

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

5 APPLICATION OF MEWBOURNE OIL
6 COMPANY FOR APPROVAL OF A
7 NONSTANDARD OIL SPACING AND
8 PRORATION UNIT AND UNORTHODOX
9 LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 14977

ORIGINAL

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 July 11, 2013

12 Santa Fe, New Mexico

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
15 DAVID K. BROOKS, LEGAL EXAMINER
16 PHILLIP GOETZE, TECHNICAL EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, Richard Ezeanyim,
20 Chief Examiner, David K. Brooks, Legal Examiner, and
21 Phillip Goetze, Technical Examiner, on Thursday, July
22 11, 2013, at the New Mexico Energy, Minerals and Natural
23 Resources Department, 1220 South St. Francis Drive,
24 Porter Hall, Room 102, Santa Fe, New Mexico.

23 REPORTED BY: Mary C. Hankins, CCR, RPR
24 New Mexico CCR #20
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APPEARANCES

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ALSO PRESENT: Adam G. Rankin, Esq.

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1 (2:30 p.m.)

2 EXAMINER EZEANYIM: At this point, I call
3 Case Number 14977, application of Mewbourne Oil Company
4 for approval of a nonstandard oil spacing and proration
5 unit and unorthodox location, Eddy County, New Mexico.

6 Call for appearances, please.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I have two
9 witnesses.

10 EXAMINER EZEANYIM: Any other appearances?

11 MR. CHAVEZ: David Chavez on behalf of the
12 Tibo Chavez Law Firm in Belen, New Mexico, and, also,
13 Mr. Tommy Parker has entered his appearance as well.
14 I'm appearing on their behalf. With me at the table is
15 Pavlos Panagopoulos and Magdalena Panagopoulos.

16 EXAMINER EZEANYIM: What is your name?

17 MR. CHAVEZ: David.

18 EXAMINER EZEANYIM: Are you Tibo?

19 MR. CHAVEZ: No. I'm an associate of Tibo.

20 EXAMINER EZEANYIM: Oh.

21 Any other appearances?

22 Mr. Bruce, I need all the witnesses to
23 stand up and say their names -- their full names for the
24 record. Anybody who is going to testify should stand
25 up.

1 MR. HADEN: My name is Donald Paul Haden.

2 MR. HILL: Tyler Hill.

3 MR. PANAGOPOULOS: Pavlos Panagopoulos.

4 MS. PANAGOPOULOS: Magdalena Panagopoulos.

5 EXAMINER EZEANYIM: All of you are going to
6 testify?

7 MR. CHAVEZ: They may.

8 (Mr. Haden, Mr. Hill, Ms. Panagopoulos,
9 Mr. Panagopoulos and Mr. Tommy Parker
10 sworn.)

11 D. PAUL HADEN,
12 after having been previously sworn under oath, was
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Mr. Haden, where do you reside?

17 A. I reside in Midland, Texas.

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

19 A. Mewbourne Oil Company, as a petroleum landman.

20 Q. Have you previously testified before the
21 Division?

22 A. Yes, I have.

23 Q. And were your credentials as an expert
24 petroleum landman accepted as a matter of record?

25 A. Yes, they were.

1 Q. Are you familiar with the land matters involved
2 in this application?

3 A. Absolutely.

4 MR. BRUCE: Mr. Examiner, I'd tender
5 Mr. Haden as an expert petroleum landman.

6 EXAMINER EZEANYIM: So qualified.

7 Q. (BY MR. BRUCE) Mr. Haden, would you identify
8 Exhibit 1 and describe briefly what Mewbourne seeks in
9 this case?

10 A. Exhibit Number 1 is a land plat taken from the
11 Midland Map Company. It shows our Section 35, which is
12 in Township 30 South, Range 28 East, Eddy County. It
13 also shows a proposed spacing unit, nonstandard unit,
14 which is in the west half of the east half of Section
15 35. It also depicts the surface location and the bottom
16 location.

17 Q. And what is the name of the proposed well?

18 A. The well is the Layla 35 OB #1H well.

19 Q. And the footage locations were identified in
20 the application. As of today, is this location
21 unorthodox?

22 A. It is unorthodox. However, we do have an
23 Administrative Order that has been issued, which is
24 Order NSL-6825, which approved this nonstandard location
25 here recently.

1 Q. This well is in the South Culebra Bluff-Bone
2 Spring pool, correct?

3 A. Yes.

4 Q. Which has special pool rules?

5 A. Yes, which has 80-acre proration units, and it
6 provides that the well location be within 150 feet of
7 the center of the quarter-quarter section line.

8 Q. Even though you got an administrative approval,
9 what is Exhibit 1A?

10 A. It is the copy of the labors [sic] from the
11 offset owners.

12 Q. To the location?

13 A. To the location.

14 Q. What is the working ownership in the well unit?
15 And I refer you to Exhibit 2.

16 A. Exhibit 2 is the tract ownership. And Tract
17 Number 1 lists the owners on there. Also in Tract
18 Number 2, it has the ownership of companies on an
19 interest. Tract Number 3 has ownership, as well as
20 procedures reference being the unleased uncertain
21 ownership subject to this pooling. Tract Number 4 has
22 ownership, as well as the unleased uncertain owners that
23 are subject to this.

24 Q. So there are 100 acres with uncertain mineral
25 ownership?

1 A. Correct.

2 Q. And the Panagopoulos family is part of that
3 uncertain ownership?

4 A. That's correct.

5 Q. And does Exhibit 2 identify all the persons who
6 might claim ownership of that interest?

7 A. Yes.

8 Q. And do you seek to pool everybody on page 2 of
9 Exhibit 2?

10 A. Yes, sir.

11 Q. What is Exhibit 3?

12 A. Exhibit 3 is a copy of the -- first of all, it
13 has a summary of the communications between the parties
14 being pooled as far as the ones that we could find. And
15 it also has copies of the correspondence with these
16 parties, whereby Mewbourne proposed this well be by
17 certified mail.

18 Q. Mewbourne has force pooled a couple of other
19 wells in this section, correct?

20 A. Yes, we have.

21 Q. Including these same interest owners?

22 A. Correct.

23 Q. And has Mewbourne made an effort to not only
24 try to determine the working interests, the mineral
25 interest ownership in these tracts, but also to

1 determine the names and addresses of these people?

2 A. Yes, we have.

3 Q. What is Exhibit 3A?

4 A. 3A is a copy of a portion of our drilling title
5 opinion dated May 16th, 2011. This same information was
6 furnished to all the poolees where we could find them,
7 and it describes the problems associated with this
8 mineral interest.

9 Q. And this title opinion was prepared by the
10 Atwood, Malone law firm, who has prepared a large number
11 of title opinions, correct?

12 A. That's correct.

13 Q. And I see that -- this isn't the whole opinion,
14 is it?

15 A. No. This is -- this opinion is very large due
16 to the complexity involved of ownership.

17 Q. And what you're seeking to show here is simply
18 the portion of the opinion that deals with the ownership
19 of the Panagopoulos family and other people listed on
20 page 2 of Exhibit 2?

21 A. Right. It describes the problems associated
22 with this ownership, because our title attorney just
23 simply could not determine the ownership because it was
24 a confused state of title. There were over-conveyances.
25 The acreage was misdescribed. The interests being

1 conveyed were wrong. This involves an interest -- if
2 you'll look at page 13, it has various owners. It
3 involves a 12.6 over 350 as mineral interests. This is
4 in Tracts 8 and 9, and Tracts 8 and 9 are described on
5 page 1 of the title opinion.

6 Q. And this was based on an examination of the
7 records of Eddy County, correct?

8 A. Yes, it was.

9 MR. BRUCE: Mr. Examiner, what I've handed
10 you is page 60, which should have been stapled to this
11 exhibit.

12 EXAMINER EZEANYIM: It goes with 3A?

13 MR. BRUCE: Yeah, 3A. The page I just
14 handed you should have been stapled to the back of this
15 exhibit.

16 Q. (BY MR. BRUCE) But when you're looking at pages
17 59 and 60 of the opinion, Mr. Haden, does the opinion
18 identify all of the parties who might claim an interest
19 to this 3.6-percent interest?

20 A. Yes. If you'll look on the bottom of page 59,
21 under requirement Y, it lists all the parties that could
22 claim an interest.

23 Q. Now, assuming any of these interest owners --
24 whether or not they want to join in the well or they did
25 join in the well or they went nonconsent, what would

1 Mewbourne have to do with production proceeds regarding
2 this interest?

3 A. We would have to suspend payment of the
4 proceeds attributable to that interest.

5 Q. Until the title was cleared up by the interest
6 owners?

7 A. That's correct.

8 Q. In your opinion, has Mewbourne made a
9 good-faith effort to obtain voluntary joinder of the
10 interest owners in the well?

11 A. Yes, we have.

12 Q. And that has continued over the course of a
13 couple of years?

14 A. Yes, sir.

15 Q. Would you identify Exhibit 4 for the Examiner?

16 A. Exhibit Number 4 is a copy of our AFE, which is
17 an Authorization for Expenditure. It lists the
18 estimated well costs of this well, with a dry-hole cost
19 estimated at \$2,021,400, and a total completed cost of
20 \$4,655,600.

21 Q. And are these costs in line with the cost of
22 other wells drilled to this depth in this area of
23 New Mexico?

24 A. Yes, it is.

25 Q. And Mewbourne has drilled other wells in this

1 township?

2 A. Yes, we have.

3 Q. And does Mewbourne have a good handle on the
4 cost of these wells?

5 A. Yes.

6 Q. Do you request that Mewbourne be appointed
7 operator of the well?

8 A. Yes, we do.

9 Q. Do you have a recommendation for the amount
10 Mewbourne should be paid for supervision and
11 administrative expenses?

12 A. It would be \$7,500 for drilling overhead and
13 \$750 for producing well.

14 Q. And are these amounts equivalent to those
15 normally charged by Mewbourne to other operators in this
16 area for wells of this depth?

17 A. Yes, sir, it is.

18 Q. Do you request that the rates be periodically
19 adjusted as provided by the COPAS accounting procedure?

20 A. Yes, we do.

21 Q. And do you request the maximum cost plus
22 200-percent risk charge if any interest owner goes
23 nonconsent in the well?

24 A. Yes, we do.

25 Q. Finally, as to notice of parties you had valid

1 addresses on, you sent a certified-mail notice?

2 A. Yes, they were.

3 Q. Is that reflected in Exhibit 5?

4 A. That's correct.

5 Q. And as to the parties who either had returned
6 mail or you couldn't locate an address, were they
7 notified by publications?

8 A. Yes, they were.

9 Q. And is that reflected by the Affidavits of
10 Publication submitted as Exhibits 6 and 7?

11 A. Yes, sir.

12 Q. And what is Exhibit 8, Mr. Haden?

13 A. Exhibit 8 is a listing of the offset operators
14 to the well unit, which includes Chevron, COG,
15 Kaiser-Francis and Southwest Royalties.

16 Q. And were these parties given notice of this
17 application?

18 A. Yes, they were.

19 Q. And is that reflected on Exhibit 9?

20 A. That's correct.

21 Q. Were Exhibits 1 through 9 either prepared by
22 you or under your supervision or compiled from company
23 business records?

24 A. They were prepared by me.

25 Q. Is the granting of this application in the

1 interest of conservation and the prevention of waste?

2 A. That's correct.

3 MR. BRUCE: Mr. Examiner, I move the
4 admission of Exhibits 1 through 9, and pass the witness.

5 EXAMINER EZEANYIM: Any objection?

6 MR. CHAVEZ: No.

7 EXAMINER EZEANYIM: Exhibits 1 through 9
8 will be admitted.

9 (Mewbourne Oil Exhibit Numbers 1, 1A, 2, 3,
10 3A through 9 were offered and admitted into
11 evidence.)

12 MR. RANKIN: I'm sorry to interrupt. I was
13 in the hall, and I didn't realize this case was called
14 out of order. If I may enter my appearance on behalf
15 of -- at this moment or a time that is convenient.

16 EXAMINER EZEANYIM: Are you appearing in
17 this case?

18 MR. RANKIN: Yes. Forgive me. I wasn't
19 sure the case was called.

20 EXAMINER EZEANYIM: You know you can appear
21 in any case if you want to.

22 (Laughter.)

23 MR. RANKIN: Here I am.

24

25

CROSS-EXAMINATION

1

2 BY MR. CHAVEZ:

3 Q. Mr. Haden, so you've got 100 acres of uncertain
4 ownership; is that correct?

5 A. That's correct.

6 Q. Is it approximately?

7 A. Yeah, it's approximately. It's approximately
8 two-and-a-half-percent interest in the proposed unit.

9 Q. I thought you said 3.6. Did I misunderstand?

10 A. No, no, no. If you'll look on this exhibit
11 (indicating), it has the ownership -- the tract
12 ownership. It has 3.6 percent in Tract Number 3 and 3.6
13 percent in Tract Number 4. And these percentages, it's
14 2 -- wait -- 2.25 percent of the unit.

15 Q. So 2.25 percent of the unit?

16 A. Correct.

17 Q. And that's the unknown ownership. Is that a
18 fair statement?

19 A. Yes, sir.

20 Q. And the communication that counsel asked you
21 about, the attempted communication which you've had
22 specifically with the Panagopouloses, that would be set
23 forth in your summary of communications in Exhibit 3?

24 A. Correct.

25 Q. So you sent them a letter on March 7th, 2013.

1 You received a copy of the letter directly from the
2 office of Tibo Chavez on 4/10/13, and then you show a
3 motion for continuance of 4/23/13, and that's the extent
4 of the communication you've had. Fair statement?

5 A. I would say that's a fair statement.

6 Q. And then there is an issue as to the
7 determination of the ownership interest of this 2.25
8 specifically as to the Panagopouloses. Fair statement?

9 A. And others.

10 Q. But just to my clients, the Panagopouloses?

11 A. Sure.

12 Q. And that's based on the review of the title
13 company's report?

14 A. That's review of the records that are filed of
15 record in Eddy County.

16 Q. And was there any reason why this record review
17 on the title search was not provided to the
18 Panagopouloses prior to today's hearing, to your
19 knowledge?

20 A. The record review?

21 Q. Of the title search.

22 A. I don't understand the question.

23 Q. In other words, you did a title search. Fair
24 statement?

25 A. Well, yes. We had a title attorney examine the

1 records.

2 Q. And was there any reason why that title search
3 and examination and the findings in that report were not
4 provided to the Panagopoulos family?

5 A. We did, a copy of this (indicating).

6 Q. Well, I'm going through the summary of your
7 communications with the Panagouloses, and I don't see
8 that that was on there. So is it your testimony that
9 you have knowledge that was, in fact, sent to them?

10 A. Yes. We did send this to them.

11 Q. Did you send it to them or through your office?

12 A. Yeah. Well, as far as I know, I did.

13 Q. Fair statement.

14 As far as you know, but you don't know?

15 A. Not only this, but the previous poolings, too.

16 Q. The previous what?

17 A. Poolings of previous wells.

18 Q. Okay. Thank you.

19 And have you had specific negotiations with
20 the Panagopoulos family concerning resolving this
21 outside of a forced pooling as to their interest?

22 A. I believe I've talked with Mr. Panagopoulos on
23 the phone one time.

24 Q. Now, are you willing to continue negotiations
25 with them?

1 A. Well, the problem is, they have to prove their
2 ownership. That would be accomplished by a court order,
3 litigation or a stipulation of interest between the
4 parties that are claiming an interest.

5 Q. That's what I'm asking. Are you willing to
6 continue through that negotiation process --

7 A. Yes, we are.

8 Q. -- a stipulation as to the interest?

9 A. Yes, if that can be accomplished.

10 Q. And your testimony is, you're still in
11 agreement to working in good faith to make that
12 determination?

13 A. Sure. We'd like to pay the proper parties what
14 they're due.

15 Q. That makes sense, because if they have an
16 interest, they should be paid. Fair statement?

17 A. Yes.

18 Q. So would there be any objection to a six-month
19 delay in proceeding or entering this order to allow the
20 parties that opportunity, to determine that interest or
21 negotiate an interest?

22 A. No. We feel that a pooling order has to be
23 issued.

24 Q. But, I mean, what you've got -- you've got the
25 issue of a determination -- and understanding, it may be

1 2.25 or a small percentage.

2 A. Yeah.

3 Q. In the totality, when we talk about fairness
4 and the opportunity to allow these individuals to
5 negotiate with you and determine that interest, isn't
6 that significant?

7 A. We don't think that's necessary because, number
8 one, I don't think this could be resolved in six months
9 anyway.

10 Q. Well, I'm an optimist. And if you have a line
11 of communication and you can certainly agree to work
12 with the Panagopoulos family and their interest, which
13 is not going to be that significant in the totality of
14 the interests that have already been determined, what
15 would be the hardship or delay in waiting six additional
16 months, if you think of any?

17 A. Well, I've never had this question posed
18 before, so I can't answer that.

19 Q. Thank you.

20 MR. BRUCE: Mr. Examiner, can I ask a
21 couple of follow-up questions?

22 EXAMINER EZEANYIM: Let me see what he's
23 doing, if he's done.

24 MR. CHAVEZ: Nothing further.

25 EXAMINER EZEANYIM: Nothing further. Okay.

REDIRECT EXAMINATION

1

2 BY MR. BRUCE:

3 Q. MR. Haden, who is Corey Mitchell?

4 A. Corey Mitchell is one of our young landmen.

5 Q. Working for Mewbourne?

6 A. He works for Mewbourne in our Midland office.

7 Q. To the best of your knowledge, did Mr. Mitchell
8 also have a discussion with Mr. Panagopoulos in this
9 hearing room a number of months ago on one of the other
10 poolings he was involved in?

11 A. Yes, he did.

12 Q. Now, when you're talking about clearing title,
13 that's the responsibility of the mineral interest owner;
14 is it not?

15 A. That's correct.

16 Q. That's not Mewbourne's job?

17 A. That's not our problem.

18 Q. And when Mr. Chavez said you sent out the
19 letter, at this point, three or four months ago, you
20 have also had other contact with them over the last
21 couple of years regarding their interest in these well
22 units?

23 A. Yes, we have.

24 Q. Does Mewbourne have plans to drill this well
25 within the next six months?

1 A. Absolutely.

2 Q. If any pooling order was delayed, would that
3 give interest owners a chance to obtain knowledge of the
4 results of the well?

5 A. Yes, it would, which would be unfair.

6 Q. To Mewbourne?

7 A. Yes.

8 Q. Thank you.

9 MR. BRUCE: I have no further questions.

10 EXAMINER EZEANYIM: Very good.

11 Any recross?

12 MR. CHAVEZ: No. Thank you.

13 EXAMINER EZEANYIM: Mr. Brooks?

14 CROSS-EXAMINATION

15 BY EXAMINER BROOKS:

16 Q. Mr. Haden --

17 A. Yes, sir.

18 Q. -- can you tell us if Mewbourne has offered the
19 Panagopoulos' interest to lease their interest whatever
20 it may be?

21 A. Well, we've offered to lease their interest,
22 and we offered top dollar for that lease.

23 Q. That was what I wanted to know.

24 A. Yeah.

25 Q. That's all I need. That's all I have.

1 EXAMINER EZEANYIM: Do you have anything?

2 EXAMINER GOETZE: No questions.

3 MR. CHAVEZ: May I follow up with a
4 question?

5 EXAMINER EZEANYIM: Okay. Go ahead.

6 RE CROSS EXAMINATION

7 BY MR. CHAVEZ:

8 Q. When you say that you offered top dollar, what
9 did you offer to Pavlos?

10 A. I believe it was \$2,000 per acre for a 3/16th
11 lease for a three-year lease. That could be determined.

12 Q. And that's the offer you would state on record
13 of being made and still a valid offer?

14 A. Yes, we would -- we would do that.

15 Q. Just for the record, again, could you cite the
16 terms, please?

17 A. \$2,000 per net minimum acre for a three-year
18 oil and gas lease providing a 3/16th oil lease.

19 EXAMINER EZEANYIM: Case dismissed. Why
20 are we here?

21 (Laughter.)

22 MR. BRUCE: Because there are another 20
23 people involved.

24 EXAMINER EZEANYIM: I mean case dismissed
25 as regards to Mr. Panagopoulos. I mean, we can consider

1 the composite, but, I mean, there will not be a
2 contested anymore. That's my impression.

3 EXAMINER BROOKS: Well, this is a serious
4 question I'm going to address to the witness.

5 RECROSS EXAMINATION

6 BY EXAMINER BROOKS:

7 Q. Of course, that would be proportionately
8 reduced to whatever interest that they establish that
9 they own?

10 A. Proportionately reduced. Yes, proportionately
11 reduced.

12 Q. You're not going to pay them for an interest
13 they don't own?

14 A. No.

15 Q. Thank you.

16 A. They can also join in the well.

17 RECROSS EXAMINATION

18 BY MR. CHAVEZ:

19 Q. And that's a good point, Mr. Haden. How can we
20 join in the well without knowing what our interest is,
21 without being able to make an informed decision? You
22 would agree, you're not going to spend money unless you
23 can make an informed decision as to what your interest
24 is. So what amount are you asking the Panagopouloses to
25 pay to join in on the well?

1 A. Well, they should pay their part of the
2 two-and-a-half-percent interest, whatever that is.

3 Q. And whatever that is, you're willing to pay as
4 a royalty to my client, so there is not an issue as to
5 their ownership interest?

6 A. What do you mean there is no issue? Certainly
7 there is an issue.

8 Q. Okay. Well, you just said -- I thought I
9 understood you to say that you wanted to pay 2.25 of the
10 cost of the well.

11 A. Of their part of that two-and-a-half --
12 two-and-a-quarter percent, of their part.

13 Q. How can they make an informed decision without
14 knowing what their interests are, without having the
15 opportunity to sit down and negotiate with you --

16 A. Well --

17 Q. -- because they may want to do that?

18 A. Well, why don't you go to the county records
19 and determine their ownership for us?

20 Q. Because you already have. And that
21 determination --

22 A. Our title attorney could not determine who the
23 specific -- well, he has a list of the owners, but what
24 their specific interest is and that interest is unknown.

25 Q. But that's a point of negotiation that we can

1 enter into with Mewbourne. Fair statement?

2 A. Yeah, we can negotiate, but please prove the
3 ownership. That's all we're asking.

4 Q. Well, you're saying two different things, as I
5 understand. You're saying: We will negotiate, but we
6 need to prove our interest. But if we prove our
7 interest, then there isn't any negotiation because we
8 would have proved our interest in a court of law. Fair
9 statement?

10 A. I guess that would be a fair statement.

11 Q. So we have only one option, you're saying, in
12 this case; prove our interest with a court of law?

13 A. That's already been tried numerous times over a
14 15-year period, and that could not be determined, if
15 you'll look at this title opinion.

16 Q. So then that leaves us with negotiations of the
17 monies that you've put into a reserve. We have to
18 negotiate as to what our interest would be. Fair
19 statement?

20 A. I don't think there is any negotiation as to
21 what the ownership -- it is what it is, or it is what it
22 isn't.

23 EXAMINER EZEANYIM: I don't think we are
24 going to negotiate that interest here. We are going to
25 continue with the case, because I think you guys are

1 negotiating here. We don't have time to negotiate. You
2 can go back and negotiate. If you reach an agreement,
3 then we dismiss the parties. I don't think what you are
4 talking about is relevant to the case.

5 RE CROSS EXAMINATION

6 BY EXAMINER BROOKS:

7 Q. Just to clarify for the record, if I may,
8 Mewbourne does not claim that it owns any interest in
9 this 2.6 percent, right?

10 A. No, we do not. That's being pooled.

11 Q. So there would be no point in you negotiating
12 because you don't own any -- you don't claim any
13 interest?

14 A. Right.

15 Q. You can't negotiate one way or the other?

16 MR. BRUCE: Mr. Examiner, you said continue
17 the case. And I would address this at the end, but this
18 case has already been continued for --

19 THE WITNESS: Months.

20 MR. BRUCE: -- two months.

21 EXAMINER EZEANYIM: No, no. I'm not saying
22 continue --

23 MR. BRUCE: If I could just ask Mr. Haden.

24

25

1 REDIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Will you talk with Mr. Panagopoulos about his
4 interest in the future?

5 A. Yes, I will.

6 Q. Continue to negotiate with him?

7 A. Sure.

8 Q. Even after this hearing?

9 A. Even after this hearing.

10 EXAMINER EZEANYIM: The hearing doesn't
11 preclude you from another hearing.

12 MR. BRUCE: Correct.

13 EXAMINER EZEANYIM: Go ahead.

14 MR. BRUCE: That's all I have of Mr. Haden.

15 EXAMINER EZEANYIM: Mr. Chavez, do you have
16 anything? Do you have any further questions?

17 Are you an attorney?

18 MR. PANAGOPOULOS: No, I'm not.

19 EXAMINER EZEANYIM: You're so ambitious.

20 (Laughter.)

21 MS. PANAGOPOULOS: He's a financial
22 planner.

23 EXAMINER EZEANYIM: Mr. Chavez, do you have
24 any questions for this witness?

25 MR. CHAVEZ: No, I don't.

1 EXAMINER EZEANYIM: Any further questions?

2 EXAMINER BROOKS: No further questions.

3 EXAMINER EZEANYIM: We did give notice to
4 everybody, right, for this case?

5 THE WITNESS: Yes. Yes.

6 EXAMINER EZEANYIM: We are going to dismiss
7 the request here for nonstandard location because you
8 already got that approval, right?

9 THE WITNESS: Yeah.

10 EXAMINER EZEANYIM: Is there any special
11 pool rule for Culebra?

12 THE WITNESS: Yes, it has special pool
13 rules.

14 EXAMINER EZEANYIM: What is the order
15 number; do you know?

16 THE WITNESS: Oh, right off --

17 MR. BRUCE: Mr. Examiner, it is Order
18 Number R-6139.

19 EXAMINER EZEANYIM: 6139?

20 MR. BRUCE: Yes, sir.

21 EXAMINER EZEANYIM: That's very different
22 from the statewide rules?

23 MR. BRUCE: Yes, 80 acres and 150 feet from
24 the center of the quarter-quarter section.

25 EXAMINER EZEANYIM: And that's why it was

1 nonstandard.

2 THE WITNESS: Right.

3 EXAMINER EZEANYIM: Okay. Good.

4 Do you have any questions?

5 EXAMINER GOETZE: No questions for this
6 witness.

7 EXAMINER EZEANYIM: You may step down and
8 call your next witness.

9 TYLER HILL,

10 after having been previously sworn under oath, was
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. Mr. Hill, where do you reside?

15 A. Midland, Texas.

16 Q. Who do you work for and in what capacity?

17 A. Mewbourne Oil Company, as a petroleum
18 geologist.

19 Q. Have you previously testified before the
20 Division?

21 A. No, sir.

22 Q. Would you discuss for the Examiner your
23 educational and employment background?

24 A. Yes, sir.

25 EXAMINER EZEANYIM: Was the answer yes, sir

1 or no, sir that you've testified before?

2 THE WITNESS: I have not testified before,
3 sir.

EK

4 EXAMINER EZEANYIM: So it's "no, sir"?

5 THE WITNESS: "No, sir."

6 A. I went to Kansas State University and completed
7 my undergraduate degree in geology, and I also achieved
8 my master's degree through Kansas State University. And
9 I worked at Mewbourne Oil Company for two-and-a-half
10 years.

11 Q. (BY MR. BRUCE) Does your area of responsibility
12 at Mewbourne include this portion of southeast
13 New Mexico?

14 A. Yes, sir.

15 Q. And are you familiar with the geologic matters
16 involved in this application?

17 A. Yes, sir.

18 MR. BRUCE: Mr. Examiner, I'd tender
19 Mr. Hill as an expert petroleum geologist.

20 EXAMINER EZEANYIM: Mr. Hill, you have a
21 degree in both -- a master's and bachelor's in geology?

22 THE WITNESS: Yes, sir.

23 EXAMINER EZEANYIM: Okay.

24 Q. (BY MR. BRUCE) Could you identify Exhibit 10
25 for the Examiner, Mr. Hill?

1 A. Yes, sir. This is a structure map of the
2 nine-section area around the Layla 35 OB #1H that we
3 propose to drill. If you look in the bottom, left-hand
4 corner, I've highlighted all the Bone Spring producers.
5 We've got Avalon Sand, Avalon Shale, 1st Bone Spring
6 Sand, 2nd Bone Spring Sand and the Harkey Sand.

7 To the right of the wellbore, I've
8 displayed all the production, cum gas, cum oil and cum
9 water. The structure in this area is not very
10 complicated. It's dipping from west to east, and it's
11 on the 2nd Bone Spring. The well that we plan to drill
12 is in Section 35, in the west half of the east half.

13 Q. Mr. Hill, Mr. Ezeanyim is normally quite
14 interested in well orientation, either stand-up or
15 lay-down. In this section, has that unit orientation
16 already been decided?

17 A. It has, in the Avalon Shale. It's in the east
18 half of the west half.

19 Q. So there is an existing stand-up Bone Spring
20 well in this section?

21 A. Yes, sir. Yes, sir.

22 Q. What is Exhibit 11?

23 A. Exhibit 11 is a net isopach of the 2nd Bone
24 Spring Sand. To the bottom, left of the wellbore, I
25 have posted the net sand greater than ten percent

1 porosity. So within the planned wellbore, we plan to
2 encounter 50 to 60 feet of net sand.

3 Q. So pretty much the entire well unit is
4 somewhere -- each quarter-quarter section would contain
5 approximately 50 to 60 feet of sand?

6 A. Yes, sir.

7 Q. What is Exhibit 12?

8 A. Exhibit 12 is a cross section of the three
9 wells that are deep enough in Section 35 to penetrate
10 the 2nd Sand. The first marker is the top of the 2nd
11 Bone Spring Sand, and then we divide the 2nd Bone Spring
12 into the B and the C Sand, and then the blue marker at
13 the base is the 3rd Bone Spring Carbonate.

14 EXAMINER EZEANYIM: Excuse me. Go back to
15 Exhibit 11, on that net isopach map. The well drilled
16 there is not the well for this subject, right? It's
17 not. That's a well -- a stand-up well there?

18 THE WITNESS: Yes.

19 EXAMINER EZEANYIM: Which well is that?

20 THE WITNESS: The one that has been drilled
21 in the Bone Spring in Section 35? That is in the east
22 of the west half.

23 EXAMINER EZEANYIM: Yeah. Which one is
24 going to be -- it's going to be east half-east half?

25 THE WITNESS: Oh, no. It's the red

1 highlighted area, the west half of the east half that
2 we're planning to drill.

3 EXAMINER EZEANYIM: Is that the one with an
4 arrow?

5 THE WITNESS: Yes, sir.

6 EXAMINER EZEANYIM: Okay. What is the well
7 you are talking about? You are talking about a well in
8 the 2nd Bone Spring?

9 THE WITNESS: Yes. That is the well
10 directly to the west of that. It has the gray circle on
11 it. It produced two-tenths of a bcf, 8,000 barrels of
12 oil and 50,007 barrels of water --

13 EXAMINER EZEANYIM: Okay. Go ahead.

14 A. Back to the cross section, the 2nd Bone Spring
15 Sea Sand is the green marker, and this just shows the
16 continuity of the sand through the sections of these
17 three wells. We expect to encounter anywhere from 60 to
18 80 feet of gross sand, and then 50 to 60 feet of net
19 sand, with porosity greater than ten percent.

20 Q. (BY MR. BRUCE) Based on your geologic study,
21 would you anticipate each quarter-quarter section in the
22 well unit contributing more or less equally to
23 production?

24 A. Yes, sir, equally.

25 Q. What is Exhibit 13?

1 A. Exhibit 13 is a production data table
2 spreadsheet of all the wells that produce in the
3 nine-section area. The first column is the well name,
4 and then the operator, API number, the location, whether
5 they're vertical or horizontal, Bone Spring completion
6 date to the Morrow, the cum oil, cum gas, cum water, and
7 the zone completed in.

8 Q. There are some -- looking at the vertical
9 wells, there are some wells that appear to be okay,
10 but --

11 A. Uh-huh.

12 Q. -- looking at the completion date, it'd take
13 quite awhile to produce the reserves?

14 A. It would, yes.

15 Q. Would you anticipate quicker recovery of
16 reserves from the horizontal wellbore?

17 A. Absolutely. Yes, sir.

18 Q. And would you finally identify Exhibit 14 and
19 just briefly describe the completion stages, et cetera
20 in the well?

21 A. Yes. Exhibit 14 is the Well Planning Report.
22 We did these before plans to drill a well. Surface
23 location is 150 feet from south line and 1,980 from east
24 line, and the bottom-hole location is 330 from north
25 line and 1,980 from east line, in Section 35, 23 South,

1 28 East, Eddy County.

2 And if you'll flip to the last page,
3 that'll show the wellbore diagram.

4 Q. How many completion stages in this well?

5 A. In this well, it will probably be 20 completion
6 stages.

7 Q. Were Exhibits 10 through 14 either prepared by
8 you or compiled from company business records?

9 A. Yes, sir.

10 Q. And in your opinion, is the granting of this
11 application in the interest of conservation and the
12 prevention of waste?

13 A. I'm sorry?

14 Q. Is the granting of this application in the
15 interest of conservation and the prevention of waste?

16 A. Yes, sir.

17 MR. BRUCE: Mr. Examiner, I'd move the
18 admission of Exhibits 10 through 14.

19 EXAMINER EZEANYIM: Any objection?

20 MR. CHAVEZ: No, no objection.

21 EXAMINER EZEANYIM: 10 through 14 will be
22 admitted.

23 (Mewbourne Oil Exhibit Numbers 10 through
24 14 were offered and admitted into
25 evidence.)

1 EXAMINER EZEANYIM: Mr. Chavez?

2 MR. CHAVEZ: No questions.

3 EXAMINER EZEANYIM: Mr. Brooks?

4 MR. BROOKS: No questions.

5 EXAMINER EZEANYIM: Mr. Goetze?

6 EXAMINER GOETZE: I have one quick
7 question.

8 CROSS-EXAMINATION

9 BY EXAMINER GOETZE:

10 Q. Exhibit Number 11, looking at the isopach, this
11 is all from your logs, and the wells themselves that are
12 presented for production, those are all Avalon?

13 A. In the gray, yes, sir.

14 Q. Yeah. Okay. The sand and shale. So we don't
15 have anything in the Bone Spring 2nd Sand at this point?

16 A. Not in this nine-square section.

17 Q. All right. That's my only question. Thank
18 you.

19 A. Yes, sir.

20 CROSS-EXAMINATION

21 BY EXAMINER EZEANYIM:

22 Q. Based on that map, you stated that all 14 will
23 be productive; I mean, according to that map. Why do
24 you say that?

25 A. I believe it's because the sand is continuous,

1 as well as the structure slowly dipping from the west to
2 the east, as well as you'll have 50 to 60 feet of gross
3 sand in all three of these wells, gross-net sand.

4 Q. And when I look at that well that you are going
5 to drill, it looks like the 40-acre in the middle will
6 produce more than the ones at the end, if I look at your
7 net isopach map.

8 A. Uh-huh.

9 Q. Does it appear to you, if I look at the net
10 isopach map, that the two 40 acres in the middle will
11 produce more than that? It doesn't make a whole a lot
12 of difference.

13 A. Right.

14 Q. You've told me that the -- is continuous. Of
15 course, you know there is no way to know whether it's
16 continuous, but we assume they are, right?

17 A. It's possible, but this is an interpretation
18 that I believe the sands could be thicker to the east,
19 or it could be thinner. I believe it's thick, and all
20 along the lateral should contribute equally.

21 Q. Okay.

22 EXAMINER EZEANYIM: Anybody else?

23 MR. BRUCE: No, sir.

24 Any more witnesses?

25 MR. BRUCE: No, sir.

1 EXAMINER EZEANYIM: Mr. Chavez?

2 MR. CHAVEZ: I'm going to call
3 Mr. Panagopoulos, Pavlos. And his testimony would be
4 adopted by Magdalena, so there is no reason to have her
5 testify to the same things he would testify to. She
6 would adopt his statements.

7 EXAMINER EZEANYIM: Okay. Go to the
8 witness stand.

9 Can I call you Pavlos?

10 MR. PANAGOPOULOS: Pavlos is fine.

11 EXAMINER EZEANYIM: Okay. Good. And
12 you've been sworn, right?

13 MR. PANAGOPOULOS: What?

14 EXAMINER EZEANYIM: You've been sworn?

15 MR. PANAGOPOULOS: Yes, I've been sworn.

16 EXAMINER EZEANYIM: You are under oath.

17 You can go ahead.

18 PAVLOS PANAGOPOULOS,

19 after having previously duly sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. CHAVEZ:

23 Q. Please state your name for the record.

24 A. Pavlos Panagopoulos.

25 Q. Where do you reside?

1 A. I reside at 615 Willow Brook, Belen, New
2 Mexico.

3 Q. And do you and your respective family have a
4 particular interest in this petition filed before the
5 Commission? DIVISION

6 A. Yes, we do.

7 Q. What does that consist of?

8 A. We are opposing, basically, the forced pooling
9 determination of this committee because we'd like to
10 have time to determine our ownership in this interest.
11 We would like Mewbourne to acknowledge our interest in
12 this well.

13 Q. And what time period are you requesting?

14 A. Six months.

15 Q. Are you requesting a delay for six months?

16 A. Yes.

17 Q. And what would you do in that six-month period?

18 A. We would do a title search, and also we would
19 negotiate with Mr. Hayward [sic].

20 Q. Have you already made a claim based on your
21 respective deeds and mineral deeds that you received on
22 this particular property?

23 A. Yes.

24 Q. And have those been submitted?

25 A. Yes.

1 Q. Now, Mewbourne has the option to acknowledge
2 what you have submitted. Is that a fair statement?

3 A. Yes.

4 Q. And has Mewbourne accepted what your claimed
5 interest in this particular well would be?

6 A. Yes.

7 Q. Have they accepted that?

8 A. They have not. We would like them to
9 acknowledge our interest.

10 Q. And did you have the opportunity to receive any
11 of the pleadings or documents that are submitted as
12 exhibits by Mr. Haden this afternoon?

13 A. The paperwork I received today --

14 Q. No. The question is: Did you have the
15 opportunity to receive those exhibits --

16 A. No.

17 Q. -- tendered by Mr. Haden prior to today's
18 hearing?

19 A. No, I have not gotten those.

20 Q. Did you have any opportunity to receive the
21 title search that, in effect, disputes your particular
22 claim into the subject interest that you're claiming?

23 A. No, I have not. And, also, we have paid for a
24 title search that we are waiting for from Eddy County
25 Abstract. We should have gotten that title search

OK

1 yesterday, but we have not received it yet.

2 Q. Now, one of the questions of Mr. Haden was:
3 Why don't you pay your respective interest into the cost
4 of the well?

5 A. Because they have not determined that we have
6 ownership in this well. They have not acknowledged our
7 ownership.

Handwritten mark: a large 'X' with a bracket on the left side, spanning lines 9 to 11.

8 Q. And do you need that percentage, respective
9 interest, acknowledged in order to allow you to make an
10 informed decision as to whether you would participate in
11 the cost and expenses of that well?

12 A. Yes, because no sane person would put money up
13 if they didn't know what they were going to get back in
14 return.

15 Q. And has their prejudice caused you, as a
16 result, of not being able to make that informed decision
17 prior to a forced pool order being entered?

18 A. Yes.

19 Q. With regards to the escrow account that's being
20 set up -- you've heard the testimony of Mr. Haden
21 indicating that there would be an escrow account set up
22 in this particular case concerning the compulsory
23 pooling. Are you in agreement with that?

24 A. No.

25 Q. And why not?

1 A. Because like Mr. Haden said, Mewbourne gets
2 nothing out of it. But the money goes to an escrow
3 account, and the owners get nothing out of it either.
4 So there's no skin off, as they say in Texas, of
5 Mewbourne because they're not losing anything. It's the
6 owners that are not getting their fair interest in this
7 well.

8 Q. And have you had disputes with Mewbourne in the
9 past concerning this type of arrangement, without having
10 your interest determined up front, before proceeding
11 with the well?

12 A. Just like Mr. Hayward [sic] testified, I spoke
13 to Corey Mitchell when I came to the last forced pooling
14 from last year. And Mr. Corey Mitchell said to contact
15 us at Mewbourne, and we'll talk with you, and I did.
16 And he said, You need talk to Mr. Hayward [sic]. And
17 Mr. Hayward [sic] said he would not talk with us and
18 would not negotiate with us, until now, when he stood up
19 here and testified. He just said he would negotiate
20 with us. So we'd like six months to be able to
21 negotiate with Mr. Hayward [sic] to determine our
22 ownership before you force pool us.

23 EXAMINER EZEANYIM: Mr. Tibo -- Mr. Chavez,
24 I think Pavlos is a fact witness, not an expert witness.

25 MR. CHAVEZ: Correct.

1 EXAMINER EZEANYIM: I want to get the
2 record to reflect that.

3 MR. CHAVEZ: That was the last question I
4 had for him.

5 EXAMINER EZEANYIM: Okay. We normally
6 qualify witnesses before we continue, so I know what's
7 going on, so the record will reflect.

8 Go ahead.

9 MR. CHAVEZ: I have nothing further. That
10 was it.

11 EXAMINER EZEANYIM: Oh, okay. Now we
12 qualify him as a fact witness, and that's what the
13 record will state.

14 Mr. Bruce?

15 MR. BRUCE: Just a couple of questions,
16 Mr. Examiner.

17 CROSS-EXAMINATION

18 BY MR. BRUCE:

19 Q. Are you aware, Mr. Panagopoulos, that I've
20 provided a copy of that statement, title search [sic],
21 to Tibo Chavez, your attorney, over two months ago?

22 A. Not until I just see it right there, but you
23 gave me a letter that I have.

24 Q. And to best of your knowledge, this is the
25 third time now over the last year, year and a half that

1 you've been force pooled into these wells, right?

2 A. Right. Can I answer the question? I'm not a
3 lawyer. You are.

4 Q. Go ahead and answer.

5 A. So the legal laws of New Mexico, especially
6 when it comes to minerals -- we are laypeople; we are
7 not knowledgeable about mineral rights and what my
8 father purchased. So as laypeople, we're not experts in
9 mineral rights or what the laws are. We were trusting
10 that Mewbourne was sending us this information in good
11 faith. What I see now is that it's not in good faith,
12 because they're basically saying, We'll just put all the
13 money in escrow for the owners. There's no skin off our
14 nose. We get paid whatever we get paid, and we don't
15 need to negotiate with the owners or try to determine
16 who the owners are. Why have an escrow account? Why
17 not pay those proceeds out to the owners? Why not try
18 to determine who owns that interest?

19 Q. Are you aware it's your job to determine what
20 you own?

21 A. Yes. And it's also my cost -- at my cost,
22 right.

23 Q. And this is the third time now you've been
24 force pooled into these wells. And going back over a
25 year and a half, how come it has taken so long to take

1 steps to determine what you own?

2 A. Again, we were not knowledgeable in this
3 situation, and we tried to delay the forced pooling
4 because we were not knowledgeable in what was going to
5 happen when we accepted forced pooling, that we'd lose
6 200-percent interest in the well. We have to pay the
7 expense according to the forced pooling.

8 MR. BRUCE: That's all I have,
9 Mr. Examiner.

10 EXAMINER EZEANYIM: Any questions?

11 EXAMINER BROOKS: No questions.

12 EXAMINER EZEANYIM: Any questions?

13 EXAMINER GOETZE: No questions.

14 CROSS-EXAMINATION

15 BY EXAMINER EZEANYIM:

16 Q. So the crux of the matter here, Mr. Pavlos
17 [sic], is, you don't know what you own in this well.
18 Therefore, you don't know whether to participate or not
19 to participate. Is that what you're saying?

20 A. Yes. The only think I do know is, my father
21 paid for interest in this well, cash money, and so he
22 purchased interest in this well from an individual. And
23 Mewbourne contacted us and said, We're going to be
24 putting a well on your interest. We have not been able
25 to determine what that interest is. We'd like six

1 months to give us an opportunity to determine what that
2 interest is.

3 Q. Why are you taking too long to determine your
4 interest? Why does it take too long? I mean, you
5 should go to the -- I don't know. I'm not a law person.
6 Because maybe I'm asking -- because I don't know. Maybe
7 it takes a year, but it seems to me that there is
8 something you can do in a week or two.

9 A. It's already been over a month. We've
10 contacted Eddy County Abstract, and they're providing us
11 the documents. One of the mortgages on the documents is
12 a 300-page document, and Tibo Chavez, our attorney,
13 asked for that document. And Eddy County Abstract said
14 that they would have to mail it. He asked them to send
15 it to us in an E-format, and they have yet to send us
16 that document. So we have a lot of information that we
17 have to go through in order to determine that.

18 All we're asking for is a six-month delay.
19 That's all we're asking. I don't think that's asking a
20 lot.

21 Now, Mr. Bruce may think that 2.3 percent
22 or 2.4 interest is very small, but my father paid for
23 that interest with monies that he received when my mom
24 passed away. And we just want to determine what our
25 interest is and what interest my dad had purchased for

1 those mineral rights.

2 Q. And that is your right. Even if your interest
3 is .000100 or something, you should --

4 A. But there is also a cost involved in doing
5 that. So we've got to say, What is the cost? And so
6 here's the other problem. We don't know what the value
7 of that interest is.

8 Q. And we can't help you with that here.

9 A. Correct. But we have to know what the interest
10 is, because there are going to be expenses for us and
11 costs and time for us to determine what that interest is
12 going to be, and a lot of research.

13 Q. My hope is that you are not going to abandon
14 that interest, right?

15 A. No, we have not abandoned that interest at all.
16 That's why I'm here.

17 And Mr. Bruce is saying to me, Pavlos, why
18 haven't you done anything? Well, I drove and left my
19 business last year, and I was here. And you kept on
20 changing the court date, and I kept driving here from
21 Albuquerque. So, yes, I am a motivated individual. And
22 you would agree with that because I've called you on the
23 phone. I am motivated. It's just taking me time to get
24 legal counsel to help me, and I've just done that
25 recently.

1 And it's going to take me a little time,
2 and I'm asking only for six months. And it's a small,
3 insignificant ownership. I would like a little time to
4 determine my ownership in that interest and my family's
5 ownership, because I not only represent myself, but I'm
6 a fiduciary for my father's estate.

7 And I'm the managing partner for
8 Panagopoulos Enterprises, which is one of the interests.
9 So not only do I have a personal benefit from this, but
10 I have a fiduciary benefit that I need to take care of
11 for my family.

12 Q. Now, let me ask you a question before we go to
13 the six months. Let's say you find out what your
14 interest is. Then you determine whether to participate
15 in the well or not participate in the well --

16 A. Or sign a lease. And if Mr. Hayward [sic]
17 signs a check for 2,000, says, Here, you guys own 2.5,
18 there's our deal. We sign the lease, and we're done.
19 How hard is that? It's \$2,000 depending upon if you own
20 it or you don't own it. Why leave that ambiguity? Why
21 not just determine: You either own it, sign the lease,
22 or you don't own it and move on?

23 Q. But you have to determine your lease.

24 A. Right. And we need to negotiate with
25 Mr. Hayward [sic] and get Eddy County Abstract to

1 provide us that abstract, and I still have not received
2 it from Eddy County Abstract. I should receive it any
3 day now. Mr. Chavez, Tibo Chavez, was expecting to get
4 that abstract from Eddy County Abstract yesterday. It
5 still has not been received.

6 And the mortgage, which Mr. Bruce has not
7 provided me with, was a 300-page mortgage on that
8 abstract.

9 MR. BRUCE: I'm sorry. I don't know what
10 you're talking about, Mr. Panagopoulos.

11 EXAMINER EZEANYIM: He's talking about
12 mortgage.

13 THE WITNESS: There was a mortgage on those
14 leases from somebody else, so we have to get the
15 entire -- we have to get the entire abstract. The
16 lawyer needs to get the abstract. I'm not a lawyer.
17 The lawyer needs to get the abstract in order to make a
18 legal determination. We need some time, and we're
19 asking for six months.

20 EXAMINER EZEANYIM: And the OCD is not
21 interested in the mortgage. What we're interested in
22 now is to sit down and determine the issue of delaying
23 this action for six months.

24 THE WITNESS: Yes. And can the well
25 continue to work and operate? All you are determining

1 is forced pooling, correct?

2 EXAMINER EZEANYIM: Yeah.

3 THE WITNESS: So let's say you'd say, We're
4 not going to force pool, six months; we're not going to
5 make the forced pool. Can Mewbourne and the oil
6 companies continue with the well?

7 EXAMINER EZEANYIM: Well, that would depend
8 on the Applicant.

9 THE WITNESS: Right. That's their
10 determination, right?

11 EXAMINER EZEANYIM: Yes. I mean, it
12 depends on what they tell us.

13 THE WITNESS: So that's not going to stop
14 them from doing the well? Delaying six months is not
15 going to stop them from doing the well?

16 EXAMINER EZEANYIM: No.

17 THE WITNESS: And it's not going to change
18 the ownership that I would have.

19 EXAMINER EZEANYIM: They can -- they are
20 drilling at their own risk.

21 THE WITNESS: Exactly. And right now it's
22 at my risk because they're saying, You haven't
23 determined your ownership, and now we're going to force
24 pool you. Now they have no risk, and I have all the
25 risk.

1 or by forced pooling. And there is a question, I think,
2 whether that provision is actually in accordance with
3 the compulsory pooling statute, but that's a whole other
4 question.

5 THE WITNESS: Is the well producing now?

6 EXAMINER EZEANYIM: It's not drilled.

7 MR. BRUCE: The well has not been drilled,
8 Mr. Examiner.

9 EXAMINER BROOKS: Bottom line, I would say,
10 if you're inclined, Mr. Examiner, to recommend that the
11 matter be continued for a period as long as six months,
12 what we should do is take the case under advisement
13 or -- either take it under advisement or delay it a
14 shorter period of time, and make a recommendation to the
15 director, and let the director make that decision. I
16 think that's a decision of magnitude that should go to
17 the director. That's not just a procedural point.

18 EXAMINER EZEANYIM: Six months to me seems
19 to be too long. I will be willing to continue this case
20 for one month, to be fair on both sides.

21 THE WITNESS: Would that give an
22 opportunity for me and Mr. Hayward [sic] to negotiate?

23 EXAMINER EZEANYIM: Yeah, for one month.
24 You know, for a month from today, and see what you guys
25 can negotiate. And then we can drop you from the --

1 EXAMINER BROOKS: I would add that from the
2 practicalities of the situation, it seems very unlikely
3 to me that this would be resolved in a short period of
4 time or perhaps in a long period of time --

5 EXAMINER EZEANYIM: Well, it's not --

6 EXAMINER BROOKS: -- whatever decision you
7 make.

8 EXAMINER EZEANYIM: It's not a decision of
9 the issue when they get it. From what I heard
10 Mr. Pavlos [sic] saying is, I don't know how much I own
11 in this well; I want to find out. So my question was:
12 Why is it taking too long? You could have gotten the
13 300 pages, spent the whole night and then get your
14 interest. That's a gold mine that you are leaving out
15 there. You don't know if it's more than five percent,
16 so you want to find out how much you own, because that's
17 really the point we're talking about here. So I don't
18 know. I'm not a land person. I have no idea.

19 EXAMINER BROOKS: If I may make a comment
20 on that, Mr. Examiner. I don't know anything about this
21 title; I haven't examined it, but it seems that it's
22 possibly very complicated. And when you've got a
23 complicated title, it's very often the case that there
24 is no way that anybody can say how much a person owns
25 until the appropriate procedures are gone through and

1 the matter is brought to a judge, and he can say, They
2 own such-and-such, not because he's smarter than anybody
3 else, but because he has the power to say, This is the
4 way it is.

5 EXAMINER EZEANYIM: So are you telling me
6 that before this man here finds out how much he owns, he
7 has to go through a judge?

8 EXAMINER BROOKS: I think it's quite likely
9 that only a district judge, in a quiet title proceeding,
10 could make that decision. I don't know that; I haven't
11 examined the title, but given what I'm hearing between
12 the lines, I think that's quite probable.

13 And, of course, a quiet title proceeding
14 would require that everybody that owns -- is a potential
15 owner will be made a party to that proceeding, which
16 would require due diligence to locate them all. It will
17 require publications for the people that can't be
18 located. It's an extensive procedure.

19 EXAMINER EZEANYIM: Would the Applicant
20 comment on this request, so I can begin to make a
21 recommendation here? I want the Applicant to comment on
22 this request about the six months.

23 MR. BRUCE: Mr. Examiner, as I said, this
24 is the third forced pooling regarding this interest,
25 stretching back well over a year and a quarter. This

1 particular case has been continued again and again over
2 two months. We are highly resistant to any further
3 continuance. Certainly based on what I've seen on the
4 orders, it's going to take at least 30 days for an order
5 to come out anyway. We just object to any further
6 continuance.

7 Just like all of these companies, whether
8 it's Mewbourne or COG or anybody else, they have
9 drilling obligations that they must meet. And certainly
10 if they do drill the well, they don't want to face the
11 situation which Mr. Brooks stated, which under the
12 rules, you're not supposed to get a C-104 transport
13 until the nonstandard unit has been approved. And
14 Mewbourne has always been a good operator. It has
15 always followed the rules, and we don't want to put
16 ourselves under that scripture.

17 EXAMINER BROOKS: I believe that Mr. Chavez
18 was indicating that he wanted to make some comment, and
19 I think he should be entitled to do that.

20 EXAMINER EZEANYIM: Okay. Mr. Chavez?

21 EXAMINER BROOKS: Do you have something to
22 say?

23 MR. CHAVEZ: There are two options, I
24 think, as you pointed out, Counsel. One is, we'd have
25 to go through the court proceeding, but we certainly can

1 reach an acknowledgment of that interest by Mewbourne.
2 They can say: We accept your percentage, whatever they
3 may come to an agreement on, without a court proceeding,
4 as they've done in other situations as well.

5 EXAMINER BROOKS: Yes, I suppose. By
6 contract, they could agree to pay you a certain amount
7 for your interest whether you own it or not, but I
8 haven't heard of that being done in the oil business.

9 THE WITNESS: Can I say something real
10 quick? How many are there, Mr. Chavez? There are 14
11 people? How many are listed there?

12 MR. CHAVEZ: Twenty-eight people.

13 THE WITNESS: Twenty-eight people. Five of
14 them are Panagopouloses. Only two of those contested
15 ownership interests are sitting in this room. There has
16 been no other communication from the other people.

17 Is that correct, Mr. Bruce? Have you had
18 any communication from any of the other individuals?

19 MR. BRUCE: Mr. Examiner, I've had -- and
20 they're in the notice documents. I had contacts with
21 the Gregory family.

22 THE WITNESS: And have they signed a lease?

23 MR. BRUCE: No. On this, they're just --
24 they're letting the Division -- whatever the Division's
25 going to do.

1 MR. CHAVEZ: I don't think you have anybody
2 else claiming an interest in this subject amount.

3 EXAMINER BROOKS: Well, if I understood
4 what was said about the title, the title examiner
5 concluded that there was this long list of people and
6 that he could not determine the percentages in which
7 they owned this 2.6 percent. And if that's so, then it
8 seems to me the only way the matter could be resolved by
9 agreement would be for all that list of 16 people to
10 sign the same document, asking a district judge to make
11 the decision.

12 THE WITNESS: And I asked Mewbourne to do
13 that, and Mr. Hayward [sic] said they would not do that;
14 they would not go through that expense. I spoke to
15 Corey, and he said, That's a good idea, Pavlos. And
16 Mr. Hayward [sic] said, That's your problem; you send
17 out the letters to those people. He has the addresses.
18 He has the names. He knows where they're at.

19 EXAMINER BROOKS: Well, he sent letters to
20 them all asking them to lease, I assume --

21 MR. BRUCE: It's in the exhibits.

22 THE WITNESS: Did anybody sign the lease?
23 Any of those individuals sign the lease?

24 MR. HADEN: What good does that do if they
25 don't know what they signing [sic]?

1 MR. PANAGOPOULOS: So why not resolve it?

2 MR. BRUCE: Mr. Examiner, I think the case
3 is done.

4 EXAMINER BROOKS: I think we've got all the
5 input. I think perhaps Mr. Ezeanyim and I should
6 withdraw for a minute and confer about this.

7 EXAMINER EZEANYIM: Yeah, because I want to
8 get this right. Just give us one minute.

9 EXAMINER BROOKS: We'll take a brief recess
10 to allow the Examiners to confer.

11 (Break taken, 3:33 p.m. to 3:35 p.m.)

12 EXAMINER BROOKS: We have decided to take
13 the case under advisement.

14 And I'm not going to say everything that I
15 said to you (indicating) because that's in the nature of
16 stating the recommendation that I think we will make,
17 but I will say that I anticipate that we will make a
18 special provision for how the election will be handled
19 that is tailored to this case, if the director chooses
20 to accept our recommendation.

21 MR. CHAVEZ: Thank you. Nothing further.
22 May we be excused?

23 EXAMINER EZEANYIM: No. I need to take it
24 under advisement.

25 EXAMINER BROOKS: Oh, yeah. That's right.

1 I'm the legal advisor, so I'm telling him what I would
2 advise, and he does it formally on the record.

3 EXAMINER EZEANYIM: I have to, because we
4 have the record.

5 At this point, Case Number 14977 will be
6 taken under advisement. Okay. Thank you.

7 You want to take a break?

8 EXAMINER BROOKS: I want to take a break.

9 EXAMINER EZEANYIM: Ten-minute break, and
10 we'll be back.

11 (Case Number 14977 concludes, 3:36 p.m.)

12 (Break taken, 3:36 p.m. to 3:50 p.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14977
heard by me on 7/11/15
[Signature] Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19



20

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