

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. 16003

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 8, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, March 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
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1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

3 JAMES G. BRUCE, ESQ.
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1 (10:21 a.m.)

2 EXAMINER McMILLAN: I'd like to call this
3 hearing back to order.

4 The next case we're going to hear is Case
5 Number 16003. So Case Number 16003, please proceed.

6 MR. BRUCE: I do have one witness -- two
7 witnesses. One needs to be sworn in.

8 EXAMINER McMILLAN: Please proceed.

9 (Mr. Jolly sworn; Mr. Crosby previously
10 sworn.)

11 TYLER JOLLY,
12 after having been first duly sworn under oath, was
13 questioned and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BRUCE:

16 Q. Would you please state your name and city of
17 residence for the record?

18 A. Tyler Jolly, Midland, Texas.

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

20 A. Mewbourne, and I'm a landman.

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

23 A. Yes, sir.

24 Q. Were your credentials as an expert landman
25 accepted as a matter of record?

1 A. Yes, sir.

2 **Q. Are you familiar with the land matters in this**
3 **application?**

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I tender
6 Mr. Jolly as an expert petroleum landman.

7 EXAMINER McMILLAN: Are there other
8 appearances?

9 MR. BRUCE: Not in this one.

10 EXAMINER BROOKS: This is 16003?

11 EXAMINER McMILLAN: Correct.

12 **Q. (BY MR. BRUCE) What is Exhibit 1?**

13 A. Exhibit 1 is a Midland Map Company plat showing
14 the wellbores and proration unit of the Night Ranger 28
15 W2AP Fee #1H and the Night Ranger 28 W0AP Fee #2H. And
16 the well bears API Number 30-015-44286, and that's for
17 the W2AP. And the W0AP Fee #2H bears API Number
18 30-015-44285. Both wells will be drilled into the
19 Purple Sage; Wolfcamp Gas with Pool Code 98220.

20 **Q. And what is Exhibit 2?**

21 A. Exhibit 2 is our tract ownership of both wells.
22 Both wells have the same formation and proration unit.
23 BNSF Railway is indicated on this spreadsheet as not
24 having an interest. And in early discussions, we
25 thought that BNSF had a mineral interest, and they also

1 claimed that mineral interest. But further title
2 research has indicated that BNSF does not contain [sic]
3 a mineral interest in the east half of 28. We're just
4 pooling the interest out of an abundance of caution.

5 **Q. They're still claiming an interest, however --**

6 A. Yes.

7 **Q. -- to the best of your knowledge?**

8 **What is Exhibit 3?**

9 A. Exhibit 3 is our summary of communications. We
10 sent a well proposal, looks like, August 29 of last
11 year, and that was received. And since then, I've
12 emailed and called Jennifer Kindred Farmer's National
13 Company, who is agent for BNSF, with offers to lease the
14 interest, although we have not come to terms.

15 **Q. Is that -- on Exhibit 1, is that the railroad**
16 **grate crossing the well unit?**

17 A. Yes, that's correct.

18 **Q. And many times the railroad did own that**
19 **right-of-way in fee, correct?**

20 A. That's correct. Actually, we did a Google
21 search, and it looks like the railroad itself ends in
22 Section 21. And it looks like it's just a right-of-way,
23 that they didn't extend the railroad through until
24 Section 28, not that that affects title. But --

25 **Q. In your opinion, has Mewbourne made a**

1 **good-faith effort to obtain the voluntary joinder of all**
2 **interest owners in this well?**

3 A. Yes.

4 **Q. Are there any unlocatable owners?**

5 A. No.

6 **Q. Would you identify Exhibits 4 and 5? Just give**
7 **a --**

8 A. Exhibit 4 is the AFE for the Night Ranger 28
9 W0AP Fee #2H, with a surface location of 220 feet from
10 the north line and 380 feet from the east line, and a
11 bottom-hole location of 330 feet from the south line and
12 380 feet from the east line.

13 **Q. What is the completed well cost?**

14 A. Well, the dry-hole cost is \$2,158,900, and the
15 completed well cost is \$5,844,200.

16 And Exhibit 5 is the AFE for the Night
17 Ranger W2AP Fee #1H, surface-hole location at 220 feet
18 from the north line, 330 feet from the east line, and a
19 bottom-hole location of 330 feet from the south line and
20 330 feet from the east line. And this well has a
21 dry-hole cost of \$2,472,900 and a completed well cost of
22 \$6,122,000.

23 **Q. And are these costs reasonable?**

24 A. Yes.

25 **Q. And are they in line with the cost of other**

1 wells drilled by Mewbourne and other operators in this
2 area?

3 A. Yes.

4 Q. Do you request that Mewbourne be appointed
5 operator of the well?

6 A. Yes.

7 Q. What recommendation do you have for the
8 supervision and administrative expenses?

9 A. We request \$7,500 a month be allowed for
10 drilling the well and \$750 a month be allowed for
11 producing the well.

12 Q. And are these amounts reasonable and equivalent
13 to those charged by Mewbourne and other operators?

14 A. Yes.

15 Q. Do you request that the rates be adjusted
16 periodically as provided by the COPAS accounting
17 procedure?

18 A. Yes.

19 Q. And does Mewbourne request a cost plus 200
20 percent risk charge?

21 A. Yes.

22 Q. Was BNSF notified of this hearing?

23 A. Yes.

24 Q. And is that reflected in my Exhibit 6?

25 A. Yes.

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

4 A. Yes.

5 Q. Were Exhibits 1 through 6 prepared by you or
6 under your supervision or compiled from company business
7 records?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I move the
10 admission of Exhibits 1 through 6.

11 EXAMINER McMILLAN: Exhibits 1 through 6
12 may now be accepted as part of the record.

13 (Mewbourne Oil Company Exhibit Numbers 1
14 through 6 are offered and admitted into
15 evidence.)

16 MR. BRUCE: I have no further questions.

17 CROSS-EXAMINATION

18 BY EXAMINER McMILLAN:

19 Q. I'm not clear on the surface location --
20 surface- and bottom-hole locations.

21 MR. BRUCE: Mr. Examiner, they're set forth
22 at the top of Exhibits 4 and 5, the AFEs.

23 EXAMINER McMILLAN: Because our database
24 shows something slightly different. That's the reason.

25 MR. BRUCE: Okay.

1 Q. (BY EXAMINER McMILLAN) Any depth severances?

2 A. No.

3 Q. What's the status?

4 A. Both have been proposed.

5 Q. So basically all you're saying is that BNSF
6 claims interest, and you got -- and Mewbourne says no,
7 but your compulsory pooling --

8 MR. BRUCE: Correct.

9 THE WITNESS: We had a broker take-off
10 done, and it indicated they did have an interest. We've
11 had a professional title attorney look at all the
12 documents, and he's saying that they do not have an
13 interest.

14 Q. (BY EXAMINER McMILLAN) Okay. So you're
15 compulsory pooling out of an abundance of caution?

16 A. Yes.

17 Q. All right. That makes sense.

18 EXAMINER BROOKS: No questions.

19 EXAMINER McMILLAN: Okay. Thank you.

20 CHARLES CROSBY,
21 after having been previously sworn under oath, was
22 questioned and testified as follows:

23

24 DIRECT EXAMINATION

25 BY MR. BRUCE:

1 **Q. Please state your name.**

2 A. Charles Crosby.

3 MR. BRUCE: And, Mr. Examiner, may the
4 record reflect that Mr. Crosby has been previously sworn
5 and qualified?

6 **Q. (BY MR. BRUCE) We've seen these types of the**
7 **exhibits before, Mr. Crosby. Let's be very brief. What**
8 **is Exhibit 7?**

9 A. It's a structure contour map at the top of the
10 Wolfcamp showing consistent structural dip to the east,
11 proration unit highlighted by the dashed black box and
12 the proposed wells shown by the dashed red arrow, the
13 Wolfcamp Shale wells highlighted by the blue lines, the
14 Wolfcamp Sand wells highlighted by the violet lines and
15 the cross-section line labeled "A to A prime."

16 **Q. What is Exhibit 8?**

17 A. It's a cross section representative of the
18 Wolfcamp, the entire Wolfcamp section in the area of
19 interest, just showing consistent Wolfcamp Sand
20 throughout the area. And the red arrow shows the
21 proposed landing zone.

22 **Q. Will each quarter section, in your opinion,**
23 **contribute more or less equally to production?**

24 A. Yes.

25 **Q. Is there any faulting in the Wolfcamp?**

1 A. No.

2 **Q. What is Exhibit 9?**

3 A. It's a table of production statistics just
4 showing the Wolfcamp wells with similar completion and
5 completion date, have similar production regardless of
6 well orientation.

7 **Q. And what is Exhibit 10?**

8 A. It's our proposed survey for the well surface-
9 and bottom-hole locations listed at the top.

10 **Q. And what is Exhibit 11?**

11 A. It's the same structure map just highlighting
12 the location of the W2.

13 **Q. And Exhibit 12?**

14 A. Same cross section just showing the consistency
15 of the landing zone in the Wolfcamp D, with the proposed
16 landing zone highlighted by the red arrow.

17 **Q. And in your opinion, will each quarter section
18 in the Wolfcamp D contribute more or less equally to
19 production?**

20 A. Yes.

21 **Q. Is Exhibit 13 the same production table as
22 previously shown?**

23 A. Yes, it is.

24 **Q. And what is Exhibit 14?**

25 A. This is a survey for the W2 well showing the

1 surface- and bottom-hole locations at the top.

2 Q. And will the first and last take points of each
3 well be at orthodox locations?

4 A. Yes.

5 Q. Were Exhibits 7 through 14 prepared by you or
6 under your supervision or compiled from company business
7 records?

8 A. Yes.

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

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I move the
14 admission of Exhibit 7 through 14.

15 EXAMINER McMILLAN: Exhibits 7 through 14
16 may now be accepted as part of the record.

17 (Mewbourne Oil Company Exhibit Numbers 7
18 through 14 are offered and admitted into
19 evidence.)

20 MR. BRUCE: I have no further questions of
21 the witness.

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1 CROSS-EXAMINATION

2 BY EXAMINER McMILLAN:

3 Q. Okay. Will the project area be orthodox?

4 A. Yes.

5 EXAMINER McMILLAN: Go ahead.

6 EXAMINER BROOKS: No questions.

7 EXAMINER McMILLAN: Once again, you need
8 better names.

9 Okay. Case Number 16003 may be taken under
10 advisement.

11 (Case Number 16003 concludes, 10:33 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 26th 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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