

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 COMPANY CASE NO. 15082  
7 FOR COMPULSORY POOLING AND AN  
8 UNORTHODOX GAS WELL LOCATION,  
9 EDDY COUNTY, NEW MEXICO.

10 REPORTER'S TRANSCRIPT OF PROCEEDINGS

11 EXAMINER HEARING

12 January 23, 2014

13 Santa Fe, New Mexico

ORIGINAL

14 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER  
15 GABRIEL WADE, LEGAL EXAMINER

16

17

18 This matter came on for hearing before the  
19 New Mexico Oil Conservation Division, Richard Ezeanyim,  
20 Chief Examiner, and Gabriel Wade, Legal Examiner, on  
21 Thursday, January 23, 2014, at the New Mexico Energy,  
22 Minerals and Natural Resources Department, 1220 South  
23 St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
24 New Mexico.

25

26 REPORTED BY: Mary C. Hankins, CCR, RPR  
27 New Mexico CCR #20  
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29 500 4th Street, Northwest, Suite 105  
30 Albuquerque, New Mexico 87102

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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FOR MR. THOMAS GREGORY, MR. WILLIAM ERVIN GREGORY AND  
THE GREGORY AND ERVIN GROUP:

MR. THOMAS GREGORY, PRO SE  
and  
MR. WILLIAM ERVIN GREGORY, PRO SE  
11910 Central Avenue, Southeast, Suite  
Albuquerque, New Mexico 87123

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1 (10:19 a.m.)

2 EXAMINER EZEANYIM: We are going to go the  
3 next case from page 3. That is a small contested case.

4 At this time, we call Case Number 15082,  
5 and this is the application of Mewbourne Oil Company for  
6 compulsory pooling and an unorthodox gas well location,  
7 Eddy County, New Mexico.

8 Call for appearances.

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

12 EXAMINER EZEANYIM: Same two witnesses.  
13 Any other appearances, please?

14 MR. THOMAS GREGORY: Yes, Your Honor. Tom  
15 Gregory for the Gregory and Ervin Group.

16 MR. WILLIAM GREGORY: And also Bill  
17 Gregory, Gregory-Ervin, an interested owner.

18 EXAMINER EZEANYIM: Okay. I wanted to show  
19 you. The Division sent you letter that you don't  
20 appear. Are you appearing with an attorney, or are you  
21 appearing for yourselves?

22 MR. THOMAS GREGORY: Per se, ourselves.

23 EXAMINER EZEANYIM: You are appearing for  
24 yourselves. So what do you intend to do? Normally, we  
25 have people appearing through counsel, but you are

1 appearing for yourselves. Are you trying to present  
2 fact testimony?

3 MR. WILLIAM GREGORY: We are not going to  
4 contest the well at all, Mr. Examiner. We're not  
5 contesting at all. We just want to make a statement.

6 EXAMINER EZEANYIM: Okay. Very good.

7 Counsel, you may proceed. Call your first  
8 witness.

9 PAUL HADEN,

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

12 DIRECT EXAMINATION

13 BY MR. BRUCE:

14 Q. Mr. Haden, could you identify Exhibit 1?  
15 Describe the well unit and the formation you are seeking  
16 to force pool in this case.

17 A. Yes, sir. This is a -- Exhibit Number 1 is a  
18 land plat of the area. This well is located in Section  
19 35, Township 23 South, Range 28 East. It is actually  
20 located in west half of the section. The west half is  
21 shaded in yellow, which is the proposed project area for  
22 this well, and it also indicates the surface and  
23 bottom-hole locations for this well.

24 Q. What formation is being pooled?

25 A. The formation is the Wolfcamp.

1 Q. And is that a gas zone?

2 A. That is a gas.

3 Q. What is Exhibit 2?

4 A. Exhibit 2 is a copy of an NMOCD order issued  
5 regarding the nonstandard location for this well. This  
6 well is located 150 feet from the south line and 660  
7 feet from the west line, and also 330 feet from the  
8 north line, 660 feet from the west line for a  
9 bottom-hole location, all in Section 35.

10 Q. Since this is a gas pool, in a gas pool, the  
11 normal setbacks would be ~~330~~ feet from the north and  
12 south lines; is that correct? **NO**

13 A. That's correct. **NO**

14 EXAMINER EZEANYIM: For the gas pool?

15 MR. BRUCE: I mean 660. **660**

16 EXAMINER EZEANYIM: You're confusing me.

17 Okay. I don't know when we changed the rule (laughter).

18 We are in business, I don't care about the surface  
19 location, but the penetration point and if it's oil,  
20 then -- okay.

21 Don't confuse me, Counsel.

22 A. This is the Culebra Bluff South-Wolfcamp, and  
23 the pool code for that is 75750.

24 EXAMINER EZEANYIM: It doesn't have any  
25 special pool rules?

1 THE WITNESS: No, sir.

2 EXAMINER EZEANYIM: Based on statewide  
3 rules?

4 THE WITNESS: Statewide.

5 The API number, if you'd like that --

6 EXAMINER EZEANYIM: Sure. Let me put it  
7 down. What is it?

8 THE WITNESS: 30-015-41730.

9 EXAMINER EZEANYIM: Thank you very much.

10 Q. (BY MR. BRUCE) And what is Exhibit 3?

11 A. Exhibit 3 is the tract ownership for this  
12 proposed spacing unit. It indicates all of the interest  
13 owners who have a working interest or unleased mineral  
14 interest in this pool -- I mean -- excuse me -- for this  
15 well.

16 Q. Are there a number of unlocatable parties in  
17 this pool -- in this well unit?

18 A. Yes. There are a number of unlocatable  
19 parties.

20 Q. What is Exhibit 4?

21 A. Exhibit 4 is a copy of a summary of  
22 communications regarding these to-be pooled parties. It  
23 lists the dates in which I sent the proposed well with  
24 the AFE and also the follow-up letters and/or  
25 conversations with those parties.

1 Q. Exhibit Number 5 is the backup correspondence,  
2 for these various --

3 A. That's correct.

4 Q. Now, Mewbourne has drilled several other wells  
5 in this section, correct?

6 A. Yes. We have drilled four other wells  
7 previously.

8 Q. And pretty much pooled, for the most part, the  
9 same party?

10 A. That's correct.

11 MR. BRUCE: Mr. Examiner, on Exhibit 3, I  
12 forgot to mark the party -- names of the parties being  
13 pooled. I will highlight those parties and get it to  
14 you after the hearing, so you have an accurate list of  
15 the parties being forced pooled.

16 EXAMINER EZEANYIM: Okay. Thank you. But  
17 we prefer you get them joined, so we don't have to do  
18 it.

19 Go ahead.

20 Q. (BY MR. BRUCE) With respect to, as an update,  
21 the Gregory family and the Ervin family and others --  
22 and I'm going to refer you to Exhibit 6A, what is the  
23 issue with forced pooling that party and leasing to them  
24 at this point? This is fee lands?

25 A. This is all fee land.

1 Q. Would you discuss briefly the issues?

2 A. Yes, sir. When we first examined title for  
3 this whole section, our title attorney was unable to  
4 ascertain the mineral ownership for some of these  
5 parties. As stated in the previous cases, it's due to  
6 some recording errors. It's due to some interests being  
7 over-conveyed over a period of time, as well as wrong  
8 land descriptions. And these issues were subject to  
9 five separate quiet title suits previously, which  
10 apparently those suits messed up the title even further,  
11 and it still has not been determined to this day the  
12 respective mineral ownership for some of these lands.

13 Q. And Exhibit 6A is a copy of portions of the  
14 title opinion regarding these issues?

15 A. That's correct.

16 Q. And the interest is 12.6 out of 358 -- 12.6  
17 acres out of 350 acres?

18 A. That's correct. That mineral interest is  
19 undetermined ownership.

20 Q. And those tracts -- and they're highlighted --  
21 of the 350 acres -- well, I think it comes out to, what,  
22 about three-and-a-half percent of those tracts --

23 A. Right.

24 Q. -- the interests of the parties?

25 A. Right.

1 Q. And, Mr. Haden, are the problems regarding  
2 interest owners as reflected on pages 48 through 60 of  
3 the title opinion?

4 A. That's correct, sir.

5 MR. BRUCE: And, Mr. Examiner, if you look  
6 at the bottom of the page 58 of the title opinion,  
7 highlighted is a list of all of the parties who own an  
8 interest or may claim an interest in those tracts, and a  
9 lot of them are unlocatable. And I will get that  
10 information to you.

11 Q. (BY MR. BRUCE) Mr. Haden, the Gregorlys did show  
12 up at a hearing in July regarding this, correct?

13 A. That's correct.

14 Q. And I believe some of the Panagopoulos family  
15 also showed up?

16 A. That's correct.

17 Q. And what did you agree to do with respect to  
18 uncertain interests? And I refer you to Exhibit 6B.

19 A. Okay. Exhibit 6B, per our agreement with these  
20 parties, we agreed to send them, periodically, the  
21 dollar amount, which is currently being held in  
22 suspense, attributable to those particular wells that  
23 were forced pooled. And it shows the dollar amount,  
24 which has accrued from the date of the first production  
25 and to another date. It lists, also, several of the

1 wells that were forced pooled, and it's subject to these  
2 uncertain owners.

3 Q. And will you continue to update the parties on  
4 the monies held in suspense?

5 A. Yes, we will.

6 Q. And at this point, at least with the first  
7 three wells, the amount in suspense is, well, probably  
8 well in excess of \$50,000 at this point?

9 A. That's correct.

10 The reason why we're doing this is there  
11 will come a point when it might be economic for these  
12 parties to proceed with a quiet title suit, which  
13 apparently is extremely expensive.

14 Q. Mr. Haden, since this is the fifth force  
15 pooling case in this section, do you believe you have  
16 made a good-faith effort to locate the parties who own  
17 or may own interest in this section?

18 A. Yes, I have.

19 Q. And as to the parties who are locatable, have  
20 you made a good-faith effort to seek their voluntary  
21 joinder?

22 A. Yes, I have.

23 Q. Could you identify Exhibit 7 for the Examiner?

24 A. Exhibit 7 is a copy of our AFE for the proposed  
25 Layla 35 MD Fee #2H well. It indicates the surface and

1 bottom-hole locations, also the estimated well costs for  
2 this proposed well; an estimated cost of \$2,969,100 for  
3 a cost to casing point, and an estimated completed well  
4 cost of \$5,910,500. This AFE is dated October 11th,  
5 2013.

6 Q. Is this cost reasonable and comparable to  
7 costal camp wells in this area?

8 A. We think it is. It is.

9 EXAMINER EZEANYIM: You think?

10 THE WITNESS: It is.

11 EXAMINER EZEANYIM: Okay.

12 Q. (BY MR. BRUCE) And were the parties who were  
13 locatable notified of this application?

14 A. Yes, they were.

15 Q. And is that reflected in Exhibit 12?

16 A. That is correct.

17 MR. BRUCE: And, Mr. Examiner, I had notice  
18 published as against the unlocatable parties. I haven't  
19 received that Affidavit of Publication. In addition, we  
20 received a couple of letters back that looks like I had  
21 undeliverable addresses, and I have published a second  
22 notice in the newspaper. At the end of the hearing, I  
23 would like this matter continued two weeks so that  
24 publication -- those notice of affidavits of publication  
25 can be obtained and submitted to the Division.

1 EXAMINER EZEANYIM: You want it continued  
2 to February the 6th?

3 MR. BRUCE: February the 6th.

4 EXAMINER EZEANYIM: And this is for  
5 purposes of providing notice?

6 MR. BRUCE: Notice by publication, correct.

7 EXAMINER EZEANYIM: Okay.

8 Q. (BY MR. BRUCE) And, Mr. Haden, were Exhibits 1  
9 through 7 prepared by you or under your supervision?

10 A. Yes, they were.

11 MR. BRUCE: And, Mr. Examiner, I'd move the  
12 admission of Exhibits 1 through 7 and 12.

13 EXAMINER EZEANYIM: Exhibits 1 through 7  
14 and 12 will be admitted.

15 (Mewbourne Oil Company Exhibit Numbers 1  
16 through 7 and 12 were offered and admitted  
17 into evidence.)

18 Q. (BY MR. BRUCE) And, Mr. Haden, finally, in your  
19 opinion, is the granting of this application in the  
20 interest of conservation and the prevention of waste?

21 A. Yes, it is.

22 MR. BRUCE: Mr. Examiner, I have no further  
23 questions.

24 EXAMINER EZEANYIM: Thank you very much.

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## CROSS-EXAMINATION

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BY EXAMINER EZEANYIM:

Q. We have ~~I obtained the nonstandard location~~  
approval, right? So we have to dismiss the portion of  
this application asking for an unorthodox location,  
right?

A. Correct.

MR. BRUCE: Correct.

EXAMINER EZEANYIM: So that had to be  
stated and be in the record.

And since you didn't locate everybody, you  
did some -- you did some publication?

MR. BRUCE: Yes. And I just haven't -- I  
have submitted two notices to the newspaper to be  
published, and one I won't receive probably for another  
ten days. The other one hasn't -- sometimes the  
Carlsbad newspaper is slow getting the notices back to  
me.

EXAMINER EZEANYIM: Okay. Very good.

The parties you are pooling, they are not  
working interests, are they?

MR. BRUCE: They are working interest --  
they're all unleased working interest owners.

EXAMINER EZEANYIM: Do we have overhead  
rates in this case?

1 MR. BRUCE: Ah! I forgot about that.

2 EXAMINER EZEANYIM: Yeah, you did. I need  
3 to know what I -- what we need to do, why you are  
4 drilling and what you're producing. What is that?

5 REDIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. What are the overhead rates?

8 A. It is 7,000 and 700. 7,000 being the drilling;  
9 700 being the producing well rate.

10 Q. Are those the rates set forth in the JOA with  
11 the consenting parties?

12 A. That's correct.

13 Q. Are they fair and reasonable?

14 A. Yes, they are.

15 Q. And do you request that Mewbourne be designated  
16 operator of the well?

17 A. We do so request.

18 RECROSS-EXAMINATION

19 BY EXAMINER EZEANYIM:

20 Q. Okay. Now, let us get something straight here.  
21 Are you doing compulsory pooling from the surface to the  
22 base of this formation?

23 MR. BRUCE: Simply the Wolfcamp.

24 EXAMINER EZEANYIM: Okay. Now, didn't he  
25 tell me you want to pool that 40 acres? Did he say

1 that? And I was wondering how they're going to share  
2 costs.

OK

3 MR. BRUCE: Yeah. That part -- let's just  
4 pool the Wolfcamp.

5 EXAMINER EZEANYIM: So we need to dismiss  
6 that portion.

7 MR. BRUCE: Yes.

8 EXAMINER EZEANYIM: No further questions,  
9 Mr. Haden.

10 THE WITNESS: Thank you, Mr. Examiner.

11 EXAMINER EZEANYIM: Call your next witness,  
12 please.

13 MR. BRUCE: Mr. Hill.

14 TYLER HILL,

15 after having been previously sworn under oath, was  
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. What is Exhibit 8, Mr. Hill?

20 A. Exhibit 8 nine-section plat around Section 35  
21 showing our proposed Wolfcamp lateral, Layla 35 MD,  
22 denoted by the blue dashed line. And the structures on  
23 top of the Wolfcamp dip into the east.

24 Within Section 35, I have highlighted the  
25 other four wells that we've drilled. The two green are

1 2nd Bone Spring Sand. The gray is Avalon shale, and the  
2 brown is Delaware sand.

3 EXAMINER EZEANYIM: The gray is Avalon,  
4 right?

5 THE WITNESS: Avalon shale, yes, sir.

6 A. In Section 36, there is a Wolfcamp producer.  
7 It has produced 4,000 barrels of oil, 2,000 barrels of  
8 water.

9 And in Section 34, there is also a Wolfcamp  
10 producer. It has produced four-tenths of a bcf, 3,000  
11 barrels of oil, 14,000 barrels of water.

12 Q. (BY MR. BRUCE) And this is a standard well unit  
13 in the Wolfcamp?

14 A. Yes.

15 Q. So I won't ask you about a nonstandard unit.

16 A. Right.

17 Q. And what is Exhibit 9?

18 A. Exhibit 9 is a three-well cross section through  
19 the Wolfcamp interval. The horizontal target is 10,400  
20 feet TVD. Our horizontal target is denoted to the right  
21 in between the arrows.

22 Q. In this nine-section area, is this the only  
23 horizontal Wolfcamp --

24 A. Yes, sir.

25 Q. And because Mr. Ezeanyim always likes to ask,

1 is there any preferred orientation in this area?

2 A. At this point, it is north-south. There is  
3 nothing within the immediate areas that suggest that we  
4 should be drilling east-west. That's also denoted by  
5 the other producers within the other intervals.

6 Q. And what is Exhibit 10?

7 A. Exhibit 10 is simply the well in Section 34 and  
8 Section 36 that produced in the Wolfcamp. We've got the  
9 well name, operator, API number, location -- and they're  
10 both vertical wells -- their completion date and then  
11 their current production as of today.

12 Q. And even though this isn't a gas pool, even  
13 though they're vertical wells, they produce a fair  
14 amount of liquids; is that correct?

15 A. Yes, sir.

16 Q. What is Exhibit 11?

17 A. Exhibit 11 is a Directional Drilling Company  
18 well plan we plan to target. And on the last page,  
19 you'll see our horizontal wellbore diagram.

20 Q. And in this well, how many completion stations?

21 A. I believe 30 stages will be used on this well.

22 EXAMINER EZEANYIM: It's one-mile long?

23 THE WITNESS: Yes, sir.

24 EXAMINER EZEANYIM: How did you determine  
25 30 stages?

1 THE WITNESS: We use packers and ports  
2 versus cement and perf.

3 EXAMINER EZEANYIM: How many stages have  
4 you used before? Because you don't want to use, you  
5 know -- thirty stages seems to be a little bit --

6 THE WITNESS: In other Wolfcamp wells, we  
7 started with 20 stages, and we have since moved to 30.  
8 We've gotten better results with 30 stages.

9 EXAMINER EZEANYIM: Yeah. That's the point  
10 I'm getting to. What made you go to 30?

11 THE WITNESS: Other wells around us were  
12 seeing better rates, so --

13 EXAMINER EZEANYIM: When you used 30?

14 THE WITNESS: When we used 20. When we use  
15 30, we're repeating what other operators are doing  
16 around us.

17 EXAMINER EZEANYIM: That's good.

18 Let me explore this further. If you use 20  
19 to 30, are you producing more --

20 THE WITNESS: Yes.

21 EXAMINER EZEANYIM: -- when you have 30,  
22 right.

23 THE WITNESS: Yes.

24 EXAMINER EZEANYIM: Okay. That's what I'm  
25 saying. If you go to 40, you are producing more. But I

1 want to know that you don't have a stake that doesn't  
2 produce anything. See, that happens. Sometimes you  
3 might a stake. You don't produce anything. That stake  
4 doesn't do anything. That's why I ask how do you  
5 determine the stages. You just told me you are  
6 producing more than -- but the way you design it to get  
7 the optimum number of stages, you have to use properties  
8 [sic] to determine the number of stages to do it. I ask  
9 that question because we want to prevent waste.

10 THE WITNESS: Yes, sir.

11 EXAMINER EZEANYIM: Go ahead.

12 Q. (BY MR. BRUCE) Mr. Hill, in your opinion, is  
13 the granting of this application in the interest of  
14 conservation and the prevention of waste?

15 A. Yes.

16 Q. And were Exhibits 8, 9 and 10 prepared by you  
17 or under your supervision?

18 A. Yes, sir.

19 MR. BRUCE: Mr. Examiner, I'd move the  
20 admission of Exhibits 8, 9 and 10.

21 EXAMINER EZEANYIM: Exhibits 8, 9 and 10  
22 will be admitted.

23 (Mewbourne Oil Company Exhibit Numbers 8, 9  
24 and 10 were offered and admitted into  
25 evidence.)

1 MR. BRUCE: Nothing further of this  
2 witness.

3 EXAMINER EZEANYIM: Before I ask a  
4 question, let me make a request. When you are entering  
5 your exhibits, sometimes you start with -- I tend to  
6 miss which one to admit or which one not to admit. I  
7 know you put your notices [sic] 12, 13 or something. Is  
8 there any reason why you couldn't come in after the land  
9 testimony and put it in there so that I can say Exhibits  
10 1 through 9 will be admitted, instead jumping up and  
11 down? I want to make sure I get it into the record.

12 MR. BRUCE: The reason why is because  
13 Mewbourne sent me their exhibits, and I went through and  
14 marked them up and put them all together, and I did my  
15 notice exhibits later and realized I had a lot of space  
16 (laughter).

17 EXAMINER EZEANYIM: So we can improve next  
18 time. See what I mean, you know? I find it difficult  
19 to try to say which ones to admit.

20 MR. BRUCE: I understand.

21 EXAMINER EZEANYIM: I like to streamline  
22 processes, you know. So thank you for -- I mean, it's  
23 just a request. You can do whatever you want.

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## CROSS-EXAMINATION

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BY EXAMINER EZEANYIM:

Q. Okay. Let's go back to Exhibit Number 10. I see those are vertical wells, right --

A. Yes, sir.

Q. -- and they're in the Wolfcamp Formation?

You drilled there for gas initially, right?

A. Yes, sir.

Q. They're producing oil?

A. Yes, sir.

Q. So you have drilled them for oil. See, because, you know, one produces zero gas.

A. Correct.

Q. So I don't know what we should do with that pool now. I know we designed our way to drill from a gas well, but here it's making oil, which is really fantastic, you know. This is a vertical well doing this. This one has produced 8 million -- well, not 8 million. Sorry. 8,000, you know. I mean, see, you guys confuse me. I'm sorry I'm from the old school. When I use -- small letter M for me is million, you know. So 8,000. And then you see the well -- .4 bcf is okay, but you want zero bcf. So my question there is not related to this application. Should we be exploring for oil or gas in this formation?

1 MR. BRUCE: Well, I suppose I could ask the  
2 question.

3 EXAMINER EZEANYIM: I'm not asking you.  
4 I'm asking --

5 REDIRECT EXAMINATION

6 BY MR. BRUCE:

7 Q. You know, is one of the reasons you're drilling  
8 because it's oil rich?

9 A. We believe -- yes, it's oil rich.

10 CONTINUED CROSS-EXAMINATION

11 BY EXAMINER EZEANYIM:

12 Q. If you drill this horizontal well from here, a  
13 snapshot [sic], you are going to produce more oil than  
14 gas?

15 A. We hope so.

16 Q. That's fantastic.

17 BY MR. BRUCE: But with respect to the  
18 spacing, I mean, this is -- long ago, this acreage was  
19 placed within the South Culebra Bluff gas pool, so  
20 that's why.

21 EXAMINER EZEANYIM: Yeah. That's why. I  
22 understand all that. Okay. Good.

23 And you are just pooling the Wolfcamp? You  
24 are not pooling from the top to the -- of the Wolfcamp?  
25 You are just pooling on that Wolfcamp, right?

1 MR. BRUCE: Correct.

2 EXAMINER EZEANYIM: On the horizontal well?  
3 Not from the surface?

4 MR. BRUCE: Correct.

5 EXAMINER EZEANYIM: So let me understand.  
6 We are going to dismiss the pooling of the southwest  
7 quarter-southwest quarter on that section, and we are  
8 going to dismiss the unorthodox location of this well  
9 because you already got the approval; is that right?

10 MR. BRUCE: That's correct.

11 EXAMINER EZEANYIM: Makes it easier for  
12 further questions.

13 And, Counsel, you want this case to be  
14 continued for two weeks?

15 MR. BRUCE: Mr. Examiner, I think -- I know  
16 I have other people to -- but I want to make sure before  
17 I call them.

18 EXAMINER EZEANYIM: You want it continued?

19 MR. BRUCE: That's correct.

20 EXAMINER EZEANYIM: Who wants to go first?

21 MR. THOMAS GREGORY: Tom Gregory.

22 EXAMINER EZEANYIM: Tom Gregory?

23 MR. THOMAS GREGORY: Yes.

24 (Witnesses sworn.)

25



1 title at all.

2 Is that possible?

3 MR. HADEN: Due to the current uncertainty  
4 of your all's ownership, I don't think that's possible.  
5 We don't know who owns --

6 EXAMINER EZEANYIM: Excuse me. Excuse me.  
7 That's not how this hearing goes. If you want to call  
8 him and ask him questions, he has to come back to the  
9 witness stand, and then you may step aside and ask  
10 questions.

11 What you are asking me to do -- if you want  
12 me to determine your value, that's not my job.

13 MR. THOMAS GREGORY: Right. I understand.

14 EXAMINER EZEANYIM: Okay. But what you are  
15 doing is what you're supposed to do. If you want to do  
16 that, you may have to call Mr. Haden back, and then you  
17 can ask any question you want to ask him.

18 MR. THOMAS GREGORY: Okay.

19 EXAMINER EZEANYIM: I'm sorry I didn't ask  
20 you -- I should have asked. Do you want to ask him  
21 questions? If you want --

22 MR. THOMAS GREGORY: Just if he could  
23 supply that information to us. That's all I want. If  
24 he could supply the information about if we did not do a  
25 quiet title action here to clear up those questions. We

1 are filed on record in Eddy County as having an  
2 ownership in this legally. There was a comma missing,  
3 and we've had some problems with that. We've tried to  
4 rectify it. You get down to doing quiet title actions,  
5 the expense versus the -- it becomes a diminishing  
6 return on your income from the royalty once you spend  
7 all that money.

8 EXAMINER EZEANYIM: I understand.

9 MR. THOMAS GREGORY: And then what I would  
10 also like to know is how many wells will be drilled and  
11 exist there now.

12 EXAMINER EZEANYIM: Okay. Now, you may  
13 have Mr. Haden step back to the witness stand and ask  
14 those questions, so we can get them on the record. I  
15 want you to ask that question to Mr. Haden, so we can  
16 get the information on the record.

17 MR. THOMAS GREGORY: Right. And I do have  
18 some questions of the Mineral Board [sic] about escrowed  
19 money if it's not paid to us.

20 EXAMINER EZEANYIM: Yeah. You can ask  
21 that. I'm not a witness, but you can ask me anything.

22 Okay. Mr. Haden, take the stand and answer  
23 the question.

24 MR. THOMAS GREGORY: One last question: Is  
25 there someone from the Panagopoulos family here or

1 someone that represents them?

2 EXAMINER EZEANYIM: Okay. The formality --  
3 I want to make sure we do it right.

4 MR. THOMAS GREGORY: I understand.

5 EXAMINER EZEANYIM: Everything has to be on  
6 the record.

7 MR. THOMAS GREGORY: Got it.

8 EXAMINER EZEANYIM: That's why we conduct  
9 the hearing.

10 But you can step aside sit, you know, and  
11 just ask him a question as a witness, any question you  
12 want to ask him.

13 PAUL HADEN,  
14 after having been previously sworn under oath, was  
15 recalled, questioned and testified as follows:

16 CROSS-EXAMINATION

17 BY MR. THOMAS GREGORY:

18 Q. Is it possible -- not are you going to do it.  
19 But is it possible to give us a percentage with no quiet  
20 was actioned and if all the other people had legitimate  
21 title?

22 A. Well, Mr. Gregory, I don't see how it is  
23 possible since we can't determine the ownership.

24 Q. But let's say they're all legitimate owners,  
25 and we said we agree that they're all legitimate owners.

1 We'd just like to know what our percentages would be in  
2 that case.

3 A. Well y'all would have to get together and  
4 decide that by doing some kind of stipulation of  
5 interest setting forth what you-all all agree upon what  
6 your interest is, and that could be in lieu of a quiet  
7 title suit. But you have to get every one of these  
8 owners and/or their heirs involved in this, which might  
9 be impossible to do.

10 Q. Are you saying it is impossible to do without a  
11 quiet title action?

12 A. That's my personal opinion.

13 Q. Okay. But do we have an attorney from your  
14 company that represents Mewbourne that would know that  
15 opinion?

16 A. Well, our title attorney is not here. He's --

17 Q. I understand he's a hearing attorney,  
18 basically.

19 A. Yes.

20 Q. Can you answer to us how many wells will be  
21 drilled through this section, whether horizontal or  
22 vertical, and how many exist now in this acreage that's  
23 claimed by the Gregorys and the Ervins?

24 A. Sure. Currently, there are very four producing  
25 wells. One is in the Avalon Bone Spring interval, which

1 is more gassier than oily. There is one of those wells.  
2 There is also a well in the Brushy Canyon, which is in  
3 the Delaware Formation, and then there are two  
4 horizontal Bone Spring wells that were drilled in the  
5 2nd Bone Spring Sand interval.

6 Q. The report you gave us only showed three wells,  
7 two with money [sic], and one that hasn't been  
8 determined yet on an escrow, an advance?

9 A. Yes. We have not examined title on that third  
10 one listed on my letter, and we haven't started a title  
11 examination on this fourth well.

12 EXAMINER EZEANYIM: Excuse me, Mr. Gregory.  
13 You know, this is an open hearing. Anybody can come in  
14 here. But I think what you are asking is -- what you  
15 guys are talking about should have been talked about in  
16 your offices. It's not something that will really help  
17 us decide on whether to grant the relief being sought by  
18 the Applicant. So what I think I heard you say is that  
19 you are trying to negotiate with him now on your own  
20 property, which the OCD is not -- we're not involved in  
21 those.

22 MR. THOMAS GREGORY: I know.

23 EXAMINER EZEANYIM: I think what you should  
24 have done -- and then if you have a disagreement with  
25 that, then you have to seek other relief. We don't --

1 you know, like you are asking me about escrow. We don't  
2 manage escrow. We don't keep escrow. We don't do  
3 anything. We don't determine that. You may have to get  
4 an attorney or a land person to help you with that. The  
5 questions you are asking you should be asking Mr. Haden  
6 in his office and see what you get. And if you had done  
7 that, you may not have appeared at this hearing.

8 But this is a hearing, and we give leeway  
9 to everybody. I allowed you to ask these questions. So  
10 please, I want you to keep it short and ask the  
11 questions, because I don't want you not to ask your  
12 questions. But I want to let you know that this belongs  
13 in your offices, not in the hearing.

14 MR. THOMAS GREGORY: Right.

15 EXAMINER EZEANYIM: Unless you have a  
16 technical issue that prevents this well from being  
17 drilled, that's really what I want to hear, but not what  
18 your interest is because we are not interested in those.

19 MR. THOMAS GREGORY: I understand.

20 EXAMINER EZEANYIM: I want you to  
21 understand, especially your brother or whoever is  
22 coming, to know that we don't negotiate title at the  
23 hearing.

24 MR. THOMAS GREGORY: Right. Well, I'm  
25 basically finished.

1 Q. (BY MR. GREGORY) I just wanted to know what  
2 happens to the money, if you don't pay us, that's in  
3 this escrow account. Who does it go to?

4 A. It is my understanding, after seven years, it  
5 goes to the State Treasury.

6 Q. So the State of New Mexico, basically, who is  
7 the mineral gas authority, will benefit if no settlement  
8 is made with us; is that correct?

9 A. That's correct.

10 Q. Thank you. That's all.

11 EXAMINER EZEANYIM: Thank you. But you  
12 understand what I said.

13 MR. THOMAS GREGORY: Yes, I do.

14 EXAMINER EZEANYIM: Do you have more  
15 questions?

16 MR. THOMAS GREGORY: That's it.

17 EXAMINER EZEANYIM: Okay. Thank you.  
18 Next fact witness?

19 Are you going to ask questions?

20 MR. WILLIAM GREGORY: I would like to ask  
21 questions.

22 EXAMINER EZEANYIM: Okay.

23 WILLIAM GREGORY,  
24 after having been previously sworn under oath,  
25 stated the following:

1. MR. WILLIAM GREGORY: I'm William Gregory.

2 Well, in light of what you discussed with  
3 my brother, I'm gathering my thoughts, but I'll be  
4 brief.

5 I want to thank you, Your Honor, for giving  
6 me a few minutes. I'll get right to the point.

7 As I stated in the last hearing, the Ervins  
8 and the Gregorys were just good ol' boys who were best  
9 friends and worked together in the potash mines of  
10 Carlsbad, New Mexico and purchased some mineral rights  
11 with hard-earned dollars and good faith. I was named in  
12 honor of Clarence Ervin, affectionately known as  
13 Browning [sic]. I'm the best to represent our mineral  
14 interest group on behalf of my brother and the rest of  
15 the group, and we're all in agreement.

16 And we're not trying to cause any problems  
17 with anybody drilling a well or anything like that.  
18 It's just that we're not skilled in the art of what  
19 you're talking about, so, therefore, I have to -- I need  
20 to just speak from my frame of reference.

21 I'm not here to, you know, to embarrass  
22 anyone with whatever I say. But to get down to it,  
23 after carefully studying the case in regards to our  
24 interest, I've come to a possible resolution, and the  
25 resolution I've chosen to present from our beloved

1 brother who passed away basically on his dying bed, he  
2 said -- he gave me the solution, that if I feel that if  
3 we would humble ourselves and repent of our sin in  
4 regards to not having the proper paperwork done when our  
5 parents purchased the mineral interests, that a higher  
6 power or higher court might just come along and heal our  
7 land.

8                   And I'm here to ask humbly for God to heal  
9 our land. And for Mewbourne Oil, which has been really  
10 great to us -- they've done everything just exactly  
11 right. We really like them. We even like the attorney  
12 (laughter).

13                   MR. HADEN: We do, too.

14                   (Laughter.)

15                   MR. WILLIAM GREGORY: So, you know, the way  
16 I understand the law from my frame of reference, it's  
17 not sin, but it's the manner in which sin is dealt with.  
18 So we've forgiven from the sin. So I'm speaking to you  
19 in the way of the spirit. I am part Indian, and that's  
20 just the way I've understood things since I've grown up.  
21 So on behalf of our group, I publicly humble ourselves,  
22 and in the name of Jesus, my -- and it's our family, and  
23 known and unknown sins, I further petition Mewbourne Oil  
24 Company, in our mineral interests, that we're not  
25 interested in doing litigation or quiet title actions.

1 So finally receiving -- knowing how much money is in  
2 suspense [sic], since Mewbourne Oil is so skilled in the  
3 art of oil production and dealing with quiet titles and  
4 people who have interests that are unknown, known and  
5 unknown, or if there is a problem with the title, we  
6 just ask for a fair offer that we could gladly sign.

7 And we would ask for blessings on Mewbourne  
8 Oil and their continued success in the oil field and  
9 blessings for peace and fulfillment and any righteous  
10 offer to our little group. And I'll send you a letter  
11 to that effect. And I'm sorry if this wasn't the place  
12 to do that, but I made it public. From my frame of  
13 reference, that's what I had to do; that was on my  
14 heart.

15 MR. HADEN: I understand.

16 MR. WILLIAM GREGORY: Thank you. I'm done.

17 EXAMINER EZEANYIM: Are you done?

18 MR. WILLIAM GREGORY: Yes, sir.

19 EXAMINER EZEANYIM: Because I don't want to  
20 not allow you to -- is that all you want to say? You  
21 have to have a right to say everything you want to say.  
22 Right?

23 MR. WILLIAM GREGORY: Yes. I do appreciate  
24 all the freedom you've given me today, sir.

25 EXAMINER EZEANYIM: Okay. Thank you very

1 much. You understand the concerns we have? Of course,  
2 we have to know what is going on. So thank you very  
3 much.

4 MR. WILLIAM GREGORY: Thank you.

5 EXAMINER EZEANYIM: Anything further?

6 MR. BRUCE: No, sir.

7 EXAMINER EZEANYIM: At this point, Case  
8 15082 will be continued to February 6th for the purpose  
9 of providing testimony. Right?

10 MR. BRUCE: Providing publication notice.

11 EXAMINER EZEANYIM: Continued to February  
12 6th.

13 (Case Number 15082 concludes, 11:02 a.m.)

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I do hereby certify that the foregoing is  
a correct and true copy of the proceedings  
the proceedings of Case No. 15082  
held by me on 1/23/14.  
Examiner:  
Oil Conservation Division  
3

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.

19

20

*Mary C. Hankins*  
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