore
14 dismiss them.

15 Q. Okay. And then with respect to the other ones,
16 Yates Energy, Cibola Energy and Jalapeno Corporation, have
17 tentative agreements been reached with them?

18 A. Yes, Yates Energy Corporation, as of last Friday,
19 has agreed to join in the proposed well. I am to send them
20 our proposed operating agreement the very first of next
21 week, at which time they will be executing same.

22 Also Cibola Energy Corporation and Jalapeno
23 Corporation, an agreement was made just this last Monday
24 with Harvey E. Yates, Jr., that he's agreed to also give us
25 a term assignment. That term assignment has not as of this

1 date been executed, but the form itself has been
2 tentatively agreed on, which all of these parties which
3 I've just mentioned would be dismissed from the pooling
4 Application once there is a formal executed agreement.

5 Q. And finally Devon Energy, what is their status?

6 A. They've agreed to join with us as of yesterday.
7 Again, we will forward them our joint operating agreement
8 for their review and execution, and once they are signed up
9 on the operating agreement and they have signed the AFE,
10 they would also be dismissed.

11 Q. Okay. Now, on both the cases you're testifying
12 about, Mr. Haden, I mean, there have been tentative
13 agreements reached with these parties. Why is Mewbourne
14 moving forward at this time?

15 A. We have rig scheduling which we have some
16 problems with. If we were to delay these we could not
17 drill these wells timely. We plan way ahead in scheduling
18 our drilling programs, which generally start the very first
19 of fall of each year and go on through the summertime.

20 So we have to make sure that we have all of our
21 agreements in place, made, so we can move forward on
22 drilling the wells timely, as well as trade agreements
23 expiring, et cetera.

24 Q. Approximately how many wells does Mewbourne
25 intend to drill over the next year or so?

1 A. Over the next year or so, we plan to drill as
2 many as 20 to 25 Morrow wells at -- Between now and then,
3 we are putting acreage together to do so.

4 Q. And so it's just time-consuming, and you need to
5 move forward?

6 A. Right.

7 Q. Okay. One other thing with respect to Devon.
8 Devon has been inactive during this past year, and --

9 A. Yes, apparently they have -- Well, they've
10 indicated that their budget was limited for participating
11 in Morrow wells, and in fact, they've indicated to us, just
12 go ahead and file a pooling application and on our receipt
13 of same then we will start looking at your proposal.

14 Q. Let's move on to your Exhibit 3 and just briefly
15 discuss the outline of your communications with the parties
16 regarding this well, Mr. Haden.

17 A. Okay, Exhibit Number 3 is a summary of the
18 communications with the various parties, of which the
19 proposed well was proposed to Devon Energy February 21st,
20 '02, and an AFE was also enclosed in the proposal with an
21 offer to acquire their interest if they chose not to join,
22 and they could retain an overriding royalty interest also.
23 There's numerous conversations throughout this period.

24 The initial location was first proposed at 1980
25 from the south and then 660 from the west. Through further

1 geological evaluation, we decided to drill this well 660
2 from the south and 660 from the west, due to geological
3 considerations and also for surface considerations.

4 So you'll note that I re-proposed this well
5 August 1st. Of course, the geology doesn't change over
6 time. Our general idea is to drill a well in the southwest
7 quarter, the same --

8 Q. And so there have been about -- over seven months
9 of communication --

10 A. Right.

11 Q. -- with some of these parties? Would the same
12 apply to Harvey E. Yates Company?

13 A. That's correct, and also Shinnery Investment
14 Company have, or we first proposed our well April 8th to
15 them. Due to some title -- Harvey E. Yates, Jr., supplied
16 us with some additional title information which indicated
17 that Shinnery Investment Company did, in fact, own an
18 interest in this spacing unit.

19 Q. So in other words, when you got your original
20 title report, it didn't have Shinnery --

21 A. That's correct, and then --

22 Q. -- and Shinnery's interest is not of record?

23 A. Right.

24 Q. Okay.

25 A. As soon as we found that out, that's when we

1 proposed the well to them.

2 Q. Okay. But with the other parties that you're
3 seeking to pool today, there have been negotiations
4 regarding a well in the southwest quarter since February of
5 this year?

6 A. Right, and then re-proposed August 1st.

7 Q. And does Exhibit 4 just contain -- a packet
8 containing the information with the various parties who you
9 seek to pool?

10 A. Yes, it contains communications, either in
11 writing or notations from my phone conversations with these
12 parties.

13 Q. In your opinion, has Mewbourne made a good-faith
14 effort to obtain the voluntary joinder of these interest
15 owners in the well?

16 A. Yes, we have, and we expect to have voluntary
17 agreements with all the parties.

18 Q. Does Mewbourne request that it be designated
19 operator of the well?

20 A. Yes, we request.

21 Q. And what is your recommendation for the overhead
22 rates for the well?

23 A. We're requesting in this area \$6000 per month as
24 to the drilling cost and \$600 per month for the producing
25 well rates.

1 Q. And again, these amounts are equivalent to those
2 charged by Mewbourne and other operators in this area?

3 A. Right, as well as these amounts were agreed upon
4 with the interest owners in the unit, of which some have
5 already executed an operating agreement.

6 Q. Does Mewbourne request that the overhead rates be
7 adjusted under the COPAS accounting procedure?

8 A. Yes, we so request.

9 Q. And were all of the parties notified of this
10 hearing?

11 A. Yes, they were.

12 Q. Does Exhibit 13 contain the notice letter and the
13 certified return receipts?

14 A. Yes, it does.

15 Q. Were Exhibits 1 through 4 and 13 prepared by you
16 or under your supervision or compiled from company business
17 records?

18 A. That's correct.

19 Q. And in your opinion is the granting of
20 Mewbourne's Application in the interests of conservation
21 and the prevention of waste?

22 A. Yes.

23 MR. BRUCE: Mr. Examiner, I tender the admission
24 of Mewbourne Exhibits 1 through 4 and 13.

25 EXAMINER BROOKS: Any objection?

1 MR. FELDEWERT: No objection.

2 EXAMINER BROOKS: One through 4 and 13 are
3 admitted.

4 MR. BRUCE: And I pass the witness.

5 EXAMINER BROOKS: I don't believe I have any
6 questions. Do you, Mr. Stogner?

7 EXAMINER STOGNER: No, I do not.

8 MR. FELDEWERT: Examiner -- If I may.

9 EXAMINER BROOKS: Oh, I'm sorry. Yeah, that's
10 right.

11 MR. FELDEWERT: I just have some very brief ones.

12 EXAMINER BROOKS: Mr. Feldewert?

13 EXAMINATION

14 BY MR. FELDEWERT:

15 Q. Mr. Haden, I'm looking at Exhibit Number 2. If
16 you could turn to the second page where you show the west
17 half of Section 14, that's your 320 --

18 A. Right.

19 Q. I'm assuming this is a typo. It looks like you
20 don't have an interest listed there for Harvey E. Yates
21 Company?

22 A. Well, you're absolutely correct.

23 MR. BRUCE: They would have an interest.

24 THE WITNESS: Right, they have -- Look on page 1
25 of this same exhibit, and it has their interest, Harvey E.

1 Yates Company, 16.649814 percent.

2 Q. (By Mr. Feldewert) So it would roughly be half?

3 A. Right, it would be 8-point-something percent --

4 Q. Okay.

5 A. -- on a spacing unit basis for the west half.

6 Q. Okay. Now you mentioned that you had reached an
7 agreement with Harvey E. Yates Company and Shinnery. I
8 want you to look at Exhibit Number 4.

9 A. Right.

10 Q. Now, my packet has about three or four stapled
11 sections. I'm going to turn to the second stapled section
12 of Exhibit Number 4 --

13 A. Okay.

14 Q. -- which begins with a letter dated September
15 6th, 2002; is that right?

16 A. That's right.

17 Q. Okay. Now, this is a -- Did you receive this
18 letter?

19 A. Yes, I did, I've got a copy of it.

20 Q. All right, and you've reviewed it, right?

21 A. I've reviewed it.

22 Q. Okay. Now, it reflects a telephone conversation
23 with you and Melissa Randle in which you, I'm assuming,
24 discussed this agreement; is that right?

25 A. She said she would prepare the exhibit and send

1 it to me. I have not seen this exhibit. I advised her
2 that we would review her form of agreement, and if it was
3 satisfactory we would accept it. But we have not seen her
4 form of agreement.

5 Q. All right, well, let me ask you this. She set
6 out some terms in this letter in which she says she agrees
7 to grant Mewbourne Oil Company a term assignment, and she
8 sets forth the terms, right?

9 A. Right, those terms are agreeable.

10 Q. You had no difficulty with those terms?

11 A. No.

12 Q. Okay, all right. And she says Heyco's going to
13 prepare and execute its form term assignment as soon as
14 possible. Have you seen their form term assignment before?

15 A. No, sir, I have not.

16 Q. You never have?

17 A. Never.

18 Q. Okay.

19 A. I assume the same form would apply to Shinnery
20 Investment Company.

21 Q. Yes, yes. Okay, so right now you're just waiting
22 on the form term assignment from Ms. Randle, and then we
23 can get this deal finished?

24 A. Which I'm sure would be acceptable.

25 Q. Okay, that's all I have. Thank you.

1 EXAMINER BROOKS: Okay, any redirect?

2 MR. BRUCE: No questions from me, Mr. Examiner.

3 EXAMINER BROOKS: Very good, the witness may step
4 down.

5 MR. FELDEWERT: Mr. Examiner, I'm not going to
6 have any further questions. If I may be excused --

7 EXAMINER BROOKS: You wish to be excused from
8 continued attendance?

9 MR. FELDEWERT: Yeah, I will not have any further
10 questions.

11 EXAMINER BROOKS: That is satisfactory.

12 MR. FELDEWERT: Thank you.

13 BRIAN M. MONTGOMERY,

14 the witness herein, after having been first duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Mr. Montgomery, could you identify Exhibit 5 for
19 the Examiner?

20 A. I believe that's the exhibit showing our
21 authorization for expenditure, an AFE, which is an
22 estimated cost to drill and complete a Morrow well at a
23 depth of 11,900 feet, and we reference the well name as the
24 Esperanza "14" State Number 1.

25 Q. And this is for a well 660 feet from the south

1 line and 660 feet from the west line. You've heard Mr.
2 Haden say that that location was moved slightly due to
3 surface reasons?

4 A. Right, prior to the preparation of this AFE I
5 believe it was at a different location, but since then we
6 moved it, and this was prepared after that.

7 Q. Yeah, it had only been moved about 25 feet to the
8 north or west, I believe?

9 A. That's correct.

10 Q. Off the top of my head. But that slight move
11 would not change any of the figures in this AFE, would it?

12 A. No, it would not.

13 Q. And again, what are the well costs?

14 A. The actual well costs for drilling would be
15 \$640,000, and completion \$422,500, for a total of
16 \$1,062,500.

17 Q. And are these costs in line with the costs of
18 other wells drilled to this depth in this area of New
19 Mexico?

20 A. They are.

21 Q. And who was this prepared by?

22 A. This was prepared by our district manager of
23 operations in the Hobbs district, Mickey Young, and
24 approved by his vice president at Mewbourne Oil Company,
25 Monty Whetstoe.

1 Q. And have you reviewed these figures, and do you
2 agree with them?

3 A. I do.

4 Q. And again, this is immediately to the south of
5 the first case we had. Does your estimate of the summary
6 of risks and economics in this well conform to what you
7 testified about with respect to the Section 11 well?

8 A. Yes, yes, this is a primary -- a middle Morrow,
9 as you've heard, test, and the risks are very similar here
10 as they were in the previous, and there are significant
11 risks in drilling Morrow wells.

12 Q. And in your opinion, the maximum cost-plus-200-
13 percent risk penalty should be assessed?

14 A. Yes, I think so.

15 Q. In your opinion, is the granting of this
16 Application in the interests of conservation and the
17 prevention of waste?

18 A. Yes.

19 MR. BRUCE: And Mr. Examiner, I would move the
20 admission of Mewbourne Exhibit 5.

21 EXAMINER BROOKS: Exhibit 5 is admitted.

22 MR. BRUCE: I pass the witness.

23 EXAMINER BROOKS: I have no questions of this
24 witness.

25 EXAMINER STOGNER: No questions.

1 EXAMINER BROOKS: And I'm sorry, I've forgotten
2 your name.

3 MR. BURKE: Mike Burke.

4 MR. BRUCE: Mike Burke.

5 EXAMINER BROOKS: Thank you.

6 MIKE BURKE,

7 the witness herein, after having been first duly sworn upon
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. BRUCE:

11 Q. Mr. Burke, before we begin, your testimony with
12 respect to the Section 14 well is quite similar to what you
13 testified about regarding the Section 11 well, is it not?

14 A. Yes, sir, it is.

15 Q. Well, why don't you go through your exhibits and
16 abbreviate your testimony and discuss the risks involved in
17 drilling your proposed well?

18 A. I shall. Exhibit Number 6 is a structure map at
19 the top of the oil formation. All of the annotations and
20 details of this map are identical to the map that I
21 presented in the last hearing. The large gray-shaded --
22 the gray shading behind there indicates the relative order
23 of magnitude of production from the Morrow, which is
24 annotated on this map in red, both cumulative as well as
25 the last current month's rate.

1 And if you look in the southwest part of 11,
2 you'll see an open circle there, which is the location that
3 we just spoke of in the last hearing, the Esperanza --
4 proposed Esperanza "11" well.

5 The well here in 14 that we are proposing is
6 moving in a downdip direction, a little further downdip.
7 Similar production characteristics of the Morrow exist in
8 this area. The better wells are off to the west, updip,
9 where they produce from both the middle and the lower
10 Morrow.

11 Q. The good wells off to the west, though, are not
12 as good as the wells to the north, apparently?

13 A. No, because the wells to the north are even
14 further updip, and due to that updip position produce more
15 gas and less water.

16 Q. Okay. Why don't you move on to your cross-
17 section briefly and again identify that?

18 A. Cross-section A-A' in the north goes from the
19 well that was actually in the last cross-section; it's the
20 well in the northwest part of Section 14. That well was
21 originally drilled, drill stem tested in the middle and
22 lower Morrow and found to be water-productive in the lower
23 Morrow, gas-productive in the middle Morrow, perforated in
24 the blue sand, 11,428 to 11,456, and made about 640 million
25 cubic feet of gas before that zone depleted.

1 They subsequently recompleted that well to the
2 Atoka, and there it currently produces at a very low rate
3 and has made about 85 million cubic feet of gas since about
4 1989.

5 The well in the middle part of the section,
6 cross-section, is an old Humble well that was originally
7 drilled and abandoned by Humble back in the early 1960s.
8 They drill stem tested in the lower Morrow and found it to
9 be wet, and they felt that the middle Morrow at that time
10 did not have enough permeability to be a productive
11 reservoir.

12 The well was re-entered a year later by a company
13 by the name of Star Oil and Gas, and they did not complete
14 in the Morrow, but they did make a Wolfcamp completion up
15 the hole. That Wolfcamp completion came on at 168 barrels
16 a day, and I don't have the cumulative number there --
17 yeah, I do -- no, I don't have the cumulative number, but
18 I'll show you that on a subsequent exhibit that has all the
19 production figures.

20 The third well on the cross-section is a well
21 that we drilled, Mewbourne Oil Company drilled, about a
22 year ago and completed in the middle Morrow blue sand.
23 Perforations are in the depth track on the right, and this
24 was a nice well, it came on over a million cubic feet a day
25 and had at or near virgin bottomhole pressure.

1 And it's been producing for -- If you look on the
2 cumulative numbers, that .31 BCF of gas, that's for the
3 months of January through May. So it came on at a good
4 rate, and in May it was still making about 74 million cubic
5 feet a month. It's fallen off quite a bit since then, but
6 we feel like it was an economic venture.

7 That well, just for your note, if you look at the
8 well just to the northwest of it in Section 23, is about
9 800 feet from a well that was drilled by Amoco and plugged
10 in the Morrow, because they felt like it was not
11 productive. The middle Morrow blue sand in that well was
12 much tighter than what we encountered in this well, and I
13 just point this out to show you the rapid variability of
14 porosity and permeability within the gross sands in this
15 area.

16 That's really all I have for that exhibit.

17 Q. Why don't you discuss your next map, Exhibit 8,
18 which is the isopach of the middle Morrow?

19 A. Yes, this is the isopach map of that blue sand
20 that you saw on the cross-section. It's our primary
21 objective in this prospect. We've made a completion in
22 this sand down in Section 23, the well I just spoke about.

23 We've also made a completion in this sand in
24 about the middle part of Section 15 there. You'll see a
25 well that was drilled in -- or completed in 2002, that's

1 made about 320 million cubic feet of gas and had a rate in
2 May of about 76 million cubic feet.

3 Based on subsurface well control and production
4 back to the -- up in the north part of this section, about
5 .6 from this zone, we feel like we have a reasonable chance
6 of encountering this particular reservoir with a pretty
7 good bottomhole pressure and are hoping for some good
8 porosity and permeability.

9 That's really the only significant Morrow
10 reservoir that we feel like we could count on at this
11 particular location, so I would say in regard to the
12 Morrow, this is perhaps a little riskier prospect than the
13 one that I testified to in Section 11.

14 Q. Is Exhibit 9, then, just a production plat of all
15 the zones?

16 A. That is correct, Exhibit 9 as well as the map.

17 And Exhibit 10 is a summary of what is depicted
18 in the nine sections surrounding the proposed well.

19 As with earlier testimony, I call your attention
20 to the Morrow formation. It has an average of 2.2 BCF with
21 a median of 1.17 for this area. That's not as good as the
22 averages and medians we saw in Section 11. In Section 11
23 it was about 2.8 average and about 2.3 median. And the
24 reason here is because the area of investigation for this
25 particular study is -- since it's slightly downdip to the

1 area of investigation, and so your numbers go down, as we
2 discussed about how as you move offstructure, fewer Morrow
3 sands are productive.

4 Q. And your comments regarding the variability of
5 the Strawn and the Atoka and the Wolfcamp would also apply
6 to this area, would it not?

7 A. That is correct. The only difference would be
8 that we'll be in a little bit further downdip position, and
9 it makes the Strawn an even longer shot, and it really
10 doesn't affect the Atoka or the Wolfcamp or any of the
11 others.

12 Q. Except as to the Delaware and the Bone Spring,
13 you are really stepping out further from the established
14 Delaware and Bone Spring production, are you not?

15 A. That is correct.

16 Q. Okay. What does Exhibit 11 show?

17 A. Exhibit 11 is a map on the top of the Strawn
18 formation. It has the order-of-magnitude gray dots behind
19 the wells for the Strawn, the Wolfcamp and the Atoka, and
20 it has production, cumulative production and current
21 production, for the Strawn in blue, for the Wolfcamp in
22 green and for the Atoka in purple.

23 And really, again, what this shows is, of those
24 three shallow horizons, again, the updip production from
25 the Strawn is the best, and that as you move downdip into

1 the more distal locations like where we are in 14, you
2 really cannot count on multiple-BCF wells from any of these
3 formations as you can with the updip wells.

4 Q. And what is Exhibit 12, Mr. Burke?

5 A. Twelve is a cross-section. It's depicted on
6 Exhibit 11 and shows these three shallow formations in the
7 area. It shows the relative continuity of them on the far
8 left.

9 You look there and you see a well that was
10 perforated in the Strawn colored in blue with the
11 perforations in the depth track. It's about a .6-BCF well,
12 11,000 barrels of oil.

13 As you move to the right on the cross-section in
14 the old Humble well that we discussed earlier, it was
15 tested extensively in the Strawn and just had too high of a
16 water cut to be productive. And they subsequently
17 completed in the Wolfcamp up the hole, where the green zone
18 is shaded, and they made a pretty good Wolfcamp well that,
19 you know, over a period of time made 453 million cubic feet
20 of gas and 23,000 barrels of oil. That well is plugged
21 now. So, you know, they more or less, where we're planning
22 to drill our well, have condemned the Strawn.

23 Then as you look further to the south, I go to
24 that Amoco well that I spoke briefly about earlier. They
25 attempted a completion in the Morrow and the Atoka, and

1 they actually -- the production records on that show that
2 they actually made 99 MCF a day, initially, on the Morrow
3 and 736 a day on the Atoka in a dual completion. When you
4 check the production records, you find there's no
5 production attributed to the Morrow and only 152 million to
6 the Atoka, which makes both of them, you know, non-economic
7 zones for that type of depth.

8 They skipped over the Strawn and they came up and
9 they made a completion in the Wolfcamp that came on at a
10 million a day and 15 barrels of oil that, you know,
11 ultimately cum'd -- not a lot, 124 million cubic feet of
12 gas and 5000 barrels of oil.

13 So in this particular well, none of the zones
14 really were productive enough to justify paying out the
15 well, and really a composite of all of the zones was not
16 good enough to pay out the well. So it's -- I put this one
17 on the cross-section just to show as you move downdip, the
18 risk is getting greater, and there have been other wells
19 that have not paid out.

20 Q. So there is substantial risk involved in drilling
21 this proposed well?

22 A. That is correct.

23 Q. And in your opinion, should the maximum cost-
24 plus-200-percent penalty be assessed against any
25 nonconsenting interest?

1 A. Yes, sir, it should.

2 Q. And were Exhibits 6 through 12 prepared by you or
3 under your supervision?

4 A. Yes, I prepared them.

5 Q. And in your opinion is the granting of this
6 Application in the interests of conservation and the
7 prevention of waste?

8 A. Yes, sir, I believe it is.

9 MR. BRUCE: Mr. Examiner, I'd tender the
10 admission of Mewbourne Exhibits 6 through 12.

11 EXAMINER BROOKS: Six through 12 will be
12 admitted.

13 MR. BRUCE: And I have no further questions.

14 EXAMINER BROOKS: Well, let me just clarify some
15 of the facts here, and then I'll let Mr. Stogner explore it
16 some more if he thinks it's appropriate.

17 EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. But Exhibit Number 9, does that show all of the
20 wells that you're aware of in this area?

21 A. Yes, sir, all of the wells.

22 Q. Now, the well in the northeast of the northwest,
23 is that the Atoka well that you referred to that's
24 dedicated to a north-half unit?

25 A. Yes, sir, it is.

1 Q. I'm sorry, that a previous witness referred to?

2 A. Yes, sir.

3 Q. And that well is currently producing only from
4 the Atoka?

5 A. That's correct.

6 Q. And if I correctly read the color-coding on here,
7 that well has also produced from the Morrow in the past?

8 A. Yes, sir, it has.

9 Q. And has it been plugged back so that it's no
10 longer open completion in the Morrow?

11 A. That's correct.

12 Q. And that well produced a billion cubic feet in
13 the Morrow; is that correct?

14 A. About 650 million. Look to the right at the --

15 Q. Oh, to the right is the Morrow.

16 A. Yeah, to the right is the cumulative, and then to
17 the left and italicized is the current rate.

18 Q. Okay, so that's the rate in the Atoka?

19 A. Right, about a million cubic feet a month.

20 Q. Okay, but we're excluding the Atoka from this
21 proceeding, correct?

22 A. That's correct.

23 Q. Okay. Has that ever produced in any other
24 formations, other than those two?

25 A. No, sir.

1 Q. Now, the well in the southeast of the northeast,
2 that's upper Permian?

3 A. That's correct, that's a very shallow well at a
4 depth of about 500 feet in the Yates.

5 Q. So that one would not be within this interval,
6 that has no perforations in the interval that you're asking
7 to --

8 A. I don't believe we're asking for that interval in
9 our Application.

10 Q. Yeah, you're starting from the base of the
11 Yates --

12 A. That's --

13 Q. -- that's what I was trying to clarify.

14 A. Okay.

15 Q. So there's no perforations there in that well
16 that would in any way, at any time, have affected this
17 proceeding?

18 A. No, sir.

19 Q. Okay. Now, the next -- The close well here is
20 the one in the northeast of the southeast of 15, correct?

21 A. That's the next deep well, yes, sir.

22 Q. Yeah. And did you say that one was Mewbourne's
23 well, or -- no, that was the one --

24 A. The --

25 Q. No, the Mewbourne well you testified about was

1 down in 23, correct?

2 A. No, the one in the northeast of the southeast
3 that on Exhibit Number 9 is a red dot, that is a Mewbourne
4 of Section 15.

5 Q. Oh, okay, I was right the first time.

6 A. That's a Mewbourne Morrow completion that we
7 drilled last year, yes, sir.

8 And the only other nearby deep completion, if
9 you'll look just to the east of it there, there's a green
10 dot on a well. That's the Humble well on the cross-section
11 that made about 450 million out of the Wolfcamp and 23,000
12 barrels. It's been plugged out, and they never attempted a
13 completion in the Morrow; they felt like it was too tight.
14 But that was drilled in 1962, a pretty good -- ten years,
15 at least, before most of this development took place, and
16 they just felt like it wasn't economic at that time.

17 Q. The Humble well, the one you referred to as the
18 old Humble well --

19 A. Yes.

20 Q. -- that was drilled in 1962, is in the northeast
21 of the southeast of 15; is that right?

22 A. That's correct.

23 Q. And the Mewbourne well that you talked about just
24 before that is in the northwest of the southeast of 15?

25 A. That's correct.

1 Q. And that appears in a rust-color dot on the map
2 that is Exhibit 9, correct?

3 A. Well, I'm kind of color-blind, but it looks red
4 to me.

5 Q. Okay, red I guess is a relative term, but it's
6 the color that corresponds to the marker --

7 A. Yes, sir.

8 Q. -- on that? Okay. And when was that well
9 completed?

10 A. It was completed last year and actually went on
11 line in January. We drilled it in the fall and got it on
12 line in January.

13 Q. And it's produced 320,000 MCF?

14 A. Yeah, about a third of a BCF from the 1st of
15 January through May.

16 Q. Okay, and what's the current producing rate?

17 A. That well -- I saw it on a report the other day.
18 The current rate that I've seen as of last month, we put
19 that well on compression, and it was doing about 2 million
20 cubic feet a day, after probably a cumulative production up
21 to date of close to half a BCF, so it's a pretty good well.

22 EXAMINER BROOKS: Okay. Mr. Stogner?

23 EXAMINER STOGNER: I have no questions.

24 EXAMINER BROOKS: Very good. Is that all?

25 MR. BRUCE: I have nothing further in this

1 matter, Mr. Examiner, but I will give you the forms with
2 the pool rules for your information.

3 EXAMINER BROOKS: Very good. Then Case Number
4 12,929 will be taken under advisement, and we will stand in
5 recess until 1:30.

6 (Thereupon, these proceedings were concluded at
7 12:10 p.m.)

8 * * *

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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings
16 the Examiner hearing of Case No. 12929
17 heard by me on Sept 19, 2002
18 David K. Brooks, Examiner
19 Oil Conservation Division
20
21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 22nd, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002