

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 COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15964

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:
 3 JAMES G. BRUCE, ESQ.
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 6 (505) 982-2043
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8 INDEX

	PAGE
9 Case Number 15964 Called	3
10 Mewbourne Oil Co.'s Case-in-Chief:	
11 Witnesses:	
12 Mitchell Robb:	
13 Direct Examination by Mr. Bruce	3
14 Cross-Examination by Examiner Brooks	7
15 Cross-Examination by Examiner Goetze	8
16 Charles Crosby:	
17 Direct Examination by Mr. Bruce	9
18 Proceedings Conclude	13
19 Certificate of Court Reporter	14

20 EXHIBITS OFFERED AND ADMITTED	
21 Mewbourne Oil Co. Exhibit Numbers 1 through 5	7
22 Mewbourne Oil Co. Exhibit Numbers 6 through 13	12

23
 24
 25

1 (9:30 a.m.)

2 EXAMINER GOETZE: Case Number 15964,
3 application of Mewbourne Oil Company for compulsory
4 pooling, Eddy County, New Mexico.

5 Call for appearances.

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

9 EXAMINER GOETZE: Are these the same
10 witnesses?

11 MR. BRUCE: They are the same witnesses, so
12 if the record could reflect they were previously sworn
13 and qualified.

14 EXAMINER GOETZE: The record shall show
15 that. Thank you.

16 MITCHELL ROBB,
17 after having been previously sworn under oath, was
18 questioned and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BRUCE:

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

23 A. Mitch Robb.

24 Q. And are you familiar with the land matters
25 involved in this application?

1 A. Yes, I am.

2 **Q. Would you identify Exhibit 1 for the Examiners?**

3 A. Exhibit 1 is a Midland Map of Section 11 of
4 Township 26 South, Range 28 East, the west half being
5 the proration unit, 320 acres, for the Purple Sage;
6 Wolfcamp Gas Pool -- it's Pool Code 98220 -- and the two
7 wellbores for the Delaware Ranch W2NC Fee #1H and the
8 Delaware Ranch 11 W1NC Fee #2H.

9 **Q. And these are both in the east half of the west**
10 **half of Section 11, correct?**

11 A. Correct.

12 **Q. And anticipating a question, does Mewbourne**
13 **have plans in the future to develop the entire half**
14 **section?**

15 A. Yes.

16 **Q. Would you identify Exhibit 2 for the Examiner?**

17 A. Exhibit 2 is the tract ownership for the west
18 half of Section 11 and the parties we seek to pool,
19 being Tap Rock Resources, Lee M. Kugle and Russell
20 Family, LLC.

21 **Q. Same parties as before?**

22 A. Correct.

23 **Q. And what is Exhibit 3?**

24 A. Exhibit 3 is our summary of communications, the
25 three parties we seek to pool.

1 Q. And is it pretty much along the same timeline
2 as we previously discussed?

3 A. Yes, it is.

4 Q. And if any of these parties -- and attached to
5 it are the proposal letters you sent to these parties?

6 A. Yes.

7 Q. If any of these parties subsequently join in
8 the well, will you notify the Division?

9 A. Yes, we will.

10 Q. And, again, all of the parties were locatable?

11 A. Yes, they were.

12 Q. And ownership is the same throughout the
13 Wolfcamp?

14 A. Yes.

15 Q. Would you identify Exhibit 4 and discuss the
16 cost of the proposed well?

17 A. Exhibit 4 are both AFEs for the Delaware Ranch
18 W1NC Fee #2H. It has a total well cost of 6,409,800 and
19 drilling costs of 2,327,100.

20 The second page is the Delaware Ranch 11
21 W2NC Fee #1H. Total well cost is 6,406,500 and a total
22 drilling cost of 2,394,200.

23 Q. And are these costs in line with the cost of
24 other similar wells drilled in this area of New Mexico?

25 A. Yes, they are.

1 Q. And do you request that Mewbourne be appointed
2 as operator of these wells?

3 A. Yes, we do.

4 Q. Do you have a recommendation for the amounts
5 that Mewbourne should be paid for supervision and
6 administrative expenses?

7 A. Yes, 8,000 for drilling, 800 for producing.

8 Q. And are these amounts equivalent to those
9 normally charged by Mewbourne and other operators in
10 this area for wells of this type?

11 A. Yes, sir.

12 Q. Do you request that the rates be periodically
13 adjusted under the COPAS accounting procedures?

14 A. Yes, I do.

15 Q. And do you request a maximum cost plus 200
16 percent risk charge if a party goes nonconsent in a
17 well?

18 A. Yes.

19 Q. And finally, were the parties being pooled
20 notified of this hearing?

21 A. Yes, they were.

22 Q. And, Mr. Robb, only one -- I did not get one
23 green card back, again, from Suzanne Foley-Jones, but
24 she did lease her interest to you; did she not?

25 A. Correct.

1 Q. Were Exhibits 1 through 5 prepared by you or
2 under your supervision or compiled from company business
3 records?

4 A. Yes, they were.

5 Q. And in your opinion, is the granting of this
6 application in the interest of conservation and the
7 prevention of waste?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I move the
10 admission of Exhibits 1 through 5.

11 EXAMINER GOETZE: Exhibits 1 through 5 are
12 so entered.

13 (Mewbourne Oil Co. Exhibit Numbers 1
14 through 5 are offered and admitted into
15 evidence.)

16 MR. BRUCE: And I pass the witness.

17 CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Okay. This is called fee. Is it all fee?

20 A. Yes, that's correct.

21 Q. I don't think I have any other questions.

22 You didn't leave anybody out, again --
23 knowingly didn't leave anybody out?

24 MR. BRUCE: Correct.

25

1 CROSS-EXAMINATION

2 BY EXAMINER GOETZE:

3 Q. I have one question, point of clarity. The
4 communications with Tap Rock -- so negotiations went on
5 for all ends in these email exchanges, so they cover
6 both projects?

7 A. Yes, they do.

8 Q. So they knew about all the scale and scope of
9 the project when you were talking with them?

10 A. Yes.

11 Q. I will throw out one more question. We have a
12 two-mile that we want 8,800 for, and we've got a
13 one-mile we want 8,800 for. Is there --

14 A. The JOA, which we have most parties signed up
15 under, these are the rates on the --

16 Q. Well, I know that's the rate, but the
17 justification. I have a mile and I have two miles.
18 Wouldn't there be a difference?

19 A. I'm not sure.

20 Q. Okay. Put you on the spot, but I'll let you
21 go.

22 EXAMINER GOETZE: With that, no more
23 questions for this witness. Thank you.

24 CHARLES CROSBY,

25 after having been previously sworn under oath, was

1 questioned and testified as follows:

2 DIRECT EXAMINATION

3 BY MR. BRUCE:

4 **Q. Please state your name for the record.**

5 A. Charles Crosby.

6 **Q. And are you familiar with the geology involved**
7 **in the drilling of these two proposed wells?**

8 A. Yes.

9 **Q. And since there are two wells in two different**
10 **zones, do you have two sets of exhibits that are more or**
11 **less the same?**

12 A. Yes.

13 **Q. Could you identify Exhibit 1 of both sets for**
14 **the Examiner?**

15 A. Are we doing the W1 or the W2?

16 **Q. The W1NC.**

17 A. So this is a structure contour map on top of
18 the Wolfcamp again showing continuous consistent
19 structural dip to the east. The proration unit for the
20 proposed well is highlighted by the dashed black box
21 with the location of the well itself shown by the dashed
22 red arrow. The Wolfcamp Shale wells are highlighted by
23 the blue lines and the cross section reference line
24 labeled A to A prime.

25 **Q. Would you move on to Exhibit 7, the cross**

1 **section?**

2 A. The previously mentioned cross section, A to A
3 prime, is showing the complete Wolfcamp zone. In the
4 area of interest are delineated Wolfcamp zones that are
5 labeled to the left, with the proposed landing point
6 within the Wolfcamp A for the well of interest shown by
7 the red arrow. It just again shows a good consistent
8 Wolfcamp A zone in the area.

9 **Q. And do you expect each quarter section of the**
10 **well unit to contribute more or less equally to the**
11 **production?**

12 A. Yes.

13 **Q. Go to Exhibit 8.**

14 A. This is just, again, the table showing
15 locations and some production statistics for Wolfcamp D
16 Shale wells -- or Wolfcamp Shale wells in the area.

17 **Q. And what is Exhibit 9?**

18 A. This, again, just shows survey statistics for
19 the proposed well with a schematic areal and
20 cross-sectional view of the well on the last page.

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

23 A. Yes.

24 **Q. Let's move on to the W2 well, and, just very**
25 **briefly, what is Exhibit 10?**

1 A. This is some of the same, a structure contour
2 map. The only difference here is reflecting the well
3 location within the proration unit.

4 **Q. And Exhibit 11?**

5 A. Same cross section, representative of the
6 Wolfcamp zone in the area just showing the proposed
7 landing of the well of interest within the Wolfcamp D,
8 again good consistent Wolfcamp D throughout the area.

9 **Q. And what is the approximate footage between the**
10 **Wolfcamp A and the Wolfcamp D wells?**

11 A. About 1,000-foot vertical separation.

12 **Q. And would you expect each quarter section in**
13 **the well unit to contribute to production from this**
14 **well?**

15 A. Yes.

16 **Q. More or less equally?**

17 A. Yes.

18 **Q. And is Exhibit 12 the same production plat?**

19 A. Yes, same table, same wells.

20 **Q. And what is Exhibit 13?**

21 A. Same. Just a well plan document with, again, a
22 schematic areal and cross-sectional view of the proposed
23 wells.

24 **Q. And the first and last take points are shown on**
25 **the last page of this exhibit?**

1 A. Yes.

2 Q. And they are orthodox?

3 A. Yes.

4 Q. Were Exhibits 6 through 13 prepared by you or
5 compiled from company business records?

6 A. Yes.

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

10 A. Yes.

11 MR. BRUCE: Mr. Examiner, I move the
12 admission of Exhibits 6 through 13.

13 EXAMINER GOETZE: Exhibits 6 through 13 are
14 so entered.

15 (Mewbourne Oil Co. Exhibit Numbers 6
16 through 13 are offered and admitted into
17 evidence.)

18 MR. BRUCE: I have no further questions for
19 the witness.

20 EXAMINER GOETZE: Very good.

21 EXAMINER BROOKS: I have no questions.

22 EXAMINER GOETZE: Thank you, Mr. Brooks.

23 And seeing how we've covered the same area
24 over and this one is a little simpler, I have no
25 questions for this expert. So --

1 MR. BRUCE: Request that this matter be
2 taken under advisement.

3 EXAMINER GOETZE: Very good. Case 15964
4 has been taken under advisement.

5 (Case Number 15964 concludes, 9:40 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
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters