

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

6 APPLICATION OF MEWBOURNE OIL
7 COMPANY FOR A NONSTANDARD OIL
8 SPACING AND PRORATION UNIT, AN
9 UNORTHODOX OIL WELL LOCATION,
10 AND COMPULSORY POOLING, EDDY
11 COUNTY, NEW MEXICO.

CASE NO. 15037

ORIGINAL

12 REPORTER'S TRANSCRIPT OF PROCEEDINGS

13 EXAMINER HEARING

14 September 5, 2013

15 Santa Fe, New Mexico

16 BEFORE: DAVID K. BROOKS, CHIEF EXAMINER
17 PHILLIP GOETZE, TECHNICAL EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, David K. Brooks,
20 Chief Examiner, and Phillip Goetze, Technical Examiner,
21 on Thursday, September 5, 2013, at the New Mexico
22 Energy, Minerals and Natural Resources Department, 1220
23 South St. Francis Drive, Porter Hall, Room 102,
24 Santa Fe, New Mexico.

25 REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
Paul Baca Professional Court Reporters
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102

1 APPEARANCES

2 FOR APPLICANT MEWBOURNE OIL COMPANY:

3 JAMES G. BRUCE, ESQ.
 4 Post Office Box 1056
 5 Santa Fe, New Mexico 87504
 (505) 982-2043
 jamesbruc@aol.com

6 ALSO PRESENT: Mr. William Ervin Gregory
 7 Mr. Tom Gregory

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24
25

1 (9:19 a.m.)

2 EXAMINER BROOKS: Call Case Number 15037,
3 application of Mewbourne Oil Company for a nonstandard
4 oil spacing and proration unit and unorthodox oil well
5 location and compulsory pooling Eddy County, New Mexico.

6 Appearances?

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

9 EXAMINER BROOKS: Will the witnesses please
10 stand, identify yourselves for the court reporter?

11 Oh, I'm sorry. Do you -- are you --

12 MR. WILLIAM GREGORY: We're not with the
13 oil company. We're just leaseholders.

14 EXAMINER BROOKS: Do you want to enter an
15 appearance in this case, or are you just here to
16 observe?

17 MR. WILLIAM GREGORY: We ask for a brief
18 appearance.

19 EXAMINER BROOKS: Okay. Then let's go back
20 to where we entered the appearances and if you'll state
21 your appearances on the record.

22 MR. WILLIAM GREGORY: I'm Bill Gregory,
23 Ervin Gregory, William Ervin Gregory. And I'm here as
24 an owner of an interest that may be affected by
25 compulsory pooling.

1 EXAMINER BROOKS: Okay. And do you want to
2 enter an appearance?

3 MR. TOM GREGORY: Yes. I'm Tom Gregory. I
4 probably won't say very much, but I'm here to enter an
5 appearance.

6 EXAMINER BROOKS: If you want to make a
7 statement, then I believe you should be sworn, since
8 this is an adjudicatory case. It's not required for
9 rulemaking.

10 Would all the witnesses, including those
11 who wish to make statements, please stand, identify
12 yourselves?

13 I believe you already have.

14 And the court reporter will swear the
15 witnesses.

16 MR. CLESS: Nate Cless, Midland, Texas.

17 MR. MITCHELL: Corey Mitchell, Midland,
18 Texas.

19 MR. WILLIAM GREGORY: William Gregory,
20 Albuquerque, New Mexico.

21 MR. TOM GREGORY: Tom Gregory, Albuquerque,
22 New Mexico.

23 (Mr. Mitchell, Mr. Cless, Mr. William Ervin
24 Gregory and Mr. Tom Gregory sworn.)

25

1 COREY MITCHELL,

2 after having been first duly sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Mr. Mitchell, where do you reside?

7 A. Midland, Texas.

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

9 A. Mewbourne Oil Company as a landman.

10 Q. Have you previously testified before the
11 Division?

12 A. Yes, sir.

13 Q. And were your credentials as an expert
14 petroleum landman accepted as a matter of record?

15 A. Yes, sir.

16 Q. Are you familiar with the land matters involved
17 in this case?

18 A. Yes, sir.

19 MR. BRUCE: Mr. Examiner, I tender
20 Mr. Mitchell as an expert petroleum landman.

21 EXAMINER BROOKS: So qualified.

22 Q. (BY MR. BRUCE) Mr. Mitchell, could you identify
23 Exhibit 1 for the Examiner, and identify the name of the
24 well that we're here about today?

25 A. Exhibit 1 is a Midland Map Company land plat of

1 Township 23 South, Range 28 East, with the east
2 half-east half of Section 35 highlighted, which is the
3 proration unit for our Layla 35 PA #1H well.

4 Q. And what formation is being tested by this
5 well?

6 A. The Bone Spring Formation.

7 Q. And does Mewbourne have a geologist to discuss
8 the geology of the Bone Spring?

9 A. Yes, sir.

10 Q. In which -- just looking at the quarter-quarter
11 sections, where is the surface and where is the
12 bottom-hole locations?

13 A. The surface is the southeast of the southeast,
14 and the bottom hole is the northeast of the northeast.

15 Q. Now, I believe this well is located in the
16 South Culebra Bone Spring pool.

17 A. That's correct.

18 MR. BRUCE: Mr. Examiner, under Order
19 RC-139, it's spaced on 80 acres with wells to be within
20 150 feet of the center of the quarter-quarter section.

21 EXAMINER BROOKS: Right. And we have a
22 case under advisement on that.

23 MR. BRUCE: Correct. But at this point,
24 it's still unorthodox.

25 Q. (BY MR. BRUCE) And I believe, Mr. Mitchell, the

1 reason for the unorthodox location is simply to lengthen
2 the productive portion of the wellbore?

3 A. That is correct.

4 Q. Could you identify Exhibit 2 for the Examiner?

5 A. Exhibit 2 is our tract ownership for this well,
6 and it's split out into the different tracts that make
7 up the 160-acre proration unit.

8 Q. And you list certain unleased interest owners,
9 and we'll get into that, who is being pooled, correct?

10 A. Yes, sir.

11 Q. Let's skip an exhibit and go to Exhibit 4,
12 Mr. Mitchell. What is Exhibit 4?

13 A. Exhibit 4 is a copy of portions of our title
14 opinion, dated May 16th, 2011, which sets out certain
15 aspects of the issues with the ownership on this
16 particular section.

17 Q. And back in -- I think it's an exception to
18 Title 15. It goes into great deal about the ownership
19 of -- the possible ownership of these various interests?

20 A. Yes, sir.

21 Q. And that is what the Gregorys own, correct?

22 A. Correct.

23 Q. And does the title opinion itself identify --
24 this is only a portion of the title opinion, correct?

25 A. Yes, sir.

1 Q. And the last two pages that are a part of this
2 exhibit, does this title opinion identify the people who
3 do or may own an interest in this? I think the total
4 interest is 12.6, correct?

5 A. Yes, sir. There is approximately 30 or so
6 individuals or entities that could make a claim to this
7 interest.

8 Q. And a number of these people are unlocatable,
9 correct?

10 A. Yes, sir.

11 Q. Now, Mewbourne has been out here -- the title
12 opinion was over two years ago. Has Mewbourne been
13 attempting to identify the locations of all the interest
14 owners identified in the title opinion?

15 A. Yes, sir.

16 Q. And there have been, what, three other hearings
17 involving this same property here, Section 35, correct?

18 A. Yes, sir.

19 Q. Has Mewbourne made a good-faith effort to
20 locate all of these potential interest owners?

21 A. Yes, sir.

22 Q. As to the interest owners you could locate,
23 were well proposals sent to the parties?

24 A. Yes, sir.

25 Q. Not only on this well, but on several other

1 wells, correct?

2 A. Yes, sir.

3 Q. A couple of other wells, anyway.

4 Does Exhibit 3 contain copies of the well
5 proposals, as well as a summary of the contacts with the
6 various interest owners?

7 A. Yes, sir.

8 Q. Now, in the last hearing, which involved this
9 property, some members of the Panagopoulos family showed
10 up, correct?

11 A. Correct.

12 Q. And what is Mewbourne doing with respect to the
13 Panagopoulos family?

14 A. We are keeping them updated with the amount of
15 money in suspense on the previous-drilled wells, I
16 believe on a monthly basis, so they can figure out at
17 which time it is beneficial for them to conduct a quiet
18 title suit.

19 Q. Would you be willing to send the same
20 information to the Gregory family?

21 A. Yes, sir.

22 MR. WILLIAM GREGORY: Thank you.

23 Q. (BY MR. BRUCE) In your opinion, has Mewbourne
24 Oil Company made a good-faith effort to locate the
25 parties or to obtain their voluntary joinder in the

1 well?

2 A. Yes, sir.

3 Q. Could you identify Exhibit 5 and discuss the
4 cost of the proposed well?

5 A. Exhibit 5 is our AFE which sets out the
6 estimated costs for drilling this well. We have an
7 estimated dry-hole cost of \$1,760,300 and a completed
8 well cost of \$4,394,300.

9 Q. And in your opinion, is this cost fair and
10 reasonable and equivalent to the cost of other wells
11 drilled in this -- other horizontal wells drilled to
12 this depth in this area of New Mexico?

13 A. Yes, sir.

14 Q. Do you have a recommendation as to the amounts
15 which should be granted to Mewbourne for overhead and
16 administrative expenses?

17 A. Yes, sir. We are requesting 7,000 a month for
18 drilling and 700 a month for producing, which are the
19 same rates in our JOA with the other partners in the
20 wells.

21 Q. In your opinion, are those rates fair and
22 reasonable?

23 A. Yes, sir.

24 Q. Do you request that a cost plus 200-percent
25 penalty be assessed against nonconsenting interest

1 owners?

2 A. Yes, sir.

3 Q. Looking at Exhibit 6, my Affidavit of Notice,
4 Mr. Mitchell, does the exhibit attached to my notice
5 letter contain the current addresses of all the people
6 for whom you could locate addresses?

7 A. Yes, sir.

8 MR. BRUCE: And, Mr. Examiner, most of the
9 people did receive notice. There are a couple at the
10 back where notice was left, but the certified mail
11 hadn't been picked up. However, in the other three
12 hearings, we have given -- couple of hearings, anyway,
13 we have given notice to these same people, and I can get
14 you the case numbers. But the people we mailed to did
15 receive notice. So I believe those are valid addresses.

16 And, Mr. Examiner, Exhibit 7 is simply the
17 Affidavit of Publication to the parties who we may not
18 have had valid addresses for.

19 I just noticed that I put William Gregory's
20 name in there, but obviously that's not necessary
21 anymore.

22 Q. (BY MR. BRUCE) And what is Exhibit 8,
23 Mr. Mitchell?

24 A. Exhibit 8 lists the offset ownership.

25 Q. Have any of the offsets objected to the well

1 unit or the well's location?

2 A. No, sir.

3 MR. BRUCE: And, Mr. Examiner, 9 is simply
4 my Affidavit of Notice to the offsets, and they all did
5 receive notice.

6 Q. (BY MR. BRUCE) Mr. Mitchell, in your opinion,
7 is the granting of this application in the interest of
8 conservation and the prevention of waste?

9 A. Yes, sir.

10 Q. And were Exhibits 1 through 9 either prepared
11 by you or under your supervision or compiled from
12 company business records?

13 A. Yes, sir.

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

16 EXAMINER BROOKS: 1 through 9? Okay.
17 1 through 9 are admitted.

18 (Mewbourne Exhibit Numbers 1 through 9
19 were offered and admitted into evidence.)

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

22 EXAMINER BROOKS: Okay.

23 CROSS-EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. You have this tract ownership on Exhibit 2, and

1 you list, in Tract 3, "Unleased Uncertain Owners."

2 Those are the people with title opinions?

3 A. Yes, sir, Tract 3 and Tract 4.

4 Q. Tract 3 and Tract 4. Okay.

5 There are no outstanding interests in
6 Tracts 1 and 2, then?

7 A. No, sir.

8 Q. These Penroc, Chevron and Seguro, are they all
9 committed?

10 A. Yes, sir.

11 Q. Okay. So these unleased owners -- well, they
12 are unleased. You said they're unleased. So they own
13 3.6 percent in Tracts 3 and 4, right?

14 A. Yes, sir. And it comes out to 2.25 percent
15 throughout the unit.

16 Q. Do you have an API number for this well?

17 A. Yes, sir. It is 3001540967.

18 Q. 40967?

19 A. Yes, sir.

20 Q. And Mr. Bruce said that the NSL was being
21 considered because of the 80-acre unit in the center of
22 the quarter-quarter section restriction. You're
23 starting out from 150 from the south. How far north of
24 that are you going to have your first perf? Do you have
25 an idea?

1 A. I believe we'll be legal on our first perf, but
2 I believe the geologist can better answer that.

3 Q. Okay. I'll ask the geologist on that.

4 Now, did you testify to overhead --
5 administrative overhead rates?

6 A. Yes, sir.

7 Q. And what were they?

8 A. 7,000 a month for drilling and 700 a month for
9 producing.

10 Q. And what, again, is the formation in this well?
11 What's the target formation?

12 A. The Bone Spring Formation.

13 Q. And you said it was South Culebra Bluffs?

14 A. Yes, sir. I believe that's Code 15011.

15 Q. That's good.

16 And you're requesting -- you're requesting
17 compulsory pooling only in the Bone Spring Formation?

18 A. Yes, sir.

19 Q. I should have a list of the things I need to
20 ask you, but I don't. I think that's basically all of
21 them.

22 EXAMINER BROOKS: So I will pass the
23 witness and let our geologist ask you questions if he
24 has any.

25 EXAMINER GOETZE: I have no questions for

1 this witness. You've done a thorough job.

2 MR. BRUCE: I don't know if the Gregorys
3 have any questions.

4 EXAMINER BROOKS: Do you want to question
5 the witness?

6 MR. WILLIAM GREGORY: I'd like to -- if I
7 could, I'd like to compliment Mewbourne for keeping us
8 in the loop. I mean, they've done an exemplary job.
9 I've looked up their credentials, and even the School of
10 Petroleum over at Oklahoma State is named after
11 Mewbourne.

12 THE WITNESS: With Oklahoma University.

13 MR. WILLIAM GREGORY: Right.

14 THE WITNESS: You don't want to confuse
15 that with them. They'll get --

16 (Laughter.)

17 MR. WILLIAM GREGORY: But I wanted to tell
18 you -- I mean, I appreciate this. We've really learned
19 a lot. We've been trying to get up with the education
20 that we needed in order to understand, as leaseholders
21 here, the difference between the forced pooling and the
22 voluntary, and we want a good working relationship with
23 you gentlemen. We didn't necessarily have one with some
24 of the other oil companies that were in there, but we
25 want you to know that.

1 THE WITNESS: Yeah. We appreciate that,
2 and it's just a unique situation on this one.

3 MR. WILLIAM GREGORY: We understand the
4 trust -- we understand the trust and the problems that
5 you've got with all the different owners, and once
6 the -- if there is a quiet title action, we want you to
7 believe -- we want to work with you, you know. We've
8 had problems with the past oil companies, but it seems
9 like you're a different kind of an animal.

10 THE WITNESS: We'll do everything we can to
11 help out and try to get this resolved.

12 MR. WILLIAM GREGORY: Okay. I appreciate
13 you sending us the documentation on the production for
14 the trust.

15 EXAMINER BROOKS: I'm sorry, I don't
16 remember your name.

17 MR. WILLIAM GREGORY: Ervin Gregory.

18 EXAMINER BROOKS: Do you have any questions
19 of the witness?

20 MR. WILLIAM GREGORY: I don't.

21 EXAMINER BROOKS: Very good.

22 Anything further, Mr. Bruce?

23 MR. BRUCE: No, sir.

24 EXAMINER BROOKS: The witness may step
25 down, and call your next witness.

1 MR. BRUCE: Call Mr. Cless to the stand.

2 NATE CLESS,

3 after having been previously sworn under oath, was

4 questioned and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. Mr. Cless, who do you work for and in what
8 capacity?

9 A. I work for Mewbourne Oil Company as a
10 geologist.

11 Q. Have you previously testified before the
12 Division?

13 A. Yes, I have.

14 Q. And were your credentials as an expert
15 petroleum geologist accepted as a matter of record?

16 A. Yes, they were.

17 Q. Are you familiar with the geology involved in
18 this case?

19 A. Yes, sir.

20 MR. BRUCE: Mr. Examiner, I tender
21 Mr. Cless as an expert petroleum geologist.

22 EXAMINER BROOKS: He is so qualified.

23 Q. (BY MR. BRUCE) Mr. Cless, can you identify
24 Exhibit 10 for the Examiner?

25 A. Yeah. Exhibit 10 is a structure map on what

1 I'm calling the 2nd Bone Spring Sand middle marker, and
2 I'll get into detail on exactly what that marker is
3 later.

4 Also on this map I've identified all the
5 wells that produce out of the Bone Spring Formation.
6 The Bone Spring Formation is -- there are probably many
7 different subformations in there. The target interval
8 that we're looking at is the 2nd Bone Spring Sand. If
9 you look on this map, all the wells -- there is really
10 only one well that produces out of the 2nd Bone Spring
11 Sand, and it's a horizontal well that we've drilled in
12 the east half-west half -- or the west half-east half of
13 Section 35.

14 The well that we're proposing to drill is
15 in the east half-east half of Section 35.

16 As far as the structure goes that's
17 concerned through here, basically, it's trending
18 north-south. We don't believe there are any major
19 structural components to the -- to the production of
20 this well.

21 Q. You mention the different Bone Spring zones.
22 It looks like almost all of them are productive at least
23 somewhere in this area.

24 A. Yes, sir.

25 Q. Now, so there are multiple zones that could be

1 tested within the Bone Spring?

2 A. Yes, sir. We believe there is quite a bit of
3 opportunity for future wells in the Bone Spring in this
4 interval.

5 Q. Could you identify Exhibit 11 for the Examiner?

6 A. Exhibit 11 is a net isopach map of the 2nd Bone
7 Spring Sand. It's really the lower part of the 2nd Bone
8 Spring Sand. To the bottom left of each wellbore, it
9 goes deep enough. There is -- there is a number that's
10 the net porosity greater than ten percent of the Lower
11 2nd Bone Spring Sand. So through this interval --
12 through the east half-east half of Section 35, we
13 anticipate that the net thickness will be roughly 40 to
14 50 feet thick across this -- across this 160 acres.

15 I've also identified the location of my
16 next exhibit, which is a cross section, A to A prime,
17 and it's a three-well cross section that covers these
18 three wells -- the three closest wells to this area.

19 Q. So the offsetting well is the 2nd Bone Spring,
20 correct?

21 A. Yes, sir, it is.

22 Q. In that well, did each quarter-quarter section
23 contribute to production?

24 A. Yes, sir, we believe it did.

25 Q. Move to Exhibit 12, then.

1 A. So Exhibit 12 is a three-well cross section,
2 again going from the well in 35C down to the well in
3 35I, and then over to the well in 36E.

4 And then to the right of each -- to the
5 right, I've identified basically the top of the 2nd Bone
6 Spring Sand and then what we're calling a horizontal
7 target, which is the 2nd Bone Spring, what we call the C
8 Sand. That's just an internal designation we give to
9 that interval.

10 But you can see the total thickness -- the
11 gross thickness of the 2nd Bone Spring Sand is pretty
12 uniform across this entire area. We have density and
13 porosity logs on the well in 35C and the well in 36C,
14 and you can see that the average porosity in there is
15 about 10 to 12 percent throughout the 2nd Bone Spring
16 Sand.

17 This cross section is hung on the base of
18 the 2nd Bone Spring Sand. And the marker that I used to
19 make my structure map is that 2nd Bone Spring middle
20 marker, and it's that dashed black line through there.
21 And that's a pretty good marker, a pretty consistent
22 marker throughout this area.

23 Q. In your opinion, will each quarter-quarter
24 section in the proposed well unit contribute to
25 production?

1 A. Yes, sir.

2 Q. What is Exhibit 13?

3 A. So Exhibit 13 is a just a production table of
4 all the wells in this nine-section area that produce out
5 of the Bone Spring interval. I've identified the name
6 of the well, the operator, its API, where it's located,
7 whether it's a vertical well or a horizontal well, when
8 it was completed in the Bone Spring, what its production
9 was, and then the last column is what interval the Bone
10 Spring is completed.

11 So just looking at that last column, you
12 can see that most of these wells in this area are
13 completed in the Avalon Shale, and most of them are all
14 vertical wells. The bottom four wells on here are all
15 horizontal wells, and three of those wells have also
16 been drilled in the Avalon Shale. And then the very
17 bottom well, which is highlighted in yellow, is our well
18 that we recently completed in the 2nd Bone Spring Sand.
19 And that well, it was completed in May of this year, and
20 it's made 15,000 barrels of oil, and that's just one
21 month of production. So we believe that it is an
22 economic well; it's going to be a good well, and I think
23 that helps us to believe that the east half-east half of
24 Section 35 will also be productive.

25 Q. In looking at the vertical wells, a third to

1 half of them were fairly decent Bone Spring wells --

2 A. Yes, sir, they were.

3 Q. -- for their era?

4 A. Uh-huh.

5 Q. Could you identify Exhibit 14 and discuss a
6 little bit about the drilling and completion of the
7 proposed well?

8 A. Yeah. Exhibit 14 is just the horizontal survey
9 that we received from The Directional Drilling Company,
10 and that's the company that we're using to drill the
11 lateral part of our horizontal. You can flip through
12 that, and it's just got the exact details of where we
13 plan to put our horizontal.

14 The last few pages -- I guess the
15 second-to-the-last page is just a map view of our
16 proposed location. It also shows the location of the
17 other -- of the three other horizontals that have been
18 drilled in this section.

19 The well in the west half-west half of
20 Section 35 is a Delaware well that we drilled. And the
21 well in the east half of the -- east half of the west
22 half of 35 is an Avalon Shale well that we drilled, and
23 then the well on the west half-east half of 35 is the
24 other 2nd Bone Spring Sand well that we just recently
25 drilled, and then our proposed location is the east

1 half-east half of Section 35.

2 I guess to answer a previous question that
3 you asked our landman, our surface location is 150 from
4 the south, 330 from the east. But then once we land, we
5 will be at 626 from the south and 362 from the east. So
6 we will be at a legal location, and that will be the
7 location of our first perforation.

8 EXAMINER BROOKS: What were those numbers
9 again?

10 THE WITNESS: 626 from the south and 362
11 from the east.

12 EXAMINER BROOKS: That would be -- would
13 that be legal even if the present spacing remains in
14 effect, or is that --

15 THE WITNESS: I don't believe so because
16 it's too far east.

17 EXAMINER BROOKS: I didn't think so either,
18 but it would be legal if the application is granted.

19 MR. BRUCE: Is granted, yeah.

20 EXAMINER BROOKS: Which I see no reason to
21 believe it won't be, but it might be an indefinite time.
22 You know, it will be indefinite.

23 MR. BRUCE: But I think both the beginning
24 of production, and then, of course, obviously, the
25 terminus will be unorthodox.

1 EXAMINER BROOKS: Well, we would hope that
2 we could get the order out before you get the well
3 drilled (laughter), but maybe that's a bit optimistic.

4 (Laughter.)

5 MR. WILLIAM GREGORY: There will be blood
6 (laughter).

7 EXAMINER BROOKS: Are you through?

8 MR. BRUCE: I've got a couple follow-up
9 questions.

10 Q. (BY MR. BRUCE) Were Exhibits 10 through 13
11 prepared by you?

12 A. Yes, they were.

13 Q. And was Exhibit 14 compiled from Mewbourne's
14 business records?

15 A. Yes, it was.

16 Q. And in your opinion, is the granting of this
17 application in the interest of conservation and the
18 prevention of waste?

19 A. Yes, sir.

20 MR. BRUCE: Mr. Examiner, I'd move the
21 admission of Exhibits 10 through 14.

22 EXAMINER BROOKS: 10 through 14 are
23 admitted.

24 (Mewbourne Exhibit Numbers 10 through 14
25 were offered and admitted into evidence.)

1 EXAMINER BROOKS: And I have no questions
2 for this witness. I'll let the geologist handle that.

3 CROSS-EXAMINATION

4 BY EXAMINER GOETZE:

5 Q. Just a couple of questions. One, the
6 north-south seems like a good orientation for
7 development here?

8 A. Yeah, we believe so. As far as in this
9 immediate area, there have been no east-west tests. But
10 we've had good luck in the Bone Spring drilling
11 north-south, as well as in other formations, in the
12 Avalon Shale and the Delaware, so we have no reason to
13 believe we need to go east-west.

14 Q. And there are going to be no other targets
15 except for the 2nd C Sand?

16 A. For this particular well.

17 Q. No other questions. Thank you.

18 MR. BRUCE: Mr. Gregory may have questions.

19 MR. WILLIAM GREGORY: Not of this witness.
20 I have a general statement.

21 EXAMINER BROOKS: Okay. I'm sorry, your
22 name, the other gentlemen here?

23 MR. TOM GREGORY: Yeah. Tom Gregory.

24 MR. WILLIAM GREGORY: And I'm Ervin
25 Gregory.

1 EXAMINER BROOKS: So you're both
2 Mr. Gregory?

3 (Laughter.)

4 MR. WILLIAM GREGORY: Yes.

5 MR. TOM GREGORY: Yes.

6 EXAMINER BROOKS: Does either one of you
7 have any questions -- does either Mr. Gregory have any
8 questions of this witness?

9 MR. WILLIAM GREGORY: No.

10 EXAMINER BROOKS: Very good. The witness
11 may stand down.

12 And if you would like to -- whichever one
13 of you wants to go first, come over and sit on the
14 witness stand and make your statement where the court
15 reporter can hear you real well.

16 MR. WILLIAM GREGORY: Mr. Brooks, thank you
17 for giving me this time. My name is Ervin Gregory,
18 William Ervin Gregory.

19 As an owner of an interest that may be
20 affected by the application, I was asked to appear and
21 present testimony so that the Gregorys and Ervins would
22 become a party of record and not to be precluded from
23 contesting the matter at a later date.

24 In March 1986, my father and Clarence Ervin
25 purchased the mineral estate and surface estate from

1 Mr. Beeman, a single man, and although there are many
2 producing wells connected to the land, they've never
3 received a fair portion of their royalties. The oil
4 company's landman always claimed to my father and his
5 friend that there was a comma missing or the title's
6 muddled, which I certainly don't doubt.

7 But they were good ol' boys from Carlsbad.
8 They lived there all their lives. They worked in the
9 potash ash mines. They were best friends. I was named
10 after Clarence Ervin.

11 So to make -- this is almost done. So we
12 have all this correspondence from different landmen from
13 oil companies stating that there was something wrong,
14 and they would occasionally send us token checks, \$1.00,
15 you know, \$2.00. And so I believe the oil companies
16 haven't acted in our best interest in the past. I think
17 that we are owed more, and we just want what's
18 rightfully ours. That's it.

19 EXAMINER BROOKS: Okay. Did you wish to
20 ask Mr. Gregory any questions, Mr. Bruce?

21 MR. BRUCE: No, sir.

22 EXAMINER BROOKS: Nor do I.

23 EXAMINER GOETZE: I have no questions.

24 EXAMINER BROOKS: Very good.

25 Do you also wish to make a statement?

1 MR. TOM GREGORY: I've already made my
2 statement.

3 EXAMINER BROOKS: Okay. Very good.
4 Anything further, Mr. Bruce?

5 MR. BRUCE: Not in this case.

6 EXAMINER BROOKS: In that case, Case Number
7 15037 will be taken under advisement.

8 (Case Number 15037 concludes, 9:48 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15037
heard by me on 9-5-2013
Daniel K. Brooks, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

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

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

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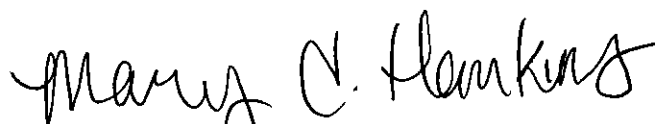
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MARY C. HANKINS, CCR, RPR
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