

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 CASE NO. 16136
FOR A NONSTANDARD GAS SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 17, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Michael McMillan, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, May 17, 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.

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 7	9
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1 (9:00 a.m.)

2 EXAMINER DAWSON: So we'll go to 16136 at
3 this time, which is number seven on the list. It's
4 application of Mewbourne Oil Company for a nonstandard
5 gas spacing and proration unit and compulsory pooling
6 Eddy County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of
9 Santa Fe representing the Applicant. I have two
10 witnesses. If the record could reflect it's the same
11 two witnesses as previously, and they've both been sworn
12 in and qualified as experts.

13 EXAMINER DAWSON: Okay.

14 Any other appearances?

15 Go ahead, Mr. Bruce, when you're ready.

16 TYLER JOLLY,

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 identify yourself for the record?

22 A. Tyler Jolly.

23 Q. Are you familiar with the land matters involved
24 in this application?

25 A. Yes.

1 **Q. Mr. Jolly, could you identify Exhibit 1 for the**
2 **Examiner and describe the lands involved and the wells?**

3 A. Yes. Exhibit 1 is a Midland Map Company plat
4 showing Township 24 South, Range 26 East. It shows both
5 wellbore locations in Sections 12 and 1 for the
6 Riverboat 12/1 WOPA Fed Com #1H and the Riverboat W2PA
7 Fed Com #1H. It will be a nonstandard proration unit
8 comprising of the east half of 12 and 1, the east half
9 of 1 as well. The pool code is 98220, which is the
10 Purple Sage; Wolfcamp Gas Pool.

11 **Q. And you are only seeking to force pool the**
12 **Wolfcamp Formation?**

13 A. Yes.

14 **Q. Are the C-102s for each well attached to**
15 **Exhibit 1?**

16 A. Yes.

17 **Q. And are the wells at orthodox locations, first**
18 **and last take points?**

19 A. Yes.

20 **Q. Have APDs been issued for these wells at this**
21 **point?**

22 A. They haven't been issued, but we're waiting on
23 them to be approved. We have filed for the permits.

24 **Q. Okay. In this case are there any depth**
25 **severances in the Wolfcamp Formation?**

1 A. No.

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

3 A. Exhibit 2 is the tract ownership of the
4 proration unit for both the W0 and the W2, and the
5 asterisk next to the working interest owner and their
6 interest is who we seek to pool.

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

8 A. Exhibit 3 is our summary of communications with
9 each of the working interest owners. I believe that one
10 of the working interest owners is unlocatable, Sigyn
11 Lund.

12 **Q. Sigyn Lund?**

13 A. Yes.

14 **Q. What have efforts have you made to try to
15 contact Mr. Lund?**

16 A. Internet searches -- we have a search engine at
17 the office that helps us out -- county records, et
18 cetera.

19 EXAMINER BROOKS: This is -- Mr. Lund is
20 the one that was unlocatable?

21 THE WITNESS: Yes.

22 **Q. (BY MR. BRUCE) Now, I notice in the summary
23 with respect to Ms. Lund, it says that the mail was
24 forwarded, but you don't know to what address?**

25 A. No.

1 Q. Okay. Can you summarize your contacts with the
2 other working interest owners you were able to contact?

3 A. Yes. We're trying to work a deal with EOG, and
4 I believe that Goodrich Petroleum or Tejas Exploration
5 is going to sign the JOA. We'll work with both those
6 companies all the way up to the spud of the well. I
7 think trade talk has been brought up with EOG, but I
8 don't know any of the details, as upper management is
9 handling that.

10 Q. And so at this point, you've been in touch with
11 the working interest owners for about three-and-a-half
12 months?

13 A. Yes.

14 Q. And if any of them either join -- sign the JOA
15 or trade their interest, will you so notify the
16 Division?

17 A. Yes.

18 Q. In your opinion, have you made a good-faith
19 effort to obtain the voluntary joinder of the working
20 interest owners in the well and to locate the working
21 interest owners?

22 A. Yes.

23 Q. What is Exhibit 4?

24 A. Exhibit 4 is both AFEs for the two proposed
25 wells.

1 Q. And what are their approximate costs?

2 A. For the W0, which is shallower, I believe, the
3 total cost is \$10,999,800 for completing the well. For
4 the W2, it's \$11,003,900 for the W2.

5 Q. And are those costs reasonable and in line with
6 similar wells drilled to this depth in this area of Eddy
7 County?

8 A. Yes.

9 Q. Do you request that Mewbourne be appointed
10 operator of the well?

11 A. Yes.

12 Q. And what overhead rates should Mewbourne be
13 given for administrative and overhead expenses?

14 A. 8,000 for drilling and 800 for producing.

15 Q. And, again, are those rates fair and in line
16 with the charges of other operators in this area?

17 A. Yes.

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

20 A. Yes.

21 Q. And do you request that if anyone goes
22 nonconsent, the cost plus 200 percent risk charge be
23 assessed against that person?

24 A. Yes.

25 Q. And was notice mailed to the working interest

1 owners in this well unit?

2 A. Yes.

3 Q. Now, when you compare Exhibit 3 to Exhibit 5,
4 it looks like a number of parties have since joined --

5 A. Yes.

6 Q. -- in the well?

7 So Exhibit 3 is the only -- four or five
8 parties you seek to force pool at this time?

9 A. Yes.

10 Q. And what is Exhibit 6, Mr. Jolly?

11 A. Exhibit 6 is a list of the offset operators and
12 working interest owners that were notified.

13 Q. And was notice given to those offset operators?

14 A. Yes.

15 MR. BRUCE: Mr. Examiner, that's reflected
16 in Exhibit 7, and all of the offsets did receive actual
17 notice of publication.

18 Q. (BY MR. BRUCE) Were Exhibits 1 through 4
19 prepared by you or under your supervision or compiled
20 from company business records?

21 A. Yes.

22 Q. And in your opinion, is the granting of this
23 application in the interest of conservation and the
24 prevention of waste?

25 A. Yes.

1 MR. BRUCE: Mr. Examiner, I move the
2 admission of Exhibits 1 through 7.

3 EXAMINER DAWSON: Exhibits 1 through 7 will
4 be admitted to the record at this time.

5 (Mewbourne Oil Company Exhibit Numbers 1
6 through 7 are offered and admitted into
7 evidence.)

8 MR. BRUCE: And I have no further questions
9 of the witness.

10 EXAMINER DAWSON: Okay. Michael, any
11 questions?

12 EXAMINER McMILLAN: No. Go ahead.

13 EXAMINER DAWSON: I have no questions.
14 David?

15 CROSS-EXAMINATION

16 BY EXAMINER BROOKS:

17 Q. I think you did say, did you not, that the
18 locations to the completed intervals of these wells will
19 be standard, orthodox?

20 A. Yes.

21 Q. And that's based on the 330-acre -- 330-foot
22 setbacks --

23 A. I believe so.

24 Q. -- applied to the Purple Sage?

25 A. I believe so.

1 Q. What is the land type --

2 A. Let's see here.

3 Q. -- state, federal or private?

4 A. I believe Section 12 looks like it's Fed. On
5 Section 1, it looks like it is Fed also. I'm not sure
6 if there is any fee ownership in here or not.

7 Q. Okay. Are there any overrides?

8 A. I'm not sure. I'll have to go back and get
9 back with you on that.

10 Q. Okay. Well, since this one --

11 EXAMINER BROOKS: Are you going to be
12 requesting that this be carried over?

13 MR. BRUCE: Yeah. My Affidavit of
14 Publication in the newspaper got published a day late.

15 EXAMINER BROOKS: Okay. Very good.

16 I would also appreciate you reporting back
17 to us if there are overrides and if you're satisfied
18 that they are bound by some kind of pooling power that
19 you can exercise -- that Mewbourne can exercise.

20 THE WITNESS: Okay.

21 EXAMINER BROOKS: I think that's all I
22 have.

23 EXAMINER DAWSON: That's all the questions
24 we have. Thanks, Mr. Jolly.

25 THE WITNESS: Thank you.

1 EXAMINER DAWSON: You can call your second
2 witness, Mr. Bruce.

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

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

8 Q. Will you please state your name for the record?

9 A. Jordan Carrell.

10 Q. Are you familiar with the geology involved in
11 this application?

12 A. Yes.

13 Q. Mr. Carrell, could you identify Exhibit 8? And
14 let's start out with the W2PA well. Could you identify
15 that exhibit for the Examiner?

16 A. Yes. Exhibit 8 is a Wolfcamp structure contour
17 map showing the proration units within Sections 1 and 12
18 on the east half. This is a Wolfcamp D target and cross
19 section, A to A prime, across the proration unit here.
20 This map also shows Wolfcamp activity in the immediate
21 area.

22 Q. Move on to the cross section, Exhibit 9,
23 please.

24 A. This is a stratigraphic cross section on the
25 Wolfcamp within this area. As you can see towards the

1 base, we are planning on targeting the Wolfcamp D
2 interval.

3 Q. A, B, C, D, is that an internal Mewbourne
4 designation?

5 A. I believe that that's standard or highly
6 accepted within the industry.

7 Q. And is the Wolfcamp consistently thick across
8 the proposed well unit?

9 A. It is. There is a consistent thickness through
10 this area.

11 Q. Is there any faulting or any other structural
12 impediment that will prevent you from successfully
13 drilling a horizontal well in this well unit?

14 A. Not that we're aware of.

15 Q. And in your opinion, will each quarter section
16 in the well unit contribute more or less equally to the
17 production of the well?

18 A. Yes.

19 Q. What is Exhibit 10?

20 A. Exhibit 10 is a table showing the Wolfcamp
21 activity within the area.

22 Q. Is there any preferred structural -- any
23 preferred well orientation?

24 A. There is no preferred orientation here. We see
25 east-west and north-south work.

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

2 A. Exhibit 11 is our wellbore survey plan, and the
3 last page here shows a plat of the sections. And there
4 are the first take point and the last take point within
5 the orthodox 330-foot setbacks.

6 **Q. Let's move on to the WOPA well. What is**
7 **Exhibit 12?**

8 A. Exhibit 12 is the same cross section --
9 sorry. It's a structure contour map at the top of the
10 Wolfbone showing Wolfcamp activity in the area, and the
11 location of our Riverboat 12/1 with WOPA, which is a
12 Wolfcamp Sand target.

13 **Q. And is Exhibit 13 more or less the same cross**
14 **section?**

15 A. It is. This is the same cross section, and it
16 shows where we intend to target within the Wolfcamp Sand
17 at the top of the cross section there.

18 **Q. And is this particular sand that you're testing**
19 **consistently thick across the unit area?**

20 A. It is.

21 **Q. And in your opinion, will each quarter section**
22 **in the well unit contribute more or less equally to**
23 **production?**

24 A. Yes.

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

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CROSS-EXAMINATION

BY EXAMINER DAWSON:

Q. So that well was drilled from Section 25, if it's a west -- west half of Section 25 and the west half of 36, two-mile lateral?

A. Yes. Yes.

Q. And that's the Ghost rider?

A. Yeah. That's the Ghost rider.

Q. And that hasn't been producing very long.

A. No. That was completed at the very end of 2017, December.

Q. Is it still producing pretty well?

A. Yes.

Q. So are you guys -- you're having more -- better production from the two-mile laterals versus the one-and-a-halves you drilled in there?

A. Yeah. We're finding those are better economically, less cost for the amount of drilled lateral.

Q. Okay. That's all the questions I have. Thank you.

EXAMINER DAWSON: Do you have any questions, Mike?

CROSS-EXAMINATION

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BY EXAMINER McMILLAN:

Q. Where are those really good Matador wells?

MR. BRUCE: I think those are more like around Malaga.

EXAMINER McMILLAN: Yeah. Where is that from here?

MR. BRUCE: That would be south a couple of townships.

Q. (BY EXAMINER McMILLAN) And so I'm trying to understand. You're saying there's no difference in production of reserves east-west versus north-south?

A. Yes. That's what we believe.

Q. Do you think that's true throughout this area?

A. Yeah, throughout southern -- south -- I would say southwestern of the Delaware Basin within New Mexico.

Q. So you're saying even if you go west, you think it's not going to be any difference?

A. From the --

Q. Say, as you get closer to the airport?

A. I wouldn't be sure how far or -- based off of the geophysical study that I have seen, the regional stress orientation is from northeast to southwest, so drilling either north-south or east-west, your fractures

1 would still be -- they wouldn't be parallel to the
2 regional stresses.

3 Q. Okay. Thank you very much.

4 RE CROSS EXAMINATION

5 BY EXAMINER DAWSON:

6 Q. Have you guys contemplated drilling any
7 diagonal wells?

8 A. We have not, not that I'm aware of.

9 Q. Is anybody else that you're aware of drilling
10 any diagonal wells?

11 A. I believe that Pogo to the northeast has
12 drilled Delaware wells that are oriented that way. It's
13 difficult with land. Not within the Wolfcamp, I've
14 never seen that.

15 Q. Okay. Thank you.

16 CONTINUED DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Were Exhibits 8 through 15 prepared by you or
19 under your supervision or compiled from company business
20 records?

21 A. Yes.

22 Q. And in your opinion, is the granting of this
23 application in the interest of conservation and the
24 prevention of waste?

25 A. Yes.

1 MR. BRUCE: Mr. Examiner, I move the
2 admission of Exhibits 8 through 15.

3 EXAMINER DAWSON: Exhibits 8 through 15
4 will be admitted to the record at this time.

5 (Mewbourne Oil Company Exhibit Numbers 8
6 through 15 are offered and admitted into
7 evidence.)

8 EXAMINER DAWSON: So, Mr. Bruce, you want
9 to continue this to May 31st for notice?

10 MR. BRUCE: Yes.

11 EXAMINER DAWSON: At this time Case Number
12 16136 will be continued to May 31st for notice purposes
13 only. That concludes 16136.

14 (Case Number 16136 concludes, 9:19 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 19th day of June 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
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25