

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

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

APPLICATION OF MEWBOURNE OIL COMPANY FOR A NONSTANDARD GAS
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO. CASE NO. 15963

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 8, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, February 8, 2018, 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.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
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1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

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25

1 (9:17 a.m.)

2 EXAMINER GOETZE: All right. Let's go back
3 on the record, Case Number 15963.

4 And, Mr. Bruce, you're representing that
5 party. Are you also doing 15964 as a consolidation, or
6 are you going to handle them separately?

7 MR. BRUCE: I think we should handle them
8 separately. The second case won't take much time.

9 EXAMINER GOETZE: Very good.

10 Case Number 15963, application of Mewbourne
11 Oil Company for a nonstandard gas spacing and proration
12 unit and compulsory pooling, Eddy County, New Mexico.

13 Call for appearances.

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

16 EXAMINER GOETZE: Will the witnesses please
17 stand, identify yourself to the court reporter and be
18 sworn in?

19 MR. ROBB: Mitch Robb.

20 MR. CROSBY: Charles Crosby.

21 (Mr. Robb and Mr. Crosby sworn.)

22 MITCHELL ROBB,
23 after having been first duly sworn under oath, was
24 questioned and testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Will you please state your name and city of
4 residence for the Examiners?

5 A. Mitch Robb, Midland, Texas.

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

7 A. Mewbourne Oil Company as a landman.

8 Q. Have you previously testified before the
9 Division?

10 A. Yes, I have.

11 Q. And does your area of responsibility at
12 Mewbourne include this area of southeast New Mexico?

13 A. Yes, it does.

14 Q. And are you familiar with the land matters
15 involved in this application?

16 A. I am.

17 Q. And were your credentials as an expert
18 petroleum landman accepted by the Division before?

19 A. Yes, they were.

20 MR. BRUCE: Mr. Examiner, I tender Mr. Robb
21 as an expert petroleum landman.

22 EXAMINER GOETZE: He is so qualified.

23 Q. (BY MR. BRUCE) Mr. Robb, could you identify
24 Exhibit 1, which is two pages, and describe the land and
25 well we're here for today and what zone is being pooled?

1 A. Exhibit 1 is a Midland Map showing the tracts
2 in Section 11, Section 14 of Township 26 South, Range 28
3 East comprising the east half of both, and the wellbore
4 of the Delaware Ranch 11/14 W2AP Fed Com #1H. Page 2 is
5 a C-102 showing the same.

6 **Q. Is ownership throughout the Wolfcamp Formation**
7 **the same?**

8 A. Yes.

9 **Q. Would you identify Exhibit 2 and identify who**
10 **you need to pool in this case?**

11 A. Exhibit 2 is a tract ownership for the
12 captioned well. We are seeking to pool Tap Rock
13 Resources, Lee M. Kugle, and Russell Family, LLC.

14 **Q. And could you move on to Exhibit 3 and discuss**
15 **your efforts to obtain voluntary joinder of these**
16 **parties?**

17 A. Exhibit 3 is a summary of communications with
18 the three parties that we seek to pool, which summarizes
19 the percent workage [sic; phonetic] proposals, AFEs,
20 well proposals. We tried to lease or do a trade with
21 all the parties.

22 **Q. Is there any chance that some of these people**
23 **may subsequently join in your well?**

24 A. Yes.

25 **Q. And if they do, will you notify the Division so**

1 that they are not subject to a pooling order?

2 A. Yes, we will.

3 Q. Were all of the parties locatable?

4 A. Yes, they were.

5 Q. In your opinion, has Mewbourne made a
6 good-faith effort to obtain voluntary joinder with the
7 interest owners in the well?

8 A. Yes.

9 Q. Could you identify Exhibit 4 and give us the
10 cost of the proposed well?

11 A. Exhibit 4 is an AFE for the proposed well. The
12 total well cost is \$10,257,100, dry-hole cost being
13 2,965,300.

14 Q. And are these costs in line with the cost of
15 other wells drilled to this depth, of this length in
16 southeast New Mexico?

17 A. Yes, they are.

18 Q. Do you request that Mewbourne be appointed
19 operator of the well?

20 A. Yes, we do.

21 Q. And do you have a recommendation for the
22 amounts which should be paid to Mewbourne for
23 supervision --

24 A. Yes.

25 Q. -- and administrative expenses?

1 A. 8,000 for drilling, 800 for producing.

2 Q. And are these amounts equivalent to those
3 normally charged by Mewbourne and other operators in
4 this area for wells of this depth and length?

5 A. Yes.

6 Q. Do you request that the rates be adjusted
7 periodically as provided by the COPAS accounting
8 procedure?

9 A. Yes, I do.

10 Q. Do you request the maximum cost plus 200
11 percent risk charge in the event any party goes
12 nonconsent in the well?

13 A. Yes.

14 Q. And were the parties being pooled notified of
15 this hearing?

16 A. Yes, they were.

17 Q. Is that reflected in my Affidavit of Notice
18 marked as Exhibit 5?

19 A. Yes, it is.

20 MR. BRUCE: Mr. Examiner, all of the
21 original parties notified -- more than just the three
22 parties who are now being pooled, all of the parties
23 returned their green cards except for Suzanne
24 Foley-Jones.

25 Q. (BY MR. BRUCE) Ms. Foley-Jones did join in the

1 **well?**

2 A. We leased her, yes.

3 MR. BRUCE: So even though there is one
4 unreturned green card, everybody who is being pooled has
5 received actual notice.

6 Q. **(BY MR. BRUCE) Were Exhibits 1 through 5**
7 **prepared by you or under your supervision?**

8 A. Yes, they were.

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

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I'd move the
14 admission of Exhibits 1 through 5.

15 EXAMINER GOETZE: Exhibits 1 through 5 are
16 so entered.

17 (Mewbourne Oil Co. Exhibit Numbers 1
18 through 5 are offered and admitted into
19 evidence.)

20 MR. BRUCE: And notice between the two
21 offsets is incomplete, so I would request that the -- I
22 noticed there is a gap in exhibit numbers. Ask that the
23 matter be continued at the end of this hearing so that
24 we hopefully may comply with the notice requirements to
25 offsets only.

1 EXAMINER GOETZE: Mr. Brooks?

2 EXAMINER BROOKS: So you're going to file
3 the Notice of Affidavit later?

4 MR. BRUCE: For the offsets, yes.

5 EXAMINER BROOKS: Okay.

6 CROSS-EXAMINATION

7 BY EXAMINER BROOKS:

8 Q. Here, what's the land type? Is this private?

9 A. It's fee and federal.

10 Q. Fee and federal.

11 A. Yes.

12 Q. Do you have any overrides?

13 A. Yes, on the federal leases.

14 Q. Did the terms of the lease indicate that the
15 override owners are subject to any pooling that's
16 approved by the Feds?

17 A. Yes. They are subject.

18 Q. Okay. I think that's all I have.

19 EXAMINER BROOKS: You're not leaving
20 anybody out of one?

21 MR. BRUCE: No. For once (laughter).

22 EXAMINER BROOKS: That's nice.

23 EXAMINER GOETZE: I have no questions for
24 this witness. Thank you.

25

1 CHARLES CROSBY,
2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Could you please state your full name for the
7 record?

8 A. Charles Crosby.

9 Q. And where do you reside?

10 A. Midland, Texas.

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

12 A. I'm a geologist for Mewbourne Oil Company.

13 Q. Have you previously testified before the
14 Division?

15 A. Yes.

16 Q. Were your credentials as an expert petroleum
17 geologist accepted as a matter of record?

18 A. Yes.

19 Q. And does this area -- is this area of southeast
20 New Mexico part of your charge at Mewbourne as a
21 geologist?

22 A. Yes.

23 Q. And are you familiar with the geology involved
24 with this particular well?

25 A. Yes.

1 MR. BRUCE: Mr. Examiner, I tender
2 Mr. Crosby as an expert in petroleum geology.

3 EXAMINER GOETZE: He is so qualified.

4 Q. (BY MR. BRUCE) Mr. Crosby, could you identify
5 Exhibit 1 for the Examiners?

6 A. This is a structure contour map on the top of
7 the Wolfcamp Formation. This just shows continual --
8 continuous consistent structural dip to the east. The
9 proration unit for the well of interest is highlighted
10 by the black dashed box, with the well itself shown by
11 the dashed red arrow. Also, Wolfcamp Shale wells are
12 shown by the navy blue lines and the cross section
13 reference line labeled A to A prime.

14 Q. Let's move on to your cross section, Exhibit 9.
15 What does that reflect?

16 A. This is the producing reference cross section.
17 This cross section is representative of the Wolfcamp --
18 complete Wolfcamp section in the area of interest. Our
19 delineated Wolfcamp zones are labeled to the left of the
20 cross section, and the proposed landing of the -- of the
21 well is shown by the red arrow within the Wolfcamp D.
22 And this just shows this part of the Wolfcamp D is
23 consistent through the area of interest.

24 Q. And would you expect each quarter section
25 within the well unit to be more or less equally

1 **productive in the Wolfcamp?**

2 A. Yes.

3 **Q. What is Exhibit 10?**

4 A. So this is just a table showing locations and
5 some production statistics for Wolfcamp Shale wells in
6 the area. And this just shows that wells that have been
7 on line for a similar amount of time with similar
8 completions both in frac size and completion date have
9 pretty consistent production.

10 **Q. And this is one of those areas where most of**
11 **them appear to be north-south. Does it really matter,**
12 **north-south or east-west?**

13 A. Primarily, they're north-south in this area,
14 but there is no -- there are no major differences.

15 **Q. Finally, what is Exhibit 11?**

16 A. So this just shows some of the survey
17 statistics for the proposed well for our well plan, and
18 the very back page shows a schematic areal and
19 cross-sectional view of the proposed well.

20 **Q. And will the first and last take points of the**
21 **well be at orthodox locations?**

22 A. Yes.

23 **Q. Were Exhibits 8 through 11 prepared by you or**
24 **under your supervision or compiled from company business**
25 **records?**

1 A. Yes.

2 Q. And in your opinion, is the granting of this
3 application in the interest of conservation and the
4 prevention of waste?

5 A. Yes.

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

8 EXAMINER GOETZE: Exhibits 8 through 11 are
9 so entered.

10 (Mewbourne Oil Co. Exhibit Numbers 8
11 through 11 are offered and admitted into
12 evidence.)

13 MR. BRUCE: No further questions of the
14 witness.

15 EXAMINER GOETZE: Mr. Brooks?

16 EXAMINER BROOKS: No questions.

17 CROSS-EXAMINATION

18 BY EXAMINER GOETZE:

19 Q. Point of clarity on your Exhibit 10, is that
20 billion cubic feet of gas?

21 A. Yes, Bcf.

22 Q. Okay. We don't use those terms.

23 Any idea in the permeability and porosity
24 of your target horizon? Is this going to be a tight
25 formation? Is it going to be a standard?

1 A. Pretty standard for the Wolfcamp D in this
2 area, roughly 10 percent, give or take, porosity.

3 Q. So there won't be any special need for a high
4 fracking ratio or higher fracking --

5 A. Not that I'm aware of, no.

6 Q. Okay. And you've worked this before, so this
7 is old school.

8 Any plans for the other side of this
9 project area as far as an additional well?

10 A. We plan to eventually develop it. Yes.

11 Q. Okay. I have no further questions for this
12 witness.

13 EXAMINER GOETZE: Mr. Bruce?

14 MR. BRUCE: Please continue for two weeks.

15 EXAMINER GOETZE: Okay. Thank you.

16 We'll go ahead, with Case Number 15963, and
17 continue it for two weeks for notice.

18 (Case Number 15963 concludes, 9:29 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

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

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

20 DATED THIS 1st day of March 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

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