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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: ) CASE NO. 10244  
APPLICATION OF: MEWBOURNE OIL )  
COMPANY )  
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 21, 1991  
9:45 a.m.  
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on February 21, 1991, at 9:45 a.m. at Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Paula Wegeforth, Certified Court Reporter No. 264, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION BY: PAULA WEGEFORTH  
Certified Court Reporter  
CSR No. 264

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February 21, 1991  
Examiner Hearing

CASE NO. 10244

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APPEARANCES

APPLICANT'S WITNESSES

D. PAUL HAYDEN:

Direct Examination by Mr. Bruce  
Examination by Examiner Catanach

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12

J. DAVID OVERTON:

Direct Examination by Mr. Bruce

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REPORTER'S CERTIFICATE

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\* \* \*

E X H I B I T S

ADMTD

APPLICANT'S EXHIBIT

1 through 4

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## A P P E A R A N C E S

FOR THE DIVISION:        ROBERT G. STOVALL, ESQ.  
                              General Counsel  
                              Oil Conservation Commission  
                              State Land Office Building  
                              310 Old Santa Fe Trail  
                              Santa Fe, New Mexico 87501

FOR THE APPLICANT:       HINKLE, COX, EATON, COFFIELD  
   & HENSLEY  
                              Attorneys at Law  
                              BY: JAMES BRUCE, ESQ.  
                              218 Montezuma  
                              Santa Fe, New Mexico 87501

FOR THE NEW MEXICO  
STATE HIGHWAY  
DEPARTMENT:                ARTHUR J. WASKY, ESQ.  
   General Counsel  
   State Highway and Transportation  
   Department  
   Santa Fe, New Mexico 87501

\* \* \*

1 EXAMINER CATANACH: At this time we will call  
2 Case 10244.

3 MR. STOVALL: The application of Mewbourne Oil Company  
4 for compulsory pooling, Eddy County, New Mexico.

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

7 MR. BRUCE: Mr. Examiner, my name is Jim Bruce from  
8 the Hinkle law firm, representing the applicant. I'll have  
9 two witnesses to be sworn.

10 EXAMINER CATANACH: Other appearances?

11 MR. WASKY: Mr. Examiner, my name is Art Wasky. I'm  
12 the attorney for the State Highway Department. We are  
13 listed right now on the application as a nonconsenting  
14 interest owner. My only purpose here this morning is to  
15 indicate for the record that we've met with Mewbourne Oil  
16 Company. We intend on entering into a lease with them, and  
17 I just want to confirm my understanding that once we do  
18 that, we will be dismissed from this matter; is that  
19 correct?

20 EXAMINER CATANACH: That's correct.

21 MR. WASKY: That's my only interest.

22 MR. STOVALL: It's good to have you over here,  
23 Mr. Wasky.

24 EXAMINER CATANACH: Other appearances?

25 Will the witnesses please stand and be sworn in?

1 (Whereupon the witnesses were duly sworn.)

2 D. PAUL HAYDEN,  
3 the Witness herein, having been first duly sworn, was  
4 examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Would you please state your name for the record?

8 A. My name is Paul Hayden. I reside in Midland,  
9 Texas.

10 Q. Whom do you work for and in what capacity?

11 A. I'm employed by Mewbourne Oil Company as a  
12 petroleum landman.

13 Q. Have you previously testified before the OCD and  
14 had your credentials accepted as a matter of record?

15 A. Yes, that is correct.

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

18 A. Yes, I am.

19 MR. BRUCE: Mr. Examiner, is the witness considered  
20 acceptable?

21 EXAMINER CATANACH: He is.

22 Q. (By Mr. Bruce) Mr. Hayden, would you state  
23 briefly what Mewborne seeks in this case?

24 A. Mewbourne seeks an order pooling the oil-mineral  
25 interests from the surface to the base of the Morrow

1 formation under the north half of Section 14 -- this is in  
2 Township 17 south, Range 26 east -- for all pools of  
3 formation spaced on 40, 160 and 320 acres.

4 Q. Referring to Exhibit No. 1, would you describe  
5 Mewbourne's proposed location?

6 A. Exhibit No. 1 is a land plat of Township 17  
7 south, Range 26 east, which also shows our proposed  
8 drilling spacing unit, which is the north half of  
9 Section 14. This is colored in yellow.

10 Also, a red dot indicates our proposed location  
11 at a -- at 660 from the west line and 1980 feet from the  
12 north line of said Section 14.

13 Q. And was that an orthodox previously approved by  
14 the division in Order R-9417?

15 A. Yes, that is correct.

16 Q. Referring to Exhibit 2, would you describe the  
17 interest owners that you seek to force pool?

18 A. Exhibit No. 2 is a land -- excuse me -- a tract  
19 ownership depicting uncommitted or unleased mineral owners  
20 that we seek to force pool.

21 In Tract No. 2, which is the south half,  
22 northwest quarter, comprising approximately 80 acres, it  
23 shows Kate V. Hunter as an uncommitted mineral interest  
24 owner. She owns a 1/16th undivided mineral interest in  
25 that 80-acre tract.

1           Also, the estate of Frederick B. Draper, Jr.,  
2 who also is an unleased mineral interest owner, thus being  
3 uncommitted, and he owns a -- the estate owns a 3/32nd  
4 mineral interest.

5           And then in Tract No. 4 it describes a 2.96-acre  
6 tract of land in which the State of New Mexico acting by  
7 and through the state of -- excuse me -- and the State  
8 Highway Department as an uncommitted interest owner in the  
9 northeast northeast quarter and the northwest northeast  
10 quarter.

11           Q.     And Mewborne Oil Company has a lease on all of  
12 the remaining acreage -- or leases all the remaining  
13 acreages; is that correct?

14           A.     Yes, that's correct.

15           Q.     Now, regarding Kate Hunter, have you had any  
16 contact with her?

17           A.     No, we have not.

18           Q.     And would you describe the status of her  
19 interest, if you will?

20           A.     Her last known address as of May 1946 was  
21 5639 Pembroke Lane in Kansas City, Missouri. We sent a  
22 letter to her that was returned, of course. We tried to  
23 locate her via phonebooks in Kansas City, Missouri.  
24 There's no one under the name of Kate V. Hunter.

25           Q.     And therefore you've had no negotiations with

1 her; is that correct?

2 A. That's correct.

3 Q. And now regarding the estate of Frederick  
4 Draper, would you describe your attempts to contact that  
5 estate or the heirs?

6 A. Up until late last week, we have been unable to  
7 locate a probate for him. However, we did locate one last  
8 week. Apparently he died in Rock Island, Illinois. He did  
9 have a probate, but so far we have been unable to locate  
10 his heirs.

11 Q. When did he die, approximately?

12 A. He died approximately the year 1957.

13 Q. And the probate which I believe you've looked at  
14 briefly, have you not?

15 A. Yes. Yes, I have.

16 Q. And who was named in his will?

17 A. He left his widow, her name was Helen Draper.

18 Q. And did she, to the best of your knowlege, have  
19 the same address as Frederick Draper?

20 A. That is correct. We tried again checking  
21 phonebooks in the area, have been unable to locate anybody  
22 by the name of Draper.

23 Q. And besides checking phonebooks in Rock Island,  
24 Illinois, did you check anywhere else?

25 A. Yes. At one point in time Mr. Draper lived in



1 Beatrice, Nebraska, also Omaha, Nebraska. In Beatrice, he  
2 lived there 1927, apparently. He later moved around  
3 different parts of Nebraska. We could locate nothing in  
4 Omaha or Beatrice, Nebraska, for Draper.

5 Q. And as a result, you have not been able to  
6 negotiate with anybody from the estate; is that correct?

7 A. That is correct.

8 Q. Now, their interest is in the south half of the  
9 northwest quarter; is that correct?

10 A. That's correct.

11 Q. Which is where the well is located?

12 A. That is also correct.

13 Q. So you seek to force pool them for 4160 and 320  
14 acre units?

15 A. That's correct.

16 Q. And now would you discuss your negotiations with  
17 the State Highway Department?

18 A. The State Highway Department -- we have -- as of  
19 yesterday, I hand-delivered our proposed lease to them for  
20 their consideration and execution. Mr. Wasky has -- of  
21 course, he is with the highway department. He has  
22 indicated that they would be interested in leasing to us.  
23 It's just a matter of time before we get the lease,  
24 apparently.

25 Q. And so you would like them included within the

1 forced pooling order but would then dismiss them when the  
2 lease is signed; is that correct?

3 A. That's correct.

4 Q. Does Mewborne request that it be named operator  
5 of the well?

6 A. Yes.

7 Q. And referring to Exhibit No. 3, would you  
8 discuss the cost of the proposed well?

9 A. Exhibit No. 3 is an AFE. It's an estimate of  
10 the well cost of our Halderman No. 1 well, which is to be  
11 located 660 from the west and 1980 feet from the north line  
12 of Section 14.

13 The -- our estimated dry hole cost is \$364,400.  
14 A completed well cost is estimated at \$658,950.

15 Q. And is this well cost in line with those  
16 normally encountered in drilling wells of this type in Eddy  
17 County?

18 A. Yes. This is for wells drilled to approximately  
19 9000 feet.

20 Q. And do you have a recommendation as to the  
21 amounts which Mewborne as operator should be paid for  
22 supervision and administration costs?

23 A. We're requesting \$6,000 per month allowed for  
24 drilling purposes and \$600 per month for a producing well.

25 Q. And are these costs in line with those normally

1 charged by Mewborne and other operators in this area?

2 A. Yes. They are for wells drilled to this depth  
3 in the immediate area.

4 Q. And do you recommend a 200 percent -- or cost  
5 plus 200 percent penalty against the nonconsenting interest  
6 owners?

7 A. Yes. This is the figure used in operating  
8 agreements in the this area of New Mexico. Our geologist  
9 will discuss the reasonableness of this proposed penalty.

10 Q. Referring to Exhibit 4, is that a copy of the  
11 notice letter prepared and mailed out by my office?

12 A. That's correct.

13 Q. In your opinion, is the granting of this  
14 application in the interest of conservation and the  
15 prevention of waste?

16 A. Yes, that is also correct.

17 Q. Were Exhibits 1 through 4 prepared by you or  
18 compiled from your records?

19 A. That's correct.

20 MR. BRUCE: Mr. Examiner, at this time I move the  
21 admission of Exhibits 1 through 4.

22 MR. STOVALL: Mr. Examiner -- go ahead.

23 EXAMINER CATANACH: Exhibits 1 through 4 will be  
24 admitted as evidence.

25 (Whereupon Applicant's Exhibits 1 through 4 were

1 admitted into evidence.)

2 MR. STOVALL: Mr. Bruce, would you mind if -- it's  
3 undeveloped. Would you attach an affidavit, since you  
4 actually gave notice? Would you provide an application  
5 that you have given notice?

6 MR. BRUCE: Will do.

7 MR. STOVALL: Thank you.

8 EXAMINATION

9 BY EXAMINER CATANACH:

10 Q. Mr. Hayden, on your proposed overhead rates, you  
11 say those are in line with what's being charged in the area  
12 right now?

13 A. That's our opinion.

14 Q. Does Mewborne operate any other wells in this  
15 area right now?

16 A. Yes, we do. We operate a well within the same  
17 section in the southwest quarter known as our Vogel No. 1  
18 well.

19 Actually, those costs are somewhat higher than  
20 this cost.

21 Q. Is that a voluntary unit?

22 A. That's voluntary, right.

23 Q. And there are some interest owners subject to an  
24 operating agreement on that lease?

25 A. We are -- we operate the well a hundred percent.

1 I mean, we are the working interest owner a hundred  
2 percent.

3           Excuse me. There may be some investors of which  
4 I'm unaware.

5           Q. Does Mewborne in any other instance in this area  
6 charge that much for overhead rates, or are there any other  
7 interest owners that are subject to that in a well where  
8 Mewborne operates?

9           A. It's just a standard cost in our opinion. We  
10 have a well in the next Township, 17 -- excuse me -- 17  
11 south, 28 east, in Section 8 -- excuse me -- 17.

12           And also we have a recent operating agreement  
13 with Oxy, Inc. This is in Township 20-28. I believe  
14 that's in Section 29. Could be Township 20 south, 27 east.

15 But those rates are approximately \$6,500 for a drilling  
16 well right and \$650 for a producing well rate this depth,  
17 and that well is approximately 11,000 feet.

18           Q. Now, you say these are standard rates. How did  
19 you determine these rates?

20           A. That's determined by our engineering and  
21 accountants in our office in Tyler, Texas.

22           They all seem to be somewhat higher than this  
23 usually.

24           Q. And on the well costs, has Mewbourne --  
25 Mewbourne has drilled a Morrow test in this vicinity?

1 A. Right.

2 Q. Recently?

3 A. This same section, approximately one year ago.

4 It's the Vogel No. 1 in southwest quarter of the southwest  
5 quarter.

6 Q. The proposed well costs are in line with what  
7 you've incurred?

8 A. Yes, they are.

9 EXAMINER CATANACH: No further questions.

10 J. DAVID OVERTON,

11 the Witness herein, having been first duly sworn, was  
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q. Will you please state your name for the record?

16 A. My name is David Overton. I reside in Midland,  
17 Texas.

18 Q. Whom do you work for and in what capacity?

19 A. I'm a petroleum geologist for Mewborne Oil  
20 Company.

21 Q. Have you previously testified before the OCD as  
22 an expert geologist?

23 A. Yes, sir, I have.

24 Q. And are you familiar with the geology of this  
25 prospect?

1 A. Yes, sir, I am.

2 MR. BRUCE: Mr. Examiner, I tender Mr. Overton as a  
3 witness -- expert witness.

4 EXAMINER CATANACH: He is so qualified.

5 MR. BRUCE: Mr. Examiner, the geology, which  
6 Mr. Overton will get into in a minute, was also presented  
7 in Case No. 10213 and specifically Exhibits 6 and 7 from  
8 that case, and I would ask that those exhibits and that  
9 testimony be incorporated in this record.

10 EXAMINER CATANACH: Okay. The Exhibit No. 6 and 7  
11 from Case 10213 will be incorporated into this record.

12 MR. BRUCE: And just for your ease, Exhibits 6 and 7  
13 are presented to you, but they aren't pre-numbered.

14 Q. (By Mr. Bruce) Mr. Overton, referring to  
15 Exhibit 6, would you discuss the prospect briefly and the  
16 geological risk involved?

17 A. We have a structure contour map overlaid by an  
18 isopach map. The structure in this area is regional  
19 down-dipped to the southeast. The isopach is of the  
20 Morrow A Sand. It's a net porosity isopach greater than  
21 eight percent density porosity. As you can see, we have  
22 the map turning north-south in the area.

23 In the immediate area of our proposed well we  
24 have no control to the north, to the east or to the west  
25 that shows any of this sand in this that area. Our control

1 is pretty much to the south and southeast of us.

2 I would ask that you note the well in the  
3 southeast of Section 15 with numbers 12 foot over 18 foot.  
4 That well has only produced 22 million cubic feet of gas  
5 from this horizon. It is -- has a permeability problem,  
6 and it's tight, which shows a little better on the  
7 cross section.

8 We ask for an unorthodox location to get more  
9 toward the center of our projected channel in order to  
10 increase our chances of getting enough sand to make a  
11 commercial well and increasing the permeability in that  
12 well.

13 We found increased permeability in our Vogel in  
14 between in the southwest of Section 14 and between a well  
15 that is stand and tight and this well in 15 which had  
16 adequate porosity but has a permeability barrier in it of  
17 some kind.

18 Q. Let's move on to Exhibit 7 and discuss its  
19 contents for the examiner.

20 A. Exhibit 7 is a stratigraphic cross section.  
21 There is a map there at the bottom that shows a reference  
22 of where it runs.

23 The well on the left-hand side is down to the  
24 south and was a fairly decent well. It's made about 1.8  
25 BCF in its lifetime thus far.



1           The second well from the left is the Coffall --  
2 Yates Petroleum Corporation Coffall FD No. 1. That is the  
3 well in the southeast of Section 15. If you'll note, the  
4 sand colored in green, the interval colored in green there,  
5 the porosity does look pretty good, but the resistivity  
6 indicates that that's tight.

7           And that's actually what I believe they found.  
8 They did go back and recomplete into the sand that's  
9 colored yellow and have camed about a 66 million out of the  
10 two of them, but this bottom one only contributed  
11 22 million over a two-year period at the beginning of their  
12 testing of this well.

13           The third well from the left is our Vogel No. 1.  
14 We found much better -- the porosity development is similar  
15 to what was found in the FD, though it's a little thicker.  
16 But we do see better permeability, as indicated on the  
17 resistivity.

18           The well next to it going to the right is the  
19 Yates Haldeman. It found only about 4 foot of total sand  
20 with any porosity developed in it. They DSTed that and it  
21 was uneconomic, and that well was plugged and abandoned.

22           And the last well goes up to the Coquina Blaine  
23 in the northeast of Section 14. They did find a sand  
24 there, ran a DST on it and it was uneconomic.

25           It's -- overall, I think what we're showing is

1 that this isn't a sure -- sure thing. There are problems.  
2 Even if you get the sand, you have problems with  
3 permeability at times, though we were fortunate enough in  
4 our Vogel to have found a fairly decent reservoir.

5 Q. And based on your testimony, what penalty do you  
6 recommend against the nonconsenting interest owners?

7 A. I would recommend the 200 percent penalty.

8 Q. In your opinion, is the granting of this case in  
9 the interest of conservation and prevention of waste and  
10 the protection of correlative rights?

11 A. Yes, sir, it is.

12 Q. And although they were previously admitted, were  
13 Exhibits 6 and 7 from the previous case prepared by you or  
14 under your direction?

15 A. Yes, sir, they were.

16 MR. BRUCE: I have no further questions, Mr. Examiner.

17 EXAMINER CATANACH: Mr. Bruce, did I hear that case on  
18 the other cost location?

19 A. Yes, sir.

20 MR. BRUCE: Yes, you did.

21 EXAMINER CATANACH: And it was approved, right?

22 MR. BRUCE: Yes.

23 EXAMINER CATANACH: I have no questions.

24 MR. BRUCE: After I altered the order.

25 MR. STOVALL: That's on the record, Mr. Bruce.

1 EXAMINER CATANACH: No further questions.

2 Anything further in this case?

3 MR. BRUCE: No, sir.

4 EXAMINER CATANACH: Case 10244 will therefore be taken  
5 under advisement.

6  
7 (The foregoing hearing was concluded at the  
8 approximate hour of 10:05 a.m.)

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

REPORTER'S CERTIFICATE

I, PAULA WEGEFORTH, a Certified Court Reporter and Notary Public, DO HEREBY CERTIFY that I stenographically reported these proceedings before the Oil Conservation Division; and that the foregoing is a true, complete and accurate transcript of the proceedings of said hearing as appears from my stenographic notes so taken and transcribed under my personal supervision.

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

DATED at Santa Fe, New Mexico, this 20th day of March, 1991.

*Paula Wegeforth*

PAULA WEGEFORTH  
Certified Court Reporter  
CSR No. 264, Notary Public

My Commission Expires:  
September 27, 1993

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10344, heard by me on February 21 1991.

*David R. Calant*, Examiner  
Oil Conservation Division