

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4 IN THE MATTER OF THE HEARING CALLED
5 BY THE OIL CONSERVATION DIVISION FOR
6 THE PURPOSE OF CONSIDERING:
7 APPLICATION OF MEWBOURNE OIL CASE NO. 15547
8 COMPANY FOR COMPULSORY POOLING
9 AND AN UNORTHODOX GAS WELL LOCATION,
10 EDDY COUNTY, NEW MEXICO.
11 Consolidated with
12 APPLICATION OF MEWBOURNE OIL CASE NO. 15548
13 COMPANY FOR A NONSTANDARD OIL
14 SPACING AND PRORATION UNIT AND
15 COMPULSORY POOLING, EDDY COUNTY,
16 NEW MEXICO.
17 APPLICATION OF MEWBOURNE OIL CASE NO. 15549
18 COMPANY FOR COMPULSORY POOLING
19 AND AN UNORTHODOX GAS WELL LOCATION,
20 EDDY COUNTY, NEW MEXICO.
21 APPLICATION OF MEWBOURNE OIL CASE NO. 15550
22 COMPANY FOR A NONSTANDARD OIL
23 SPACING AND PRORATION UNIT AND
24 COMPULSORY POOLING, EDDY COUNTY,
25 NEW MEXICO.
APPLICATION OF MEWBOURNE OIL CASE NO. 15551
COMPANY FOR A NONSTANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.
APPLICATION OF MEWBOURNE OIL CASE NO. 15552
COMPANY FOR A NONSTANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO,
APPLICATION OF MEWBOURNE OIL CASE NO. 15562
COMPANY FOR A NONSTANDARD SPACING
AND PRORATION UNIT, COMPULSORY
POOLING, AND AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
May 25, 2017
Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
PHILLIP GOETZE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Phillip Goetze, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, May 25, 2017, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

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1 (10:59 a.m.)

2 EXAMINER DAWSON: Moving down the list, we
3 are going to the next case here. At this point we'll
4 skip over Case Number 15705, which is number 13 on the
5 list, on page 3 of 7, and we will go now to Case Number
6 15447, case number 15 -- I'm sorry -- Case Numbers
7 15547, 548, 549, 15550, 15551, 15552 and 15562.

8 Those seven cases will be consolidated into
9 one case, correct, Mr. Hall?

10 MR. HALL: Yes.

11 EXAMINER DAWSON: Okay. And I'll call for
12 appearances on these cases.

13 MR. BRUCE: Mr. Examiner, Jim Bruce, of
14 Santa Fe, representing the Applicant. I have two
15 witnesses.

16 EXAMINER DAWSON: Okay.

17 MR. HALL: Mr. Examiner, Scott Hall, of
18 Montgomery & Andrews, Santa Fe, appearing on behalf of
19 James Wesley Welch, Joe Michael Welch, Barbara Grace
20 Parker, the Welch heirs and their operating entity,
21 Tuffy [phonetic] Oil, LLC.

22 EXAMINER DAWSON: Any witnesses?

23 MR. HALL: No witnesses.

24 EXAMINER DAWSON: Mr. Padilla?

25 MR. PADILLA: Mr. Examiner, I represent

1 Premier Oil & Gas, Inc. I have no witnesses.

2 MR. MORGAN: And Scott Morgan for Blair
3 Seaton Crooke, Cavin & Ingram, Albuquerque, New Mexico.
4 No witnesses.

5 EXAMINER DAWSON: Okay. Mr. Bruce, your
6 witnesses have all been sworn in?

7 MR. BRUCE: That's correct.

8 EXAMINER DAWSON: And they have already
9 testified in previous cases?

10 MR. BRUCE: That is correct.

11 EXAMINER DAWSON: I will let you start out
12 with your questioning.

13 MR. BRUCE: Okay.

14 COREY MITCHELL,
15 after having been previously sworn under oath, was
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

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

21 A. Corey Mitchell.

22 Q. And are you familiar with the land matters
23 involved in these applications?

24 A. I am.

25 MR. BRUCE: Mr. Examiners, before we begin,

1 it's not marked as an exhibit, but there is a sheet on
2 top of the exhibits of Exhibit 1.

3 All of the wells in this matter were
4 previously force pooled except for Case 15562, which has
5 not been pooled. Mr. Mitchell can explain this. The
6 parties who were pooled in those prior cases were
7 unlocatable interest owners, and we're just putting this
8 for reference. As we go through and move on to the
9 geology, when it comes to the approval of the
10 nonstandard units, they've all been approved, except for
11 Case 15562. They've all been approved in the prior
12 orders, and so we intended only to put on geologic
13 evidence for the last lace case, 15562, and ask that
14 those prior orders or prior cases be incorporated as
15 part of the record or administrative notice be taken of
16 them for the purpose of justifying the nonstandard
17 units.

18 EXAMINER DAWSON: Okay.

19 Q. (BY MR. BRUCE) Mr. Mitchell, I've stapled
20 together the land plat and then a number of -- and then
21 the C-102s for this -- for these wells, but could you
22 identify the first page of Exhibit 1?

23 A. The first page of Exhibit 1 is a Midland Map
24 Company land plat showing Township 26 South, Range 27
25 East. Highlighted on there is the west half of Section

1 23 and all of Sections 22 and 27. In yellow are various
2 proration units that encompass this land, and also noted
3 on there, in red, are our wells.

4 Q. Okay. Now, in these cases, there are both Bone
5 Spring wells and Wolfcamp wells, correct?

6 A. Correct.

7 Q. Have all of the wells been drilled?

8 A. Yes, sir, they have.

9 Q. As to the Bone Spring, I believe they are in
10 the Hay Hollow; Bone Spring pool?

11 A. That's correct.

12 Q. And that's based on statewide rules?

13 A. Yes, sir.

14 Q. And the others -- the Wolfcamp wells are all in
15 the Purple Sage; Wolfcamp pool?

16 A. That's correct.

17 Q. Could you just quickly run through the
18 remaining pages of Exhibit 1. I don't think you need to
19 say, but do they -- are these -- let's get into the
20 C-102s for the wells. Are these the actual final
21 locations after drilling, or could you explain that?

22 A. Yes. These are the C-102s for the wells. The
23 first four C-102s are the actuals that were revised
24 after the well was drilled and completed. I do not have
25 the actuals on the last three yet, even though they've

1 been -- they have been drilled.

2 Q. And in looking at both -- in this area, in the
3 two-and-a-half sections that we're talking about here
4 today, looking at the Bone Spring, are there any depth
5 severances in the Bone Spring Formation?

6 A. No, sir.

7 Q. Are there any depth severances in the Wolfcamp
8 Formation?

9 A. No, sir.

10 Q. What is Exhibit 2? And I've stapled -- there
11 are exactly the number of pages to it, a number of
12 two-sheet sets. Could you describe briefly what is
13 shown on these two pages for each particular well?

14 A. Exhibit 2 is our tract ownership for each well,
15 listed on all of them except the last two pages, which
16 is for the Owl Draw 27/22 W2NC Fed Com Number 2H well.
17 All the other ones are noted with an asterisk of parties
18 that were previously pooled. And then the double
19 asterisk is next to either Premier Oil & Gas, Mewbourne
20 Oil Company or COG Operating. Portions for all of that
21 interest is subject to litigation.

22 Q. Okay. We'll get into that in a minute.

23 A. Okay. And then the last two -- or the last
24 one, for the W2NC, the parties noted with an asterisk
25 are who we are seeking to pool, and then also one party

1 associated with the double asterisk.

2 Q. Okay. Just to avoid -- in all of the -- in the
3 first six wells that there has already been a pooling
4 order, have Corexcal and Petrorep, Inc. been forced
5 pooled?

6 A. Yes, sir.

7 Q. Are those two entities unlocatable companies?

8 A. Yes, sir.

9 Q. Has Mewbourne been trying to locate them for a
10 number of years?

11 A. Yes, sir.

12 Q. Have other operators in this area, such as
13 Cimarex, also been trying to locate them?

14 A. Yes, sir.

15 Q. Without luck?

16 A. Correct.

17 Q. I believe the prior testimony was that they
18 disappeared off the face of the earth decades ago, and
19 nobody's been able to track them down?

20 A. Yeah. I believe 1972 is the last time they
21 appeared on the record.

22 Q. So has Mewbourne made a good-faith effort to
23 locate all of the potential -- all of the interest
24 owners or potential interest owners in this -- in these
25 wells?

1 A. Yes, sir.

2 Q. Then let's stalk about Premier Oil & Gas, Inc.,
3 whatever the interest is, 14.8 percent, or COG, on one
4 or two of them, 18.75 percent interest. What is the
5 status of those interests?

6 A. Those interests are currently subject to
7 litigation.

8 Q. And is that identified on sheet two?

9 A. Yes, sir.

10 Q. And there is a title dispute or an heirship or
11 probate dispute which originated this lawsuit; is that
12 correct?

13 A. That's correct.

14 Q. It's been going on now close to five years?

15 A. Correct.

16 Q. And correct me if I'm wrong, but I believe
17 Premier Oil & Gas claims this interest --

18 A. That's correct.

19 Q. -- or COG claims the subject interest, but the
20 people represented by Mr. Hall and Mr. Morgan are in
21 litigation with those entities?

22 A. Correct.

23 Q. Do you have any clue when the lawsuit will be
24 resolved?

25 A. I do not.

1 Q. You said the wells have been completed. Is a
2 portion of the revenue from each well held in suspense
3 until the lawsuit is determined?

4 A. I believe so.

5 Q. It's being held by Mewbourne?

6 A. Yes, sir.

7 Q. And Mewbourne will accept whatever the Court
8 decides?

9 A. That is correct.

10 Q. We're going to get into the proposal letter
11 shortly and the notice letters. There are a number
12 of -- number of heirs, as identified by the attorneys
13 over here?

14 A. Correct.

15 Q. I think eight or nine of these heirs?

16 A. That's fair. Somewhere around there.

17 Q. And they're generally referred to as the Welch
18 heirs?

19 A. Correct.

20 Q. Other than Mr. Morgan's client, Blair Seaton
21 Crooke, have the other interest owners come to terms
22 with Mewbourne Oil Company regarding their possible
23 interests?

24 A. Yes, sir.

25 Q. And you are not seeking to force pool anyone

1 other than -- in each of the seven cases, you are
2 seeking to force pool the contingent interest of Blair
3 Crooke?

4 A. Correct.

5 Q. And Corexcal and Petrorep, you are only seeking
6 to force pool them in the last case, 15562?

7 A. That is correct.

8 Q. And Exhibit 3 is a summary of your
9 communications; is that correct --

10 A. Yes, sir.

11 Q. -- or attempts to locate the interest owners?

12 What is attached behind Exhibit 3?

13 A. Attached to Exhibit 3 is our proposal letter to
14 Mr. Crooke regarding the subject wells.

15 Q. Okay. And because these matters have been in
16 litigation, the notices that were sent out to the
17 interest owners all went to the attorneys?

18 A. Yes, sir.

19 Q. This has been going on for quite some time. In
20 your opinion, has Mewbourne made a good-faith effort to
21 obtain a voluntary joinder of all the interest owners --

22 A. Yes, sir.

23 Q. -- in the application?

24 Next -- and, again, I've stapled them all
25 together. But Exhibit 4 contains AFEs for the wells.

1 Could you identify those and describe which ones are the
2 actual well costs and which ones are the actual -- are
3 the estimated well costs?

4 A. Exhibit 4 are our AFEs for the subject wells.
5 The first four of them are actual -- represent the
6 actual costs, and the last three are still -- just
7 reflective of our estimated costs.

8 Q. In your opinion, are the actual well costs on
9 the first four AFEs fair and reasonable and in line with
10 the costs of other wells drilled to this depth in this
11 area of New Mexico?

12 A. Yes, sir.

13 Q. And as to the ones that you do not have actual
14 costs for -- and these are dated in 2014, 2015 and 2016.
15 At the time that these wells were drilled, were those
16 AFEs -- were the well costs reflected in those AFEs fair
17 and reasonable?

18 A. Yes, sir.

19 Q. The overhead rates were fixed by the prior
20 orders for the first six wells, but as to Case 15562,
21 what overhead rates do you request?

22 A. We are requesting 7,500 a month for drilling
23 and \$700 a month for producing, which is the same as the
24 rates in the prior orders.

25 Q. Okay. And are those fair and reasonable, in

1 your opinion?

2 A. Yes, sir.

3 Q. And do you request that those rates be adjusted
4 as provided in the COPAS accounting procedure, as was
5 provided in the others?

6 A. Yes, sir.

7 Q. As to Case 15562 -- well, as to all the cases,
8 do you request -- do you request the maximum cost plus
9 200 percent risk charge for the wells?

10 A. Yes, sir.

11 Q. As against Mr. Crooke?

12 A. Yes, sir.

13 Q. Now, that having been said, these wells have
14 all been drilled, correct?

15 A. That's correct.

16 Q. And there is public data available on
17 production from these wells?

18 A. Correct.

19 Q. And so the parties will have a good idea of
20 what their -- of whether or not their wells are decent
21 and whether or not they want to join in; is that
22 correct?

23 A. Correct. Yes, sir.

24 Q. And was notice given to all of the locatable
25 interest owners of these applications?

1 A. Yes, sir.

2 Q. And is that reflected in my Exhibit 5?

3 A. Yes, sir.

4 MR. BRUCE: Mr. Examiner, if you'll look,
5 you'll see there are a couple of letters here. Notice
6 went out in September as to seven cases, and actual
7 notice was received by everybody. Of course, maybe
8 giving me nine months to get the green cards back was --
9 every now and then.

10 But in that first letter dated September
11 8th, 2016, Case Number 15490, the parties were given
12 notice of that application. Because of the Division's
13 continuance policy, that case was dismissed without
14 prejudice, and Case Number 15562 was filed in place of
15 that dismissed application. And so you see on October
16 6th, there is a second letter attached where notice went
17 out to everyone regarding the replacement case, and
18 notice was received by everyone.

19 And if you'll look, there are nine of what
20 people call the Welch heirs. And Mr. Hall's clients, of
21 those heirs, have an operating entity.

22 Is that correct, Mr. Hall?

23 MR. HALL: Correct.

24 MR. BRUCE: And only Mr. Blair Crooke is
25 sought to be pooled. His contingent interest is sought

1 to be pooled in all seven cases.

2 And then Exhibit 5A, Mr. Examiner, is just
3 the Affidavit of Publication as to Petrorep and
4 Corexcal, showing that they were given notice. And this
5 pertains particularly to Case 15562.

6 Q. (BY MR. BRUCE) And does Exhibit 6 reflect the
7 offsets to all of the seven wells --

8 A. Yes, sir.

9 Q. -- offset operators or working interest owners?
10 And were they given notice, as shown by
11 Exhibit 7?

12 A. Yes, sir.

13 MR. BRUCE: And all of the parties did
14 receive -- all offsets received actual notice of the
15 applications. And, again, nobody objected to the
16 nonstandard units in the first six cases, and nobody has
17 objected, after nine months, to these cases. So that is
18 the reason for requesting that we only put on
19 nonstandard and proration unit information by the
20 geologist as to Case 15562.

21 EXAMINER DAWSON: Okay.

22 Q. (BY MR. BRUCE) Mr. Mitchell, were Exhibits 1
23 through 7 either prepared by you or compiled from
24 company business records?

25 A. Yes, sir.

1 Q. And in your opinion, is the granting of the
2 pooling in these seven cases in the interest of
3 conservation and the prevention of waste?

4 A. Yes, sir.

5 MR. BRUCE: I move the admission of
6 Exhibits 1 through 7.

7 EXAMINER DAWSON: Any objections to the
8 movement of Exhibits 1 through 7?

9 MR. HALL: No objection.

10 MR. PADILLA: No objection.

11 MR. MORGAN: No objection.

12 EXAMINER DAWSON: Exhibits 1 through 7 will
13 be admitted into the record.

14 (Mewbourne Oil Company Exhibit Numbers 1
15 through 7 are offered and admitted into
16 evidence.)

17 MR. BRUCE: Pass the witness.

18 EXAMINER DAWSON: Mr. Padilla first.

19 MR. PADILLA: I don't have any questions.

20 CROSS-EXAMINATION

21 BY MR. HALL:

22 Q. Mr. Mitchell, were the competing claims to the
23 title letter now in the litigation apparent from an
24 examination of instruments of record at the time these
25 wells were drilled?

1 A. I'm not sure I follow your question.

2 Q. There were defects to title that led to the
3 litigation; is that correct?

4 A. Correct. Yes, sir.

5 Q. And were those discovered by Mewbourne?

6 A. Yes, sir.

7 Q. And they were from instruments of record that
8 were filed prior to the time these wells were drilled?

9 A. Yes, sir.

10 Q. In view of those competing claims, did
11 Mewbourne offer elections to the competing claimants to
12 participate in the well?

13 A. We took a protection lease that we thought
14 covered our bases, which now we know is not the case.

15 Q. And did you receive a permit of --
16 participation of elections from some of the competing
17 claimants?

18 A. As in Premier?

19 Q. Premier --

20 A. Is that what you're getting at?

21 Q. -- among others.

22 Yes.

23 A. Yes.

24 Q. As well as the Welch heirs?

25 A. No. Well, yes. Yes, yes. Now we have. Yes,

1 sir. I thought you were talking -- yes, sir, we have.

2 Q. And Mewbourne received tenders of estimated
3 well costs for the participation of election; is that
4 right?

5 A. Yes, sir.

6 Q. And are these revenues being maintained in
7 accounts separate from the joint account because of the
8 litigation?

9 A. Yes, sir. That is my understanding. Yes, sir.

10 Q. Are you able to testify about the payout status
11 of all of these wells?

12 A. I am not.

13 Q. Can your geologist answer that for us?

14 A. I do not believe so.

15 Q. All right. Have some of them indeed paid out?

16 A. I'm not 100 percent sure on that. I'd have to
17 check into it further.

18 Q. That's all I have. Thank you.

19 MR. BRUCE: If I may interject, I believe,
20 Mr. Hall, that Mewbourne's attorneys have been in touch
21 with Kelly, Hart & Hallman regarding payout status on
22 some of them, but I do not know.

23 MR. HALL: Okay. I'm always the last to
24 know.

25 EXAMINER DAWSON: Mr. Morgan, do you have

1 any questions?

2 MR. MORGAN: I do just have a couple.

3 CROSS-EXAMINATION

4 BY MR. MORGAN:

5 Q. Just to follow up on Mr. Hall's question about
6 the records prior -- the defects being apparent prior to
7 the time the wells were drilled, do you know if
8 Mewbourne had received a title opinion prior to the
9 drilling of those wells?

10 A. We did.

11 Q. And was it apparent in that title opinion that
12 there were defects?

13 A. There was.

14 Q. Okay. Okay. And when were those drills -- I
15 know it's in the record. When were those drills -- when
16 were they spud?

17 A. At various dates.

18 Q. Do you recall the earliest year?

19 A. I do not. It was -- I'm not sure. I'd
20 probably have to say 2012 -- I'm not sure.

21 Q. Okay. That's fine. So around 2012. Okay.

22 And in Exhibit -- sorry -- back to Exhibit
23 3, the summary of communications, do you recall if there
24 were -- if there was correspondence or communications
25 with Mr. Crooke prior to this letter?

1 A. Prior to this -- I believe so. I'm not
2 positive, but I believe there were. We offered to lease
3 Mr. Crooke, and I think we had a lease in place at one
4 point.

5 Q. Do you recall when that might have been?

6 A. No, sir.

7 Q. Okay. I think really the last question I have
8 is if Mr. Crooke elects to go ahead and sign the AFE and
9 participate, would he be put in pay status at this time?

10 A. I believe he'll be treated as the others and a
11 portion may be put in pay, but I know some, if not all,
12 would be in suspense.

13 Q. Okay. Okay. That's all my questions.

14 MR. BRUCE: Just a couple of follow-up
15 questions.

16 EXAMINER DAWSON: Okay.

17 REDIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. When the wells are [sic] drilled, the first
20 six, Premier was adamant that it owned those interests,
21 that it had leases covering those interests, the
22 interests of Mr. Hall's and Mr. Morgan's clients?

23 A. Correct.

24 Q. And I assume there are some other unrepresented
25 persons in this case?

1 A. Between Premier's leases and our protection
2 lease.

3 Q. And so at that point, since things were influx
4 and were for a number of years, you did not seek to
5 force pool these contingent interests?

6 A. That's correct.

7 Q. And Mr. Morgan asked you about the prior
8 contacts with his client or with Mr. Hall's clients. A
9 lot of that contact was through various -- Mewbourne's
10 attorneys and the attorneys of the other parties; is
11 that correct?

12 A. That is correct. Yes, sir.

13 Q. And you mentioned you had a contingent -- or
14 you had a release from Mr. Crooke. Mewbourne released
15 that lease; is that correct?

16 A. That's correct.

17 MR. BRUCE: That's all I have.

18 EXAMINER DAWSON: Okay. Mr. Padilla, do
19 you have any questions?

20 MR. PADILLA: No.

21 EXAMINER DAWSON: Mr. Goetze?

22 EXAMINER GOETZE: I have no questions.

23 Thank you.

24 EXAMINER DAWSON: Mr. Brooks?

25 EXAMINER BROOKS: Let's see. Everyone else

1 is -- all the lawyers have questioned the witness,
2 except Mr. Padilla who has declined the opportunity.
3 Okay.

4 CROSS-EXAMINATION

5 BY EXAMINER BROOKS:

6 Q. Going back to Exhibit 2, the people that do not
7 have either an asterisk or a double asterisk by them,
8 does that mean they are participating -- they are
9 participating parties in the wells?

10 A. That is correct. Yes, sir. They are under a
11 JOA and have participated in the wells.

12 Q. Okay. The single asterisk is by the people who
13 were -- by Corexcacal and Petrorep, both of which are
14 unknown, right?

15 A. Yes, sir.

16 Q. And those are the only parties that were
17 previously pooled in the earlier proceedings?

18 A. That's correct. Yes, sir.

19 Q. Okay. Now, the interest credited to Premier
20 Oil Company on this list is the disputed interest?

21 A. Yes, sir.

22 Q. Well, that's on Exhibit -- on the first -- on
23 page 1 of Exhibit 2. Now, on page 2 -- page 1 --
24 well --

25 A. Yes, sir. Yeah. The --

1 Q. It's hard to know how to refer to it because
2 they're not successively numbered.

3 A. Yes, sir. Yes.

4 Premier is with the double asterisk in the
5 Wolfcamp wells. Premier did a trade with Concho as to
6 the Bone Spring rights. So the Bone Spring wells,
7 Concho actually owns that interest. So that's why they
8 have Concho -- or COG has the double asterisk.

9 Q. Okay. None of the other interests other than
10 those shown, Premier and Concho, are involved in the
11 title dispute; is that correct?

12 A. That's correct. The only other exception is on
13 the Owl Draw 23 DM. The double asterisk is next to
14 Mewbourne's name due to Premier farmed out its interest
15 in this well.

16 Q. And which case is that?

17 A. That is -- would be Case 15007.

18 MR. BRUCE: Today -- it's Case 15550 today.

19 EXAMINER DAWSON: Okay.

20 EXAMINER BROOKS: Okay.

21 Q. (BY EXAMINER BROOKS) Now, the parties that were
22 Premier and Concho, were they -- was the -- was the
23 pooled -- was the disputed interest pooled in the prior
24 proceedings as to those parties that claimed to own it
25 at that time?

1 A. No, sir.

2 Q. Oh. So it was excepted from the pooling order?

3 A. Yes, sir.

4 Q. Now, Mr. Crooke -- or is it -- Blair, is that a
5 man or a woman?

6 MR. MORGAN: A man. Blair is a man.

7 EXAMINER BROOKS: One of the reasons I was
8 so anxious to clarify was that -- when you mentioned
9 Blair Crooke, I have a -- I had a cousin. She's
10 deceased now. But her name was Blair Brooks, which
11 sounds very similar, but she was a woman (laughter).

12 Q. (BY EXAMINER BROOKS) So anyway, Mr. Crooke,
13 does he own or claim the entire interests of the --
14 entire disputed interest?

15 A. No, sir. He claims a portion of it.

16 Q. He claims a portion of it.

17 Now, what about the other potential
18 claimants to that interest?

19 A. They all -- the respective claimants, they are
20 just claiming portions of it.

21 Q. Okay. Are there any -- are they identified in
22 here anywhere or --

23 A. No, sir. I did not list them out. I did not
24 break them out.

25 Q. Okay. Have they all been noticed? All the

1 potential claimants that you know about, have they all
2 been noticed?

3 A. Yes, sir.

4 MR. BRUCE: Mr. Examiner, if you look at
5 Exhibit 5, all of the various Welch heirs are
6 identified.

7 REDIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. And, Mr. Mitchell, all of these people, whether
10 it's Premier or Concho or Mewbourne or these nine
11 people, their interests vary per well unit; is that
12 correct?

13 A. That's correct.

14 MR. BRUCE: But there were nine -- nine --
15 nine heirs, and Mewbourne has come to terms with eight
16 of them but only on a contingent basis because of the
17 Premier and COG claims.

18 EXAMINER BROOKS: So they have come to --
19 explain that again to me. I was trying to find the
20 exhibit.

21 MR. BRUCE: I'll ask the question of
22 Mr. Mitchell.

23 Q. (BY MR. BRUCE) Have they joined or ratified in
24 a contingent fashion the JOAs to the various wells?

25 A. Yes, sir.

1 CONTINUED CROSS-EXAMINATION

2 BY EXAMINER BROOKS:

3 Q. That is all the heirs -- all the Welch heirs
4 with the exception of Mr. Crooke?

5 A. That's correct.

6 Q. For Mr. Crooke is the only one whose interest
7 is -- is the only uncommitted interest among the heirs?

8 A. Correct.

9 Q. But, now, was the counterinterest to that
10 interest committed?

11 REDIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. Have either --

14 A. Yes.

15 Q. -- Premier or COG signed the JOAs?

16 A. Yes, sir.

17 CONTINUED CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Both of them?

20 A. Yes, sir.

21 Q. As to their respective interests?

22 A. Correct.

23 Q. So you will be holding that interest for the
24 account of Premier or COG as participants in the well if
25 they will prevail in the lawsuit, and it will be between

1 Mr. Crooke and Mewbourne as to what the status is? Or
2 is there any participation agreement regarding
3 Mr. Crooke? What is going to be the status of his
4 interest?

5 A. We've proposed the well. So if he was to elect
6 to participate, I think he would go in suspense until a
7 final judgment is rendered.

8 Q. Okay. That is what I was trying to figure out.
9 So he has not committed to anticipate?

10 A. No, sir, he has not.

11 Q. Whether or not his interest -- of course, if he
12 doesn't have an interest, then he won't be able to
13 participant. But if he has an interest, he will have an
14 opportunity to elect as to that interest, but he won't
15 get paid anything?

16 A. Correct. That's my understanding.

17 Q. Yeah. But he'll still have to pay his --

18 A. Well, I think his -- if they're paying the
19 initial cost or share, the AFE, I think, we're
20 reimbursing that, but everything in addition to that is
21 put into suspense.

22 Q. Okay. But if he elects not to participate,
23 then anything that comes to his interest will be held in
24 suspense?

25 A. Yes, sir.

1 Q. Now, is this -- this interest that's in
2 dispute, is this a leased interest or an unleased
3 interest?

4 A. It's a mineral interest. So depending on which
5 way it goes, it would be leased or unleased.

6 Q. Okay. So Premier and Concho own lease
7 interests --

8 A. Yes, sir.

9 Q. -- from one side of the title dispute. The
10 other side being unleased?

11 A. Correct. Yes, sir.

12 MR. BRUCE: Or claim they're unleased.

13 EXAMINER BROOKS: I'm sorry?

14 MR. BRUCE: The various heirs claim they're
15 unleased. Whereas, Concho and Premier claim they're
16 leased.

17 EXAMINER BROOKS: Well, the interest of --
18 COG and Premier hold from people who claim the title to
19 that interest.

20 MR. BRUCE: That's correct.

21 EXAMINER BROOKS: But they hold leases for
22 those people. So the people that actually own the
23 underlying interest, it's leased if they -- it's leased
24 if one side owns it. If the other side owns it, it's
25 unleased.

1 MR. BRUCE: That's correct.

2 EXAMINER BROOKS: In other words,
3 if Mr. Crooke owns it, it's -- if Mr. Crooke owns it,
4 he's unleased.

5 MR. BRUCE: That is correct.

6 EXAMINER DAWSON: And the other parties,
7 you said you had agreements with other than Mr. Crooke.

8 THE WITNESS: Yes, sir.

9 EXAMINER BROOKS: And they participating?

10 THE WITNESS: Yes, sir.

11 EXAMINER BROOKS: I think I understand.

12 Everybody has notice, though? Everybody
13 has been --

14 THE WITNESS: Yes, sir.

15 EXAMINER BROOKS: -- has actual notice,
16 except these unknown corporations?

17 THE WITNESS: That's correct. Yes, sir.

18 EXAMINER BROOKS: Okay. I think I
19 understand it.

20 MR. MORGAN: Can I ask one follow-up
21 question.

22 EXAMINER BROOKS: Yes.

23 RECROSS EXAMINATION

24 BY MR. MORGAN:

25 Q. Mr. Mitchell, you said that were Mr. Crooke to

1 participate, that he would receive what he paid right
2 now and then everything above that would be held in
3 suspense, or everything would be held in suspense and
4 then he would be reimbursed?

5 A. My understanding is that he would pay his
6 portion of the cost to drill, and that would be paid
7 back through revenues. But once that money is recouped,
8 everything in addition to that would be put in suspense
9 until a final judgment.

10 Q. So even if -- if he were to elect and there is
11 no final judgment, he would still be reimbursed right
12 now even without his --

13 A. That is my understanding.

14 Q. Okay.

15 MR. BRUCE: Mr. Brooks, they're looking for
16 a judge to hear the final --

17 (Laughter.)

18 MR. MORGAN: I mean, they've been looking
19 for a year. I think we're on judge number six now.

20 EXAMINER DAWSON: So does that conclude the
21 questions for this witness?

22 MR. HALL: Yes.

23 EXAMINER DAWSON: We'll pass to the next
24 witness.

25 Thank you very much.

1 Mr. Bruce, you can call your next witness.

2 CHARLES CROSBY,

3 after having been previously sworn under oath, was
4 questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Please state your name for the record.

8 A. Charles Crosby.

9 Q. And are you familiar with the Wolfcamp geology
10 involved in Case 15562?

11 A. Yes, sir.

12 Q. And have you also reviewed -- there are several
13 Bone Spring wells. Have you reviewed the Bone Spring
14 geology out here?

15 A. Yes.

16 Q. Okay. Could you identify Exhibit 8 and discuss
17 it for the Examiner?

18 A. Exhibit 8 is just a base map of the area, with
19 a structure contour map on top of the Wolfcamp showing
20 continuous and consistent structure dipping to the east.
21 The proration unit for the Owl Draw 27/22, W2NC is
22 highlighted by the dashed black box, and the wellbore
23 path is highlighted by the solid red arrow.

24 The Wolfcamp Shale wells are highlighted by
25 the -- the Wolfcamp Shale wells are highlighted by the

1 navy blue horizontals, with their subsequent production
2 data and cross-section references is the reddish-brown
3 line going A to A prime.

4 Q. Now, again, on this, I notice the Wolfcamp
5 wells in this particular area are all stand-ups. Is
6 there any preferential drilling orientation?

7 A. Not to my knowledge, no.

8 Q. Okay. It's just resulted in this way from land
9 ownership, maybe?

10 A. Right.

11 Q. Would you identify Exhibit 9?

12 A. Exhibit 9 is the cross section referenced A to
13 A prime in the previous exhibit. This just shows the
14 full Wolfcamp section in the area of interest, with our
15 delineated Wolfcamp zones highlighted on the left and
16 right of the cross section. This just shows the
17 Wolfcamp zone targeted. The Lower Wolfcamp D is
18 consistent through the area of interest.

19 Q. Will every quarter-quarter section in the well
20 unit for the Owl Draw 27/22 W2NC #2H well -- will each
21 quarter section contribute, more or less, equally with
22 production?

23 A. Yes.

24 Q. Has Mewbourne been drilling most of its wells
25 in this immediate area down to the Wolfcamp Shale zone?

1 A. Yes, besides the Owl Draw 22 W1AP. It targeted
2 a higher zone noted on this cross section as the
3 Wolfcamp A.

4 Q. And what is Exhibit 10?

5 A. Exhibit 10 is just a detail breakout, location
6 data and production data, of the highlighted Wolfcamp
7 wells in the area.

8 Q. And in response to Mr. Morgan's question, this
9 does give well completion data for a couple of the Owl
10 Draw wells; is that correct?

11 A. Yes, sir.

12 Q. So they were drilled mainly three to four years
13 ago, most of them?

14 A. Yes.

15 Q. But not all?

16 A. No.

17 Q. And what is Exhibit 11?

18 A. Exhibit 11 is our survey report from the Owl
19 Draw 27/22 W2NC. This just highlights survey data of
20 the well while drilled. And on the back page, there is
21 an areal and cross-sectional view schematic of the
22 wellbore.

23 Q. And the wellbore will be -- the first and last
24 take points will be at orthodox locations?

25 A. Yes.

1 MR. BRUCE: And, Mr. Examiner, in Case
2 15562, we originally asked for an unorthodox gas well
3 location, but that's no longer necessary because of the
4 Purple Sage; Wolfbone Gas Pool.

5 Q. (BY MR. BRUCE) One final question: In this
6 area, is there any faulting in either the Bone Spring or
7 the Wolfcamp?

8 A. No.

9 Q. Were Exhibits 8, 9 and 10 prepared by you or
10 compiled from company business records?

11 A. Yes.

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

15 A. Yes.

16 MR. BRUCE: Mr. Examiner, I move the
17 admission of Exhibits 8 through 11.

18 EXAMINER DAWSON: Any objections to the
19 movement of Exhibits 8 through 11 into the record?

20 MR. HALL: No objection.

21 MR. MORGAN: No objection.

22 MR. PADILLA: No objection.

23 EXAMINER DAWSON: Exhibits 8 through 11
24 will be admitted into the record.

25 (Mewbourne Oil Company Exhibit Numbers 8

1 through 11 are offered and admitted into
2 evidence.)

3 MR. BRUCE: Pass the witness.

4 EXAMINER DAWSON: Any questions,
5 Mr. Padilla?

6 MR. PADILLA: No questions.

7 EXAMINER DAWSON: Mr. Morgan?

8 MR. MORGAN: No questions.

9 EXAMINER DAWSON: Mr. Hall?

10 CROSS-EXAMINATION

11 BY MR. HALL:

12 Q. Just to check, are you able to testify about
13 the payout status of any of these wells?

14 A. I am not.

15 Q. Thank you.

16 EXAMINER DAWSON: Mr. Goetze?

17 EXAMINER GOETZE: I think we've beaten the
18 Purple Sage to death today so no further questions.

19 Thank you very much for your geology presentation.

20 EXAMINER BROOKS: No questions.

21 EXAMINER DAWSON: I have no further
22 questions. So thank you very much.

23 And that concludes this case -- or these
24 cases.

25 MR. PADILLA: Mr. Examiner, before you

1 close the case, I would -- Premier Oil & Gas would
2 request that an order with the Division state that -- an
3 order that is approved would state that approval of the
4 applications would not be an adjudication of the title.

5 EXAMINER BROOKS: Yeah. I think I know
6 what you said, but I couldn't hear a lot of it. You
7 requested that the order specifically state that it's
8 not an adjudication of title?

9 MR. PADILLA: Correct.

10 EXAMINER BROOKS: I don't think there would
11 be any problem with that since we don't have any
12 jurisdiction to adjudicate titles.

13 MR. PADILLA: I agree with that. I'm just
14 making sure.

15 (Laughter.)

16 EXAMINER GOETZE: Mr. Yates would
17 appreciate it.

18 EXAMINER DAWSON: Noted.

19 With that, that will conclude Cases 15547,
20 15548, 15549, 15550, 15551, 15552 and 15562, 62 being
21 the main one on this caseload. And that concludes those
22 cases. They will all be taken under advisement. Thank
23 you.

24 (Case Numbers 15547, 15548, 15549, 15550,
25 15551, 15552 and 15562 conclude, 11:44

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a.m.)
(Recess, 11:55 a.m. to 1:17 p.m.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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21 MARY C. HANKINS, CCR, RPR
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23 New Mexico CCR No. 20
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