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

IN THE MATTER OF:)
)
APPLICATION OF MEWBOURNE OIL COMPANY) CASE NO. 10144
FOR COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)
-----)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Examiner

November 14, 1990
8:57 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on November 14, 1990, at 8:57 a.m. at the Oil Conservation Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Susan G. Ptacek, a Certified Shorthand Reporter No. 124 and Notary Public in and for the County of Santa Fe, State of New Mexico.

FOR: OIL CONSERVATION DIVISION BY: SUSAN G. PTACEK
Certified Shorthand Reporter
CSR No. 1224

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I N D E X

November 14, 1990
Examiner Hearing
Case No. 10144

PAGE
3

APPEARANCES

APPLICANT WITNESSES:

PAUL HADEN

Direct Examination by Mr. Padilla
Examination by Examiner Catanach

4
12

J. DAVID OVERTON

Direct Examination by Mr. Padilla
Examination by Examiner Catanach

13
21

PAUL HADEN (Resumed)

Examination by Mr. Stovall

24

REPORTER'S CERTIFICATE

27

* * *

E X H I B I T S

Admtd

APPLICANT'S EXHIBIT

1 Land plat showing location

12

2 Plat showing tract ownership

12

2A Plat showing tract ownership

12

3 Confirmatio of notice

12

4 Authorization for expenditure

12

5 Base map

21

6 Cross section B - B'

21

7 Cross section C - C'

21

8 Lower Morrow structure map with gross Lower
Morrow A Sand isopach map imposed

21

9 Lower Morrow structure map with gross Lower
Morrow C Sand isopach map imposed

21

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT: PADILLA & SNYDER
Attorneys at Law
BY: ERNEST L. PADILLA, ESQ.
Post Office Box 2523
Santa Fe, New Mexico 87504-2523

* * *

1 EXAMINER CATANACH: We will call Case 10144.

2 MR. STOVALL: Application of Mewbourne Oil Company for
3 compulsory pooling, Eddy County, New Mexico.

4 EXAMINER CATANACH: Are there appearances in this
5 case?

6 MR. PADILLA: Mr. Examiner, Ernest L. Padilla, Santa
7 Fe, New Mexico, for the applicant in this case. I have two
8 witnesses.

9 EXAMINER CATANACH: Are there any other appearances?

10 Will the witnesses please stand to be sworn in?

11 MR. PADILLA: Can I proceed, Mr. Examiner?

12 EXAMINER CATANACH: Yes, sir.

13 PAUL HADEN,
14 the Witness herein, having been first duly sworn, was
15 examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. PADILLA:

18 Q. Mr. Haden, for the record, please state your
19 full name?

20 A. My name is Paul Haden.

21 Q. Who do you work for, Mr. Haden?

22 A. I work for Mewbourne Oil Company in Midland,
23 Texas.

24 Q. What do you do?

25 A. I am employed in the capacity of petroleum

1 landman.

2 Q. Have you previously testified before the Oil
3 Conservation Division and had your credentials accepted as
4 a matter of record as a petroleum landman?

5 A. Yes, I have, and they were accepted.

6 Q. Are you familiar with the leasehold -- oil and
7 gas leasehold interest in support of the application?

8 A. Yes, I am.

9 Q. That covers what area of property?

10 A. This covers the south half of Section 1 in
11 Township 18 South, Range 27 East, Eddy County, New Mexico.

12 MR. PADILLA: Mr. Examiner, we tender Mr. Haden as a
13 petroleum landman.

14 EXAMINER CATANACH: Mr. Haden is so qualified.

15 MR. PADILLA: Mr. Examiner, at this time I would also
16 like to dismiss that portion of the application that calls
17 for compulsory pooling from the surface to the base of the
18 Abo formation. In other words, we would only like the
19 application to cover from the base of the Abo formation to
20 the base of the Morrow formation.

21 EXAMINER CATANACH: The base of the Abo to the base of
22 the Morrow formations --

23 MR. PADILLA: Correct.

24 EXAMINER CATANACH: -- is the only thing that you want
25 pooled.

1 MR. PADILLA: Right.

2 EXAMINER CATANACH: That other portion will be
3 dismissed.

4 Q. (By Mr. Padilla) Mr. Haden, can you briefly
5 tell us what the purpose of this hearing is today?

6 A. The purpose of this hearing is to allow
7 Mewbourne Oil Company as operator to drill a 10,200-foot
8 Morrow test well.

9 Q. Why is it necessary to force pool various
10 interests?

11 A. Thus far Exxon Company, U.S.A. has not agreed to
12 and joined or farmed out their interest, nor Arco Oil and
13 Gas Company have -- they have not agreed to farm out or
14 join to date.

15 Q. Let's go on to what we have marked as Exhibit
16 No. 1 and have you identify that for the examiner and tell
17 him what that is and what it contains.

18 A. Exhibit 1 is at land plat that describes our --
19 shows our location as a circle in red with a red arrow
20 pointed directly to it. The south half of the section is
21 shaded in yellow which will be the drilling spacing in the
22 unit.

23 Q. Is that well at a standard location?

24 A. Yes, this is a standard location.

25 Q. Is that all you have for Exhibit No. 1?

1 A. Yes, it is.

2 Q. Let's go on to what we have marked as Exhibits
3 Nos. 2 and 2A, and have you identify what those two
4 exhibits contain.

5 A. Exhibit No. 2 is also a plat showing our tract
6 ownership, which also shows our proposed location within
7 the southwest quarter of Section 1. Tract 1, as reflected
8 in Exhibit 2A, is owned currently by Amoco Production
9 Company and Arco Oil & Gas Company in the amounts of 50
10 percent each. We do have a farm-out agreement from Amoco
11 Production Company for their interest which was under a
12 previous agreement with them.

13 Tract 2 shows Exxon Company, U.S.A.'s ownership.
14 They have a number of interests in that southeast quarter
15 of Section 1.

16 Q. How about Tract 3 that's identified on Exhibit
17 No. 2?

18 A. Tract 3 is also Amoco and Arco Oil & Gas. Tract
19 3 is simply described there which would show that Arco's
20 acreage would be proved up, so to speak, by drilling this
21 well in the southwest quarter.

22 Q. Tract 3 is not involved in this?

23 A. Tract 3 is not involved in this action.

24 Q. Do you have some arrangement or agreement with
25 Amoco that requires you to drill a well within a certain

1 amount of time?

2 A. Yes, sir, we do. We have a farm-out agreement
3 with them in which we have to commence actual drilling
4 operations on or before December 25, 1990.

5 Q. And that agreement covered all of Section 1 I
6 take it?

7 A. This agreement covers all of Section 1 of which
8 Amoco again owns an interest in the southwest quarter and
9 also the north half.

10 Q. Did you have anything further concerning
11 Exhibits 2 and 2A.

12 A. Yes, I do. Currently Arco's interest, 25
13 percent interest, in the drilling spacing in the unit is
14 uncommitted, and Exxon Company, U.S.A., owning 50 percent,
15 is uncommitted.

16 Q. That is shown on the tabulation on Exhibit 2A;
17 is that correct?

18 A. That is correct.

19 Q. Okay. Let's move on to what we have marked as
20 Exhibit No. 3 and have you identify that for the examiner,
21 please.

22 A. Exhibit 3 is -- are various correspondence with
23 Arco Oil and Gas Company and Exxon Company, U.S.A.. This
24 covers a period spanning from October 10, 1989, to October
25 18, 1990.

1 Q. Without getting into any specific detail, or
2 reading this correspondence, please tell us in your own
3 words what you have requested from both of these companies
4 insofar as attempting to seek voluntary joinders is
5 concerned?

6 A. Mewbourne Oil Company has requested to farm out
7 Arco and Exxon for their rights below the base of the Abo
8 formation to the base of the Morrow formation. This is for
9 a 10,250-foot test well. We have requested that they
10 deliver us a 75 percent net revenue interest. They retain
11 an override, 25 percent of eight-eighths plus burdens; with
12 an option to convert that override to a 25 percent working
13 interest after a payout of the test well.

14 Q. What have been the results of your effort to
15 join both of those companies in drilling this well?

16 A. The results have been futile. As you can see,
17 it's been a year in trying to get this deal put together.

18 Q. Have you had other verbal communications with
19 both of these companies to try to get voluntary joinder?

20 A. Yes, I have, numerous occasions all throughout
21 the span of one year.

22 Q. What result did you have from those
23 communications?

24 A. Exxon advised us that they will go nonconsent
25 under the order. They do not wish to join. Arco they are

1 still undecided. They have indicated that they probably
2 would farm out or join in the drilling of the well as to
3 the extent of their interest in the drilling spacing unit.

4 Q. When was your latest conversation with
5 representatives of both of these companies?

6 A. Latest conversation with Exxon was October 18
7 wherein they were sent a followup letter requesting them to
8 join in the drilling of the well. Also later than that
9 they were called to see what they wanted to do, and this is
10 when their Exxon representative advised that they would not
11 join in the well. That they would go nonconsent.

12 Q. How about Arco?

13 A. Arco, a conversation with them October 13th
14 indicated that they would either farm out or join.

15 Q. You have had no subsequent response either way?

16 A. No subsequent response.

17 Q. This exhibit, the top portion of that, is the
18 notice that our law firm sent to both of these companies;
19 is that correct?

20 A. That is correct.

21 Q. And the certified return receipt information is
22 included in that; is that also correct?

23 A. That is also correct.

24 Q. Let's go to Exhibit No. 4 and have you identify
25 that list, please?

1 A. Exhibit 4 is an authorization for our
2 expenditure. This is for the drilling of this 10,200-foot
3 Morrow test well at a location 790 feet from the south line
4 and 2,250 feet from the west line of Section 1, Township 18
5 South, Range 27 East. This is for the Chalk Bluff Federal
6 No. 1 Well. Describes the estimated drilling and
7 completion costs. The cost to case to point is \$442,330.
8 The completed well cost is \$724,255. This was prepared
9 September 1990.

10 Q. Mr. Haden, has either Exxon or Arco made any
11 representations to you that this AFE is unreasonable?

12 A. They have made no such representations.

13 Q. Is this a typical AFE used by Mewbourne used for
14 drilling a Morrow well?

15 A. This is a typical AFE for a Morrow well for this
16 area.

17 Q. Mr. Haden, assuming that the Oil Conservation
18 Division gives approval to this application, does Mewbourne
19 Oil Company wished to be named the operator under an order
20 issued by the division?

21 A. Yes, sir. Mewbourne Oil Company does wish to be
22 named operator.

23 Q. Mr. Haden, do you have any recommendation as to
24 what type of overhead charges for drilling and producing
25 well rates are?

1 A. We are recommending \$5,500 for a drilling well
2 rate and \$550 for a producing well rate.

3 Q. Where do you get these figures from?

4 A. These are normal costs associated with this type
5 of well for this depth. This is from the company.

6 Q. Is it your opinion that these figures are
7 reasonable?

8 A. We feel these figures are reasonable.

9 Q. Mr. Haden, do you have anything further to add
10 to your testimony here today?

11 A. No, sir, I do not.

12 MR. PADILLA: Mr. Examiner, we tender Exhibits 1
13 through 4, and that concludes my direct testimony of this
14 witness.

15 EXAMINER CATANACH: Exhibits 1 through 4 will be
16 admitted as evidence.

17 (Applicant's Exhibits 1 through 4
18 were admitted in evidence.)

19 EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Mr. Haden, has Mewbourne drilled a Morrow well
22 in this area recently?

23 A. Yes, sir, we have. We have recently completed a
24 Morrow well in Section 12 in the northeast quarter.

25 Q. These proposed well costs are in line with what

1 you incurred in that previous well?

2 A. These are normal costs.

3 Q. The proposed overhead rates are in line with
4 what other operators are charging in this area?

5 A. Yes, sir, as far as I know from information
6 available to me.

7 Q. How exactly is that determined, these overhead
8 rates?

9 A. It's my understanding they're determined from
10 accounting estimates.

11 EXAMINER CATANACH: I have no further questions of
12 this witness. He may be excused.

13 MR. PADILLA: We will call David Overton at this time,
14 Mr. Chairman.

15 J. DAVID OVERTON,
16 the Witness herein, having been first duly sworn, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. PADILLA:

20 Q. Mr. Overton, have you -- let me ask you first
21 what your full name is?

22 A. My name is J. David Overton. I'm employed by
23 Mewbourne Oil Company as an exploration geologist.

24 Q. And have you previously testified before the Oil
25 Conservation Division as an exploration geologist?

1 A. Yes, sir, I have.

2 Q. And your credentials have been accepted as a
3 matter of record in that field?

4 A. Yes, sir, they have.

5 Q. Have you prepared a study of geologic
6 information underlying this section or the area of the
7 application?

8 A. Yes, sir, I have.

9 MR. PADILLA: Mr. Examiner, we tender Mr. Overton as
10 an exploration geologist.

11 EXAMINER CATANACH: He is so qualified.

12 Q. (By Mr. Padilla) Generally, Mr. Overton, please
13 tell us what type of geology you're looking at in the area
14 of the application?

15 A. We're looking at the Morrow formation, Lower
16 Morrow Sands. As exhibits we have a production study, two
17 cross sections and two isopach maps with structure contours
18 on them.

19 Q. Let's move on to Exhibit No. 5, and have you
20 identify Exhibit No. 5 for Examiner Catanach, please.

21 A. Exhibit No. 5 is the base map, including only
22 those wells that penetrated the Morrow formation. There
23 are numerous shallower oil-producing wells in the area, but
24 we have rights only below those -- that oil production and
25 so it's not represented on this map. We do show production

1 from the wells which have penetrated the Morrow and give
2 cumulative totals for those wells through October 1990.

3 Q. What type of Morrow production does this exhibit
4 show in terms of economics?

5 A. Generally in terms of economics we have about 50
6 percent of Morrow penetrations or slightly less being
7 economic under Mewbourne's -- and being profitable under
8 Mewbourne's guidelines, roughly over half have been
9 noneconomic and nonprofitable.

10 Q. Let's take the first two tiers of sections on
11 that exhibit. Obviously there is no Morrow formation --
12 well, there is some Morrow penetration in that first tier;
13 is that correct?

14 A. Yes, sir. There are two Morrow penetrations in
15 the first two tiers currently. One is Section 35, which
16 was completed in Lower Morrow and never produced on record,
17 and any economic amounts -- they did produce some gas
18 during a potential but they never sold any to the best of
19 my knowledge. There is a well in Section 5 which has been
20 there 7 1/2 years and made a little over a quarter of a Bcf
21 of gas. And under our guidelines that would be
22 uneconomical.

23 Q. The third tier does contain more Morrow wells,
24 and tell us about economics of those Morrow wells in that
25 third tier?

1 A. In that third tier we have approximately nine
2 penetrations of which three of them have been economic to
3 date under our guidelines, which means that roughly the
4 other -- there's five of them that uneconomic or marginally
5 economical. One well in Section 7 at 550 million may have
6 made its money back, paid for itself. Our well is in the
7 northeast quarter of Section 12, and we have calculated
8 absolutely no flow on it. It is currently shut-in waiting
9 on a pipeline.

10 Q. In terms of the first location what do you
11 generally expect to encounter as far as payback is
12 concerned?

13 A. We're hoping to encounter a well similar to our
14 well in Section 12, maybe a little better. We hope to
15 improve on that.

16 Q. How would you characterize the location in terms
17 of a step-out or development well?

18 A. It's a fairly uncontrolled step-out. We're
19 attempting to step out from that well in Section 12 but
20 there is not a lot of control to truly generate any --

21 Q. That exhibit also shows some lines of cross
22 section, B - B prime and C - C prime, and I assume that
23 those --

24 A. Those are the cross sections that we have to
25 present.

1 Q. Do you have anything further on this exhibit?

2 A. No, sir.

3 Q. Let's move on to Exhibit No. 6 and have you
4 identify that for the examiner, please.

5 A. Exhibit No. 6 would be cross section B to B
6 prime. It trends from the west to the east across the area
7 of well control we have, including a proposed location in
8 roughly what we're expecting to get in that well. As we
9 see as the A Sand, what we have marked as the Lower Morrow
10 A Sand, is not found in either of the wells to the west or
11 east of our proposed location. Our Lower Morrow C Sand
12 which we encountered in our well in Section 12, we see a
13 nonproductive remnant in the well to the west. We do not
14 find that interval at all or that sand deposit at all in
15 the well to the east.

16 Q. That's the sand highlighted in pink?

17 A. In pink, yes, sir. A Sand is highlighted in
18 brown.

19 Q. I notice you've highlighted an upper formation
20 in yellow.

21 A. Yes, sir.

22 Q. What is that?

23 A. That's an Atoka Sand, which we encounter in our
24 well in Section 12. It has not been productive in the area
25 from my production study. We hope to run into that in a

1 little better quality than what we have.

2 Q. That's --

3 A. That's kind of serendipitous.

4 Q. Something you're going to look at on your way
5 down?

6 A. Yes, sir.

7 Q. Do you have anything further on this cross
8 section?

9 A. No, sir, I don't.

10 Q. Let's move on to the other cross section,
11 Exhibit 7?

12 A. Exhibit 7 is cross section C to C prime. It
13 runs down a trend or projected trend for the Lower Morrow A
14 Sand, from the well to the northwest in Section of 17 of 27
15 down to our well in Section 12 of 18 of 27. We see that
16 that well in Section 35 did encounter what we believe to be
17 the brown sand. They did perf. it. The scout ticket
18 record shows that it did flare at a rate of 6.4 million per
19 day, dropping down to 4 million per day, and no production
20 records were available on that well.

21 Our well we have --

22 Q. When you say "our well," what well do you mean?

23 A. The Mewbourne Oil Company Federal T No. 1 in
24 Section 12, the northeast of Section 12.

25 Q. That is the well on the --

1 A. It is one of the sands that is productive.

2 Q. It's the one on the extreme right hand of the
3 exhibits?

4 A. Right.

5 Q. Okay. Anything further on this exhibit?

6 A. Again we show some upper -- some sands above
7 there that we would like to run into, but have not been
8 able to truly map across the proposed location.

9 Q. Are you ready to move on to the other exhibits
10 at this time?

11 A. Yes, sir.

12 Q. Let's go to Exhibit No. 8 and have you identify
13 that, please.

14 A. Exhibit 8 is a Lower Morrow structure map with a
15 gross Lower Morrow A Sand isopach map imposed and shaded in
16 brown. The structure in the area trends from the northwest
17 dipping to the southeast, which we find as a regional dip
18 in the area. There are no structural features outside of
19 the regional dip across the area map. Our brown sand trend
20 runs from the northwest toward the southeast. If you will
21 note outside of zero lines, where we find no sand, we have
22 two wells with control -- as control in this area. The one
23 in Section 35 and the well in the northeast of Section 12.
24 We are proposing a very optimistic location as far as this
25 trend goes in Section 1.

1 Q. Does that translate to -- how does that optimism
2 translate to risk?

3 A. We're optimistic that it's there, but as far as
4 having only two points of control where you see this sand,
5 risk is fairly high.

6 Q. Let's go on to the next exhibit, Exhibit No. 9,
7 and identify that for the examiner, please, and tell him
8 what that contains.

9 A. Exhibit No. 9 is a Lower Morrow structure map
10 with a gross Lower Morrow C Sand isopach on it. Again the
11 structure is the same as on Exhibit No. 8. Our sand trend
12 is a little different, though. Roughly it runs northwest
13 to southeast also. On this one, outside of zeros, we have
14 two points of control which were on our cross section. In
15 the west half of Section 12 we have six-foot of gross sand
16 with no porosity development in it. And in our well we
17 have six-foot of gross sand with six-foot of porosity
18 development. Again we're being fairly optimistic with our
19 projection and our proposed well is optimistic as we can
20 be.

21 Q. Mr. Overton, in terms of -- well, based on your
22 study, what opinion do you have as to a recommendation for
23 risk factor penalty?

24 A. Due to the fact that we have so little control
25 on either of these sands, as far as seeing them in other

1 wells in the area, this, to me, is a very risky prospect
2 though we see -- we feel like it has a potential to be
3 profitable, but I would recommend the maximum 200 percent
4 risk penalty for it.

5 Q. Mr. Overton, do you have anything further to add
6 in terms of your geologic presentation?

7 A. No, I don't.

8 Q. In your opinion, would the approval of this
9 application be in the best interest of conservation of oil
10 and gas and protection of correlative rights?

11 A. Yes, sir, it would.

12 MR. PADILLA: Mr. Examiner, we offer Exhibits 5
13 through 9 and pass the witness at this time.

14 EXAMINER CATANACH: Exhibits 5 through 9 will be
15 admitted as evidence.

16 (Applicant's Exhibits 5 through 9
17 were admitted in evidence.)

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. Mr. Overton, your well in Section 12 is
21 producing from the A and C Sand?

22 A. Yes, sir, it is.

23 Q. Both sands. You said you did have some Atoka
24 potential in that?

25 A. Well, we ran across an interesting zone in there

1 that had a small showing of gas while we were drilling it.
2 That potential is really undetermined at this time outside
3 of at some point in time we will perforate that and see
4 what it will do.

5 Q. According to your geology you should encounter a
6 thicker interval in both of the sands in your proposed
7 well?

8 A. Yes, sir, that's our hope.

9 Q. Your well in Section 12 is very economic at this
10 point, is it not?

11 A. Currently it's a shut-in so we haven't made any
12 money from it yet.

13 Q. Well, it has been tested.

14 A. We feel like it will be an economical well for
15 us.

16 Q. Now, these isopachs were just generated with the
17 well control and no other information was utilized?

18 A. No, sir, just well control. At that depth and
19 for these types of sands seismic would not do you much good
20 without there being some structural reference to it.

21 Q. Do you know why the well in Section 35 was never
22 produced from?

23 A. No, sir, that well was completed -- if you will
24 look over at the cross section, C to C prime, the scout
25 ticket, it will show that it was completed in '62 and our

1 plugging information we were able to find -- to show it was
2 plugged in the Morrow in 1963. So I really don't know why
3 they did not attempt to produce that outside of in that
4 time frame they may have not have had a pipeline or
5 facilities to produce it.

6 Q. Do you have an opinion as to whether there is
7 any potential for Wolfcamp or Upper Penn production in that
8 well -- the proposed well?

9 A. No, sir, I don't believe there will be. There
10 is -- to date there has not been any significant production
11 from either one of those in this area.

12 EXAMINER CATANACH: I have no further questions of the
13 witness.

14 MR. PADILLA: We have nothing further, Mr. Examiner.

15 EXAMINER CATANACH: There being nothing further --

16 MR. HADEN: Mr. Examiner, I have one other thing.
17 Although I'm confident that Arco will join to farm out, we
18 would like to pool this acreage from the base of the Abo,
19 as requested, to the base of the Morrow. This would also
20 be for all formations. That is based on 40, 80, 160 and
21 320. In other words, we would like to pool for a well in
22 the south half of the section as for 320-acre spacing, and
23 southwest quarter for 160-acre spacing, the south half of
24 the southwest quarter for 80-acre spacing, and the
25 southeast of the southwest quarter for 40-acre spacing.

1 This is where the well will be located, in the southeast of
2 the southwest quarter.

3 MR. PADILLA: Mr. Examiner, that would be conditioned
4 to the extent that Mewbourne has an interest in any of
5 those proration units obviously.

6 PAUL HADEN,
7 having been previously sworn, was examined and testified
8 further as follows:

9 EXAMINATION

10 BY MR. STOVALL:

11 Q. Mr. Haden, let me just ask you. Do you know if
12 there are any -- between the Abo and the Morrow are there
13 any formations which are pooled on less than 320 acres?

14 A. There could be some Morrow production.

15 Q. There could be some what?

16 A. There could be some Morrow production that we
17 could encounter below the Abo.

18 Q. Would that be -- that would be a wildcat
19 spacing, 40-acre spacing?

20 A. It would be a wildcat, yes. Probably it
21 wouldn't be 40 acres, but we just would like to include all
22 proration units.

23 Q. Mewbourne actually owns no interest a this time;
24 is that correct?

25 A. We have a contractual --

1 Q. You have a right to earn --

2 A. We have a right to earn. We do not have an
3 assignment yet.

4 Q. What rates does Mewbourne have to earn? What
5 can it earn as a result of the drilling?

6 A. Mewbourne can earn a 25 percent interest in the
7 drilling and spacing unit. In other words, we will earn
8 all of Amoco's interest in the southwest quarter by
9 drilling this well. They own 50 percent interest in the
10 southwest quarter.

11 Q. Is it a drilled earn or produced earned?

12 A. It's a produced earned.

13 Q. So if you drill a dry hole, you don't get
14 anything; is that right?

15 A. That's correct. However, it is subject to
16 continuous development.

17 MR. STOVALL: Mr. Examiner, I recommend that -- we can
18 take his request into consideration. We're going to have
19 to look more carefully at the application and notice to
20 determine whether there may be any limitations on our
21 ability to do that because of the way the case was
22 advertised. The way the application was filed and the case
23 was advertised. But I don't think we need any additional
24 testimony or evidence to review that at this time.

25 MR. STOVALL: We will take your request under

1 consideration, Mr. Haden, and see if what we can do.

2 MR. PADILLA: I have nothing further, Mr. Examiner.

3 EXAMINER CATANACH: There being nothing further, Case
4 10144 will be taken under advisement.

5 (Whereupon, the hearing was concluded.)

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1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF SANTA FE)

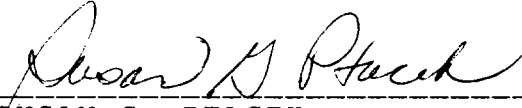
4 REPORTER'S CERTIFICATE

5 I, Susan G. Ptacek, a Certified Shorthand Reporter and
6 Notary Public, do HEREBY CERTIFY that I stenographically
7 reported the proceedings before the Oil Conservation
8 Division, and that the foregoing is a true, complete and
9 accurate transcript of the proceedings of said hearing as
10 appears from my stenographic notes so taken and transcribed
11 under my personal supervision.

12 I FURTHER CERTIFY that I am not related to nor
13 employed by any of the parties hereto, and have no interest
14 in the outcome thereof.

15 DATED at Santa Fe, New Mexico, this 10th day of
16 December, 1990.

17
18 My Commission Expires:
19 December 10, 1993


SUSAN G. PTACEK
Certified Shorthand Reporter
Notary Public

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. 10146
heard by me on December 14 1990.

24 , Examiner
25 Oil Conservation Division