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REPORTER'S NOTE: Ms. Shaheen, representing Tom Ragsdale, entered an appearance through Mr. Bruce.

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1 (11:40 a.m.)

2 EXAMINER JONES: Are we kind of combining
3 the next two?

4 MR. BRUCE: Yeah.

5 EXAMINER JONES: Let's call Cases 16234 and
6 16235. Both are styled the application of Mewbourne Oil
7 Company for a nonstandard gas spacing and proration unit
8 and compulsory pooling in Eddy County, New Mexico.

9 Call for appearances in one or both cases.

10 MR. BRUCE: Mr. Examiner, Jim Bruce of
11 Santa Fe representing the Applicant. I have two
12 witnesses.

13 MS. BRADFUTE: Mr. Examiner, Jennifer
14 Bradfute on behalf of Marathon Oil Permian, LLC, and I
15 have no witnesses.

16 EXAMINER JONES: Have the witnesses been
17 sworn?

18 MR. BRUCE: Yeah. The witnesses have
19 previously been sworn and recognized as experts.

20 One other thing on the record,
21 Mr. Examiner, Ms. Shaheen, representing Tom Ragsdale,
22 entered an appearance. I told her that I would make
23 sure that her appearance is noted on the record.

24 EXAMINER JONES: Thank you.

25 MR. BRUCE: And she said that Mr. Ragsdale

1 has withdrawn any objection to these two cases.

2 EXAMINER JONES: Thank you. I think we
3 have that in the record somehow.

4 MR. BRUCE: Yeah. I think by an email.
5 But for some reason, she didn't want to sit around for
6 four hours waiting for these cases.

7 Mr. Examiner, I think let's first look
8 at -- we'll do the land testimony together and the
9 geology testimony together. If we go through Case
10 16234, we can just make the next case very short on the
11 land.

12 TYLER JOLLY,
13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

17 Q. Again, please state your name for the record.

18 A. Tyler Jolly. I live in Midland, Texas.

19 Q. What is Exhibit 1?

20 A. Exhibit 1 is a Midland Map Company plat of the
21 proration unit of the Creedence 21/16 W0HA State Com #1H
22 and also the proration unit of the Creedence 21/16 W0HA
23 State Com #2H wells.

24 Q. And these are both Wolfcamp wells, Purple Sage;
25 Wolfcamp; are they not?

1 A. Yes.

2 Q. And the well unit is what, the east half of 16
3 and the northeast of 21?

4 A. Yes. And these wells will surface in 21.

5 And to answer your question earlier about
6 why we're doing mile-and-a-half, I believe it's because
7 we have three miles to develop, three sections, so two
8 mile-and-a-half laterals seems to be the most efficient
9 way --

10 EXAMINER JONES: Thank you for saying that.

11 THE WITNESS: -- instead of a two-mile and
12 a one-mile. And all the pads are going to be in the
13 middle of Section 21 for the Kansas and the Creedence.

14 EXAMINER JONES: Okay.

15 Q. (BY MR. BRUCE) What is Exhibit 2?

16 A. Exhibit 2 is the tract ownership for both
17 wells. I believe we seek to pool CM Resources, LLC;
18 Marathon Oil Permian, LLC; Tom M. Ragsdale; Stillwater
19 Investments; and Attwell Interests, Inc. But we have
20 spoken with all the parties, and I think most, if not
21 all the parties, will eventually join and sign the JOA.

22 Q. And, again, you have reached verbal agreement
23 with Marathon and hope to dismiss them soon?

24 A. That's correct.

25 Q. What's Exhibit 3?

1 A. Exhibit 3 is our summary of communications with
2 all the parties.

3 Q. And also contained are the proposal letters to
4 the parties?

5 A. Yes.

6 Q. So you've had a fair amount of contact with
7 these people over the past five, six months; is that
8 correct?

9 A. Yes. These wells were proposed in April, so,
10 like you said, the last five, six months.

11 Q. And all these people are working interest
12 owners. There are not any fee owners; is that correct?

13 A. That's correct.

14 Q. And in your opinion, have you made a good-faith
15 effort to obtain voluntary joinder of the interest
16 owners in the well?

17 A. Yes.

18 Q. What is Exhibit 4?

19 A. Exhibit 4 are the AFEs for the mentioned wells.
20 I believe both wells are Wolfcamp Sand wells.

21 Q. Okay. And what is the approximate cost of
22 these wells?

23 A. A little under \$9 million.

24 Q. And are these costs fair and reasonable and in
25 line with the cost of similar wells drilled in this

1 **area?**

2 A. Yes.

3 MR. BRUCE: Mr. Examiner, Exhibit 5 is my
4 Affidavit of Notice for both cases, actually. And
5 everybody received actual notice except Pacific -- what
6 is that -- VR, LLC. But Exhibit 6 is an Affidavit of
7 Publication, and they were notified by publication.

8 THE WITNESS: Pacific VR has since assigned
9 a royal [sic] of oil and gas, and they signed a JOA.

10 MR. BRUCE: Okay.

11 So, Mr. Examiner, everyone did get actual
12 notice.

13 EXAMINER JONES: Everyone got actual
14 notice.

15 **Q. (BY MR. BRUCE) Does Exhibit 7 list the offset**
16 **operators to the proposed wells?**

17 A. Yes.

18 MR. BRUCE: And, Mr. Examiner, besides
19 Mewbourne, Marathon and COG are in the well and were
20 notified -- these two cases were filed before the rule
21 change, so --

22 EXAMINER JONES: Yeah. Okay.

23 MR. BRUCE: -- I notified offsets. But
24 Marathon and COG received notice as part of the notice
25 of forced pooling. So the only offset that didn't

1 receive notice was Matador Production Company, and it's
2 the working interest owner, MRC Permian. And Exhibit 8
3 is my affidavit to them, and they did receive actual
4 notice.

5 EXAMINER JONES: Okay.

6 Q. (BY MR. BRUCE) What overhead rates do you
7 request?

8 A. 8,000 a month for drilling and 800 a month for
9 producing.

10 Q. And, again, are those rates fair and
11 reasonable?

12 A. Yes.

13 Q. And are they the rates set forth in your JOA?

14 A. Yes.

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

18 A. Yes.

19 Q. Again, are there any overrides that need to be
20 force pooled in these wells?

21 A. I don't believe so.

22 Q. And one final thing, is there any depth
23 severance in the Wolfcamp?

24 A. I do not believe so.

25 Q. Were Exhibits 1 through 9 prepared by you or

1 under your supervision or compiled from company business
2 records?

3 A. Yes.

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

7 A. Yes.

8 MR. BRUCE: Mr. Examiner, if we can just go
9 to Case 16235 and we'll be very brief on the testimony
10 here.

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

12 A. Exhibit 1 is the Midland Map Company plat
13 showing the proration unit of the Creedence 21/16 W2ED
14 State Com #1H and the Creedence 21/16 W0ED State Com #2H
15 wells.

16 Q. Again, Wolfcamp wells?

17 A. Yes.

18 Q. And Exhibit 2, your listing of ownership, is it
19 pretty similar to the prior case?

20 A. Yes.

21 Q. And the parties being pooled are the same ones?

22 A. Yes.

23 Q. And, again, you reached verbal agreement with
24 Marathon and to dismiss them from this application?

25 A. That's correct.

1 Q. Is Exhibit 3 a similar summary of
2 communications basically identical to the last wells?

3 A. Yes.

4 Q. And does Exhibit 4 contain the AFEs?

5 A. Yes.

6 Q. These costs are -- are these costs fair and
7 reasonable?

8 A. Yes.

9 Q. And these costs are slightly lower than the
10 last well. Is there a reason for that; do you know?

11 A. Well, the W2 is more expensive just because I
12 think it's a little deeper.

13 Q. Deeper. Okay.

14 A. I'm not a geologist or an engineer, though.

15 Q. You stayed at the Holiday Inn Express last
16 night and --

17 (Laughter.)

18 MR. BRUCE: Mr. Examiner, again, I use the
19 same Affidavit of Notice.

20 Q. (BY MR. BRUCE) And did Pacific VR also assign
21 its interest in this well?

22 A. Yes.

23 Q. MR. BRUCE: So even though we did publish
24 notice, everybody received notice --

25 EXAMINER JONES: Actual notice.

1 MR. BRUCE: -- actual notice, Mr. Examiner.

2 And Exhibits 7 and 8 are the same as in the prior case.

3 Q. (BY MR. BRUCE) So, Mr. Jolly, in your opinion,
4 were Exhibits 1 through 8 prepared by you or under your
5 supervision or 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 1 through 8 in this case.

13 EXAMINER JONES: Any objection?

14 MS. BRADFUTE: No objection.

15 EXAMINER JONES: Exhibits 1 through 8 in
16 both cases --

17 MR. BRUCE: Both cases.

18 EXAMINER JONES: -- are admitted.

19 (Mewbourne Oil Company Exhibit Numbers 1
20 through 8 are offered and admitted into
21 evidence.)

22 MR. BRUCE: I have no further questions of
23 the witness.

24 MS. BRADFUTE: I have no questions.

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CROSS-EXAMINATION

BY EXAMINER JONES:

Q. So you said earlier you expect everyone to sign up?

A. Yes. There aren't any unlocatables or anything. We just have some people who haven't signed the JOA, but we've contacted everyone. We just don't have the papers, basically, signatures.

Q. What is your drilling schedule?

A. The Kansas and the Creedence wells -- I believe the W0HA, both of those, and the Creedence wells heard earlier are supposed to be spud early 2019.

Q. So the budget's coming in pretty good for next year, sounds like?

A. Sounds like.

Q. Been hearing that a lot lately. Everyone wants to get busy.

This is around Malaga?

A. Yes.

Q. So is that a difficult land area to work on?

A. I don't think so. I think we've had worse.

MR. BRUCE: I think since it's mostly state minerals, it isn't too bad. You don't want to move a half-mile east.

EXAMINER JONES: Okay. If you get a little

1 bit closer to Malaga, you get in trouble. Okay.

2 Q. (BY EXAMINER JONES) And the Pecos River is here
3 somewhere, isn't it?

4 A. I'm not sure about that.

5 Q. Yeah. I'm not sure either.

6 Okay. Well, thanks very much.

7 A. Thank you.

8 CHARLES CROSBY,

9 after having been previously sworn under oath, was
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. Please state your name for the record.

14 A. Charles Crosby.

15 Q. Mr. Crosby, could you identify Exhibit 9 for
16 the examiner and discuss this, please?

17 A. Yes. This is a structure contour map on the
18 top of the Wolfcamp in the area of interest again
19 showing consistent and continuous dip to the east. The
20 proration unit for the two wells is highlighted by the
21 dashed black box, and the two wells themselves are shown
22 by the dashed red arrows. The Wolfcamp Shale wells are
23 shown by the blue lines, with Wolfcamp Sand wells
24 highlighted by the violet lines, and then also a
25 cross-section reference, A to A prime.

1 **Q. And, again, there is a lot of well control out**
2 **here; is there not?**

3 A. Yes.

4 **Q. Let's move on to the next exhibit.**

5 A. So this is the cross section mentioned before
6 representative of the Wolfcamp -- the entire Wolfcamp
7 section in the area. Again, our delineated Wolfcamp
8 zones are labeled to the left, with the proposed landing
9 of the two wells in the Wolfcamp Sand shown by the red
10 arrow. And this cross section highlights that the zones
11 of interest are consistent throughout the area.

12 **Q. And the zones you're testing are continuous**
13 **across the well unit?**

14 A. Yes.

15 **Q. And will each quarter section in the well unit**
16 **contribute more or less equally to production?**

17 A. Yes.

18 **Q. What is Exhibit 11?**

19 A. This is a production table for the Wolfcamp
20 horizontals in the area, again just showing consistent
21 production regardless of orientation for similar wells.

22 **Q. And what is Exhibit 12?**

23 A. These are the two preliminary surveys for the
24 proposed wells, also labeled as surface hole,
25 bottom-hole location, kickoff point, your typical survey

1 data.

2 Q. And finally, is any impediment -- geologic
3 impediment that would prevent the successful drilling of
4 these wells?

5 A. No.

6 Q. Were Exhibits 8 through -- 9 through 12
7 prepared by you or under your supervision?

8 A. Yes.

9 MR. BRUCE: Mr. Examiner, I'd move the
10 admission of Exhibits 9 through 12.

11 EXAMINER JONES: Any objection?

12 MS. BRADFUTE: No objection.

13 EXAMINER JONES: 9 through 12 are admitted.
14 (Mewbourne Oil Company Exhibit Numbers 9
15 through 12 are offered and admitted into
16 evidence.)

17 Q. (BY MR. BRUCE) In your opinion, is the
18 granting --

19 Well, let's go to Case 16235. Are these
20 exhibits, 9 through 12, essentially identical to the
21 testimony you just gave?

22 A. Yes. The map's the exact same structure map.
23 This just shows the well location and the proration
24 unit. And also, if you'll notice, the cross section
25 itself has been moved. Different wells have been picked

1 just to be more representative of the west half of the
2 area where the proration unit lies.

3 Q. And Exhibit 12 is different just because of the
4 two different wells?

5 A. Yes.

6 Q. Did you -- were Exhibits 9 through 12 prepared
7 by you or under your supervision?

8 A. Yes.

9 Q. And in your opinion, is the granting of both
10 these applications in the interest of conservation and
11 the prevention of waste?

12 A. Yes.

13 MR. BRUCE: Mr. Examiner, I move the
14 admission of Exhibits 9 through 12 in each of these
15 cases.

16 MS. BRADFUTE: No objection.

17 EXAMINER JONES: Exhibits 9 through 12 in
18 both cases are admitted.

19 (Mewbourne Oil Company Exhibit Numbers 9
20 through 12 are offered and admitted into
21 evidence.)

22 EXAMINER JONES: Any questions?

23 MS. BRADFUTE: I just have one question,
24 and it's more out of curiosity.

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CROSS-EXAMINATION

BY MS. BRADFUTE:

Q. Are there any differences in geology in the east half and the west half?

A. No, ma'am. It's very consistent throughout the area. I just -- to be more representative of that exact location, I switched up the cross section a little bit, but it's pretty much uniform throughout this whole area.

Q. Thank you. That concludes my questions.

CROSS-EXAMINATION

BY EXAMINER JONES:

Q. Okay. So if you combine the -- if you look at both of these cases, you're trying to -- looks like you're trying to bracket this whole two-mile-and-a-half section. In other words, prove it up so you can drill the wells in the middle later?

A. Yes, sir. As far as -- to my understanding, we plan on developing the whole area. So --

Q. You've got a bunch of wells east-west and some wells north-south. And, of course, your table kind of covers that, and that's probably why you put that table in there?

A. Yes, sir.

Q. So some people have chosen to drill east-west?

A. Yes. I mean, I can't speak to their particular

1 development plans, but in this general area, the
2 regional stress regime is such that the orientation
3 really doesn't affect protection. You can't see a
4 difference that would tend to make you want to lean
5 towards one orientation over the other, so both
6 orientations seem to work well in this area.

7 **Q. Okay. So when you do this Exhibit 9, did you**
8 **do overlays of shapefiles for the direction -- for these**
9 **wells? In other words, you didn't just scratch in these**
10 **wells with a pen or pencil, did you?**

11 A. No. These are imported from IHS. They have
12 all the survey data once a well is completed.

13 **Q. IHS has the digital survey data?**

14 A. Yes, sir. And you can import the well data,
15 usually update it. You know, once a month or just kind
16 of whenever you have a bunch of new information, you'll
17 update your -- we use GeoGraphix as our -- as our
18 platform. We use different things, and you can import
19 from IHS from all the well data.

20 **Q. I had schools in GeoGraphix, but that's been 20**
21 **years ago. Who owns it now? Is it Halliburton who owns**
22 **it?**

23 A. I'm not sure who owns GeoGraphix, honestly.

24 **Q. It had a land module and --**

25 A. Uh-huh.

1 Q. Okay. That's all the questions I have. Thanks
2 **very much.**

3 MR. BRUCE: And I request that these cases
4 be taken under advisement.

5 EXAMINER JONES: Okay. Cases 16234 and
6 16235 are taken under advisement.

7 (Case Numbers 16234 and 16235 conclude,
8 11:58 a.m.)

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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
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 29th day of October 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

25