

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

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

ORIGINAL

CASE 15382

7 APPLICATION OF MEWBOURNE OIL COMPANY
8 FOR A NON-STANDARD OIL SPACING UNIT
9 AND COMPULSORY POOLING IN EDDY COUNTY,
10 NEW MEXICO

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 December 17, 2015

14 Santa Fe, New Mexico

15
16 BEFORE: WILLIAM V. JONES, EXAMINER

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18 This matter came on for hearing before the
19 New Mexico Oil Conservation Division, William V. Jones,
20 Examiner, on December 17, 2015, at the New Mexico Energy,
21 Minerals, and Natural Resources Department, Wendell Chino
22 Building, 1220 South St. Francis Drive, Porter Hall, Room
23 102, Santa Fe, New Mexico.

24 REPORTED BY: Mary Therese Macfarlane
25 New Mexico CCR 122
California CSR 3547
PAUL BACA COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT:

James Garrett Bruce, ESQ

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I N D E X

CASE NUMBER 15417 CALLED

APPLICANT CASE-IN-CHIEF

WITNESS:

DIRECT

BY MR. BRUCE

EXAMINATION

BY EXAMINER JONES:

WITNESS

1	E X H I B I T I N D E X		
2	EXHIBIT		ADMITTED
3	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 1		10
4	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 2		10
5	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 3		10
6	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 4		10
7	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 5		10
8	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 6		10
9	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 7		10
10	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 8		10
11	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 9		13
12	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 10		13
13	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 11		13
14	APPLICANT MEWBOURNE OIL COMPANY EXHIBIT 12		13
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1 (Time noted 10:21 a.m.)

2 THE HEARING EXAMINER: Let's call case
3 15414, Application of RKI Exploration.

4 MR. BRUCE: Mr. Examiner we have one more
5 case left on page 2.

6 THE HEARING EXAMINER: Oh, yes. Yes.
7 Thank you. Thank you, Mr. Bruce.

8 Let's call Case 15382, Application of
9 Mewbourne Oil Company for a non-standard oil spacing and
10 proration unit and compulsory pooling in Eddy County, New
11 Mexico.

12 Appearances.

13 MR. BRUCE: Mr. Examiner, Jim Bruce of
14 Santa Fe representing the Applicant.

15 THE HEARING EXAMINER: Any other
16 appearances?

17 (Note: No response.)

18 MR. BRUCE: Mr. Examiner, I have the same
19 two witnesses, Mr. Mitchell and Mr. Cless, and if the
20 record could reflect they have both been previously sworn
21 and qualified.

22 THE HEARING EXAMINER: The record will
23 reflect that both witness have been previously sworn and
24 qualified.

25 COREY MITCHELL,

1 having been previously sworn, testified as follows:

2 EXAMINATION

3 BY MR. BRUCE:

4 Q. Mr. Mitchell, could you identify Exhibit 1 and
5 describe the well and well unit in this matter.

6 Exhibit 1 is a Midland Company Land Plat of 19 South, 2
7 East. Highlighted is the north half/south half of Section
8 5, which will be dedicated to our Gobbler "5" B2IL State
9 Com No. 1H well.

10 Q. And what formation is being pooled?

11 A. The Bone Spring formation.

12 Q. Could you identify Exhibit 2 and describe the
13 parties who are being force pooled in this case.

14 A. Exhibit 2 is a copy of all tract ownership,
15 listing out all the parties in this well, and the parties
16 that we are seeking to force pool are noted by an
17 asterisk, several of them. They total 7. -- a little over
18 7.9 percent.

19 Q. And what is Exhibit 3?

20 A. Exhibit 3 is our Summary of Communications with
21 copies of our respective correspondence.

22 Q. In looking at this, and we will get to this in a
23 minute so far as Notice purposes, does Mewbourne believe
24 it has valid addresses for all of these parties?

25 A. Correct. We have a well in the south half/south

1 half -- south half/south half of Section 5 that we have
2 previously drilled. These parties owned an interest
3 there, as well, and we had correspondence with them when
4 papering that deal, so we know all the addresses are good.

5 Q. You've negotiated with these people since late
6 July. Has there been any movement towards getting an
7 agreement with them?

8 A. No, sir. We've talked with a few of them and
9 they just don't wish to participate or really do anything
10 with the interest.

11 Q. Okay. Now, are these parties fee owners, fee
12 mineral owners, or are they working interest owners of the
13 lease?

14 A. They are working interest owners under a lease.

15 Q. Under a state lease?

16 A. Yes, sir.

17 Q. In your opinion has Mewbourne made a good faith
18 effort to obtain the voluntary joinder of these parties in
19 the well?

20 A. Yes, sir.

21 Q. Would you identify Exhibit 4 and describe the
22 cost of the proposed well.

23 Q. Exhibit 4 is our AFE that sets out our estimated
24 cost. We have as dry hole cost \$1,989,400 and and
25 completed cost of \$4,467,300.

1 Q. And are those costs fair and reasonable for
2 wells of -- horizontal wells in this area of New Mexico?

3 A. Yes, sir.

4 Q. What overhead rates do you request in this case?

5 A. We are requesting \$7,500 a month for drilling
6 and \$750 a month for producing.

7 Q. Are these rates fair and reasonable and
8 comparable to the rates charged by other operators in this
9 area?

10 A. Yes, sir.

11 Q. Do you request that the rates be adjusted
12 periodically as provided by the COPAS accounting
13 procedure?

14 A. Yes, sir.

15 Q. And do you request that the 200 percent risk
16 charge be assessed against any non-consenting independent
17 owners?

18 A. Yes, sir.

19 Q. What is Exhibit 5, Mr. Mitchell?

20 A. Exhibit 5 is the Affidavit of Notice to the
21 parties being pooled.

22 MR. BRUCE: Mr. Examiner, I received two
23 letters back, one from Emma Lou Evertson and one from
24 Sandra S. Atkins. They were -- they didn't say they were
25 undeliverable, they just simply said they were unclaimed.

1 But as a result we published Notice in the Carlsbad
2 newspaper, and that is submitted as Exhibit 6.

3 THE HEARING EXAMINER: Okay.

4 Q. (BY MR. BRUCE) What is Exhibit 7, Mr. Mitchell?

5 A. Exhibit 7 is our Offset Ownership to this well.

6 Q. And was Notice given to all of the offsets?

7 A. Yes, sir.

8 Q. And did they all receive actual Notice of this
9 Application?

10 A. Yes, sir.

11 Q. And that's reflected in Exhibit 8, correct?

12 A. Yes, sir.

13 Q. In your opinion is the granting of this
14 application in the interest of conservation and the
15 prevention of waste?

16 A. Yes, sir.

17 Q. And were Exhibits 1 through 8 prepared by you or
18 under your supervision, or compiled from company billing
19 records?

20 A. Yes, sir, they were.

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

23 THE HEARING EXAMINER: Exhibits 1 through 8
24 are admitted.

25 Did I get a copy? I don't know if I

1 misplaced my copy here, but I will....

2 I apologize if I did.

3 So Exhibits 1 through 8 are admitted.

4 EXAMINATION

5 BY THE HEARING EXAMINER:

6 Q. The Atkins and then Western Oil Producers, are
7 they just -- are they a royalty owner or are these working
8 interest owners?

9 A. Yes, sir.

10 Q. Because I had that this was all state minerals.

11 A. Yes, sir.

12 Q. So these are all --

13 A. Yeah, and they have an interest in the state
14 lease.

15 Q. Okay. So that means that someone got it and
16 it's an et al-type inherited lease?

17 A. Yes, sir.

18 Q. Let's see. I don't think I have any questions.
19 It's going to be a Com well?

20 A. Yes, sir.

21 Q. Multiple state leases involved. Okay. Thanks
22 very much.

23 A. Thank you.

24 NATE Cless,

25 having been previously sworn, testified as follows:

EXAMINATION

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BY MR. BRUCE:

Q. Please state your name for the record.

A. My name is Nate Cless.

Q. Mr. Cless, can you identify Exhibit 9 and maybe identify where this well is in relation to the prior four cases you testified in.

A. Exhibit 9 is the Isopach/Structure map of the Lower 2nd Bone Spring Sand interval that is basically the same map I presented in the previous cases we just heard. The only difference is I've highlighted the location for this particular case, which is the north half/south half of Section 5.

The horizontal well is highlighted with a red arrow under there. I've also indicated the Bone Spring producers in this area, as well as the location of my next exhibit, which is the dotted section.

Q. Can you move on to Exhibit 7, the cross section, and discuss its contents

A. Exhibit 7 is three well cross sections containing three wells that are in this 160 acres that are in this 160-acre tract. Again we are targeting the Lower 2nd Bone Spring Sand interval, which is highlighted -- which is outlined by the two solid green lines in the lower part of the cross section.

1 You can also see just how consistent and
2 uniform the Lower 2nd Bone Spring Sand interval is across
3 this proration unit. The shale has consistent porosity at
4 about 10 to 12 percent throughout on the Lower 2nd Bone
5 Spring Sand interval.

6 This is the same -- our horizontal well
7 bore will be in basically the same location as the
8 previous wells we testified to.

9 Q. In your opinion is the Second Bone Spring, Lower
10 2nd Bone Spring, continuous across the well unit?

11 A. Yes, it is.

12 Q. In your opinion will each quarter or section of
13 the well unit continue more or less equally to production?

14 A. Yes, it will.

15 Q. Can you identify Exhibit 11 for the Examiner.

16 A. Exhibit 11 is the same horizontal production
17 Bone Spring table for the two horizontal wells in this
18 area. Again, the first well was a Standup half-mile
19 lateral, the Cimarex; and the second well on there is the
20 well that is directly to the south of us, which we also
21 offset. It's lower down the 2nd Bone Spring Sand
22 horizontal, and it's a good well.

23 Q. Again, the well unit orientation is justified
24 not just by productivity but by the fracture?

25 A. Fracture orientation, that's correct.

1 Q. Finally, what is Exhibit 12?

2 A. Exhibit 12 is the horizontal well plan we have
3 for this particular well. The first page shows our
4 surface location as 1750 from south, 300 from east, and
5 bottom hole 1750 from south, 330 from west. Our first
6 perforation will be around 700 feet from the east line.

7 So we will be at a legal location.

8 This well has a total measured depth of
9 12,277 feet and vertically of a little over 7700 vertical
10 feet.

11 Q. Okay. In your opinion, is the granting of this
12 application in the interest of conservation and prevention
13 of waste?

14 A. Yes.

15 Q. And were Exhibits 8 through 12 prepared by you
16 or under your supervision?

17 A. Yes, they were.

18 MR. BRUCE: Mr. Examiner, I'd move the
19 admission of on Exhibits 8 (sic) through 12.

20 THE HEARING EXAMINER: Exhibits 8 through
21 12 are admitted.

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

24 THE HEARING EXAMINER: Okay.

25 EXAMINATION

1 BY THE HEARING EXAMINER:

2 I just -- this is so consistent in
3 characteristics on the log, so -- and you're calling it a
4 sand. What else does it have in it besides sand?

5 A. It's just a fine-grain sand interval. We see a
6 few -- like, you can see a few little hot shales in
7 through there. Really, these are sand lenses that have
8 been deposited on top of each other, so sometimes you get
9 some silty intervals that develop through them. But for
10 the most part our mud logger is logging 90- to 100 percent
11 sands.

12 Q. No clays in it?

13 A. Not any that will impede productivity of the
14 well.

15 THE HEARING EXAMINER: Okay. I don't have
16 any more questions. Thank you very much for coming here
17 today.

18 MR. BRUCE: That is all I have.

19 MR. EXAMINER: In that case we will take
20 51382 under advisement.

21 (Time noted 10:33 A.M.)

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. _____,
heard by me on _____.


25 _____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
 2) SS.
 3 COUNTY OF TAOS)
 4

5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico
 7 Reporter CCR No. 122, DO HEREBY CERTIFY that on Thursday,
 8 August 17, 2015, the proceedings in the above-captioned
 9 matter were taken before me, that I did report in
 10 stenographic shorthand the proceedings set forth herein,
 11 and the foregoing pages are a true and correct
 12 transcription to the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
 14 nor related to nor contracted with (unless excepted by the
 15 rules) any of the parties or attorneys in this case, and
 16 that I have no interest whatsoever in the final
 17 disposition of this case in any court.

18
 19 
 20 MARY THERESE MACFARLANE, CCR
 NM Certified Court Reporter No. 122
 License Expires: 12/31/2016
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