

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

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

APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 15510  
FOR A NONSTANDARD SPACING AND PRORATION  
UNIT, COMPULSORY POOLING, AND AN  
UNORTHODOX GAS WELL LOCATION, EDDY  
COUNTY, NEW MEXICO.

COPY

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 21, 2016

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER  
GABRIEL WADE, LEGAL EXAMINER  
WILLIAM V. JONES, TECHNICAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMILLAN,  
Chief Examiner, William V. Jones, Technical Examiner,  
and Gabriel Wade, Legal Examiner, on Thursday, July 21,  
2016, at the New Mexico Energy, Minerals and Natural  
Resources Department, Wendell Chino Building, 1220 South  
St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR  
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7

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1 (9:55 a.m.)

2 EXAMINER McMILLAN: Okay. Now we're going  
3 to call Case Number 15510, application of Mewbourne Oil  
4 Company for a nonstandard spacing and proration unit,  
5 compulsory pooling, and an unorthodox gas well location,  
6 Eddy County, New Mexico.

7 Call for appearances.

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

10 EXAMINER McMILLAN: Please proceed.

11 MR. BRUCE: And, Mr. Examiner, may the  
12 record reflect that my two witnesses, Mr. Cless and  
13 Mr. Pearson, were previously sworn and qualified?

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

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Mr. Pearson, could you identify Exhibit 1 for  
20 the Examiner?

21 A. Exhibit 1 is the land plat showing the project  
22 area and wellbore of the Foreigner 33/4 W2JO Fee Com 1H.  
23 The ownership of this land is made up of multiple fee  
24 ownership tracts, as well as one 40-acre tract or  
25 39.85-acre lot that is a federal tract.

1 Q. And what zone are you force pooling?

2 A. The Wolfcamp.

3 Q. And is ownership in the Wolfcamp not severed?

4 A. It is not severed.

5 Q. What is Exhibit 2?

6 A. Exhibit 2 is the tract ownership associated  
7 with the proration unit, which is comprised of the  
8 southeast quarter of Section 33, Township 23 South,  
9 Range 28 East and the east half of Section 4, Township  
10 24 South, Range 28 East. It contains 479.8 acres.

11 Q. Okay. Now, you indicated the Beeman interest  
12 was very small, correct?

13 A. That's correct.

14 Q. But do they -- do those interests form the vast  
15 bulk of the parties being force pooled?

16 A. On a numbers basis, there is the highest number  
17 of parties involved with that Beeman interest.

18 Q. It's approximately 55?

19 A. Yes.

20 MR. BRUCE: Mr. Examiner, if you could skip  
21 toward the back of the packet, Exhibit 7, for a second.

22 Q. (BY MR. BRUCE) And, Mr. Pearson, is this a copy  
23 of a title opinion prepared by Mewbourne on this well  
24 unit --

25 A. That's correct.

1 Q. -- or on other various tracts in this area?

2 A. That's correct.

3 Q. First of all, Mewbourne owns a lot of interest  
4 in this general area, township and range?

5 A. That's correct.

6 Q. Have they previously dealt with all of these  
7 people?

8 A. We have.

9 Q. They've had multiple title opinions prepared?

10 A. That's correct.

11 Q. And this applies not only to this case but the  
12 next two cases also, the same general ownership issues?

13 A. Yes, that's correct.

14 Q. If you look at the opinion, this is only a  
15 portion of the opinion, is that correct?

16 A. That's correct. It's a limited portion of the  
17 opinion that deals with this convoluted Beeman interest.

18 Q. And do pages 49 through 56, or eight pages,  
19 discuss the title problems in some of these tracts?

20 A. Correct.

21 Q. And they list, at the end, 55 people whose  
22 interests are just indeterminable due to the convoluted  
23 title?

24 A. That's correct. That list of people may claim  
25 an interest or have some claim to ownership in these

1 tracts, but it's unsure what percentages they -- they  
2 might own.

3 Q. And Mewbourne has been dealing with these  
4 people since it drilled its first wells out here several  
5 years ago?

6 A. That's correct.

7 Q. And so you have not only been in touch with  
8 many of these people many times, but you've also tried  
9 to locate all the people?

10 A. That's correct.

11 Q. What is Exhibit 3?

12 A. Exhibit 3 is the summary of communications  
13 we've had with the parties that we wish to pool today.  
14 It's quite extensive. The bulk of this list is made up  
15 on the Beeman entities or related parties that we've  
16 talked about. There are several unleased mineral  
17 interests that we can -- we would be able to take a  
18 lease on, but we haven't made a deal at this point in  
19 time. So they're listed as well.

20 Q. Are you continuing to work with people in the  
21 event you get a lease?

22 A. Yes.

23 Q. Are all the Beeman interests trying to resolve  
24 their title issues through a stipulation of interest?

25 A. I've been informed all the parties are trying

1 to work together to get a stipulation of interest so it  
2 is leasable in the future.

3 Q. And what is Exhibit 4?

4 A. Exhibit 4 consists of copies of the letters  
5 I've sent out to all the parties, as well as proof of  
6 notice of those letters.

7 Q. Are there certain unlocatable interests?

8 A. There are several parties that were  
9 unlocatable.

10 Q. And what has Mewbourne done over the years to  
11 try and locate these people?

12 A. We've done name searches in the county looking  
13 at previous documents that they're associated with,  
14 looking for addresses or other information we can use to  
15 find -- locate them. We've done Web searches online,  
16 looked in phone directories, done about everything we  
17 can to find them.

18 Q. Have you contacted what appear to be relatives  
19 of the missing people?

20 A. That's correct. We've tried to search probate  
21 records and locate heirs or relatives of these people as  
22 well.

23 Q. What is Exhibit 5?

24 A. Oh, Exhibit 5 is actually the proof of delivery  
25 associated with the letters. Exhibit 4 was just the

1 actual communications. I misspoke.

2 Q. In your opinion, has Mewbourne made a  
3 good-faith effort to obtain voluntary joinders in the  
4 well or to locate those missing persons?

5 A. Yes.

6 Q. What is Exhibit 6?

7 A. Exhibit 6 is an AFE that was sent to all of the  
8 parties that lists the total well costs associated with  
9 this well, which is just over \$6.6 million.

10 Q. And is that cost fair and reasonable and in  
11 line with the costs charged by other operators in this  
12 area for wells of this depth?

13 A. Yes.

14 Q. What do you request as overhead rates?

15 A. 7,500 for drilling months and 750 for  
16 nondrilling months.

17 Q. And do you request a cost plus 200 percent risk  
18 charge against any nonconsenting interest owners?

19 A. Yes.

20 Q. What is Exhibit 8?

21 A. Exhibit 8 is the offset ownership associated  
22 with this proration unit, and it lists out the parties  
23 that we sent notice to regarding this application.

24 MR. BRUCE: Mr. Examiner, I refrain from  
25 bringing incomplete notice to you. There are a lot of



1 return mail and numerous -- I'm probably going to have  
2 to publish notice again for return envelopes, which I  
3 didn't, even though some of the people Mewbourne was in  
4 touch with, they -- they never picked up the mail. So  
5 I'm going to have to republish notice.

6 EXAMINER WADE: Is there proof of  
7 publication in the exhibits?

8 MR. BRUCE: Not here today.

9 EXAMINER WADE: At all?

10 MR. BRUCE: At all. Because I'm going  
11 to -- I had, like, a continuance, so I can do more  
12 publication of notice.

13 EXAMINER WADE: Okay.

14 EXAMINER JONES: For four weeks?

15 MR. BRUCE: It will probably be safe to do  
16 four weeks, yeah. I would ask for two weeks with the  
17 acknowledgement I may need more than that.

18 EXAMINER JONES: That's the 18th, isn't it?

19 MR. BRUCE: Well, the 4th -- I would ask  
20 for the 4th. But I will continue again if we don't  
21 have -- on the 4th, if I can, I would like to present at  
22 least the certificate of the mailing of the various  
23 names.

24 Q. (BY MR. BRUCE) Were Exhibits 1 through 8  
25 prepared by you or under your supervision?

1 A. Yes.

2 Q. And in your opinion, is the granting of this  
3 application in the interest of conservation and the  
4 prevention of waste?

5 A. Yes.

6 MR. BRUCE: Oh, and, Mr. Examiner, I did  
7 publish notice recently against people, but I haven't  
8 gotten the Affidavit of Publication back. So that's why  
9 I'm saying two weeks at this point.

10 EXAMINER WADE: Those were the parties you  
11 knew were not locatable?

12 MR. BRUCE: I knew I was going to get back.

13 EXAMINER WADE: And you'll add that?

14 MR. BRUCE: Yeah.

15 I have no further questions of the witness.

16 EXAMINER McMILLAN: Okay. Exhibits 1  
17 through 8 may be accepted as part of the record.

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

21 CROSS-EXAMINATION

22 BY EXAMINER McMILLAN:

23 Q. Where is the letter -- the typical letter you  
24 send? What exhibit is that?

25 A. I believe it's 4.

1 MR. BRUCE: 4.

2 Q. (BY EXAMINER McMILLAN) Where in this does it  
3 list overhead rates?

4 MR. BRUCE: Does it list the interest  
5 owners?

6 EXAMINER McMILLAN: No. The overhead  
7 rates.

8 THE WITNESS: I don't think these letters  
9 contain the overhead rates associated with this well.

10 MR. BRUCE: What are the overhead rates?

11 THE WITNESS: 7,500 for drilling months and  
12 750 for nondrilling.

13 EXAMINER McMILLAN: And you notified the  
14 affected parties who were left out of the nonstandard  
15 spacing unit, correct?

16 MR. BRUCE: That is correct.

17 EXAMINER JONES: Are there working interest  
18 owners?

19 MR. BRUCE: Yes.

20 EXAMINER McMILLAN: The State would have to  
21 be notified because of the 480 -- 640.

22 MR. BRUCE: I believe that's Exhibit 8,  
23 Mr. Examiner.

24 EXAMINER McMILLAN: So you notified  
25 everybody -- all owners of minerals of the State in the

1 southwest quarter and the northeast quarter?

2 THE WITNESS: Southwest of 4?

3 MR. BRUCE: Northeast of 33.

4 EXAMINER McMILLAN: Yeah. The northeast of  
5 33 and the southwest of 34, all mineral interests of the  
6 State were notified?

7 THE WITNESS: I believe all of -- any  
8 unleased mineral interest owner. If it were -- the  
9 operators were notified, but I don't believe there were  
10 any unleased mineral owners, and 33 and 34 were the  
11 operators there. So we provided -- I guess --

12 MR. BRUCE: We notified the operators. If  
13 you want more, we can do more.

14 EXAMINER McMILLAN: I just want to make  
15 sure everyone's notified.

16 MR. BRUCE: Yes.

17 EXAMINER McMILLAN: Was this well -- this  
18 well was obviously drilled, right?

19 THE WITNESS: It's drilled. It's not  
20 completed.

21 MR. BRUCE: This well is also in that south  
22 Culebra Bluff?

23 A. That's correct.

24 EXAMINER McMILLAN: Any depth severances?

25 THE WITNESS: No.

1 EXAMINER McMILLAN: Go ahead.

2 CROSS-EXAMINATION

3 BY EXAMINER JONES:

4 Q. That Culebra Bluff is not part of that Cimarex  
5 order, was it? It for sure is not part of that?

6 MR. BRUCE: I don't remember. I really  
7 don't think it was, but --

8 EXAMINER JONES: Okay. I don't have any  
9 questions.

10 EXAMINER McMILLAN: I have no further  
11 questions.

12 EXAMINER WADE: I don't have questions.

13 NATE CLESS,

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

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Mr. Cless, without really discussing the  
19 exhibits, could you just identify briefly Exhibits 9,  
20 10, 11 and 12?

21 A. Yeah. Exhibit 9 is the structure map of the  
22 top of the Wolfcamp, showing the locations of this well,  
23 the 4-33 [sic] W2JO, as well as the location of the  
24 next -- of the well in the next case, which is the  
25 Foreigner 33-4 W2LM.

1                   Exhibit 10 is a cross section -- a  
2   four-well cross section going through this area showing  
3   the Wolfcamp Formation, the consistency of it, as well  
4   as the locations of our -- of our proposed wellbores.

5                   Exhibit 11 is a production data table of  
6   the Wolfcamp Formation of the offset -- offset wells in  
7   this area.

8                   And Exhibit 12 is a horizontal drilling  
9   plan for this particular well.

10           Q.   And, Mr. Cless, does your direct testimony plus  
11   your responses to the Hearing Examiners regarding the  
12   Wolfcamp geology in this area in Cases 15507 and 15508  
13   apply to this hearing and the next hearing?

14           A.   Yes.

15           Q.   Really the only difference being is you do  
16   include some data from other wells in Exhibit 11,  
17   correct?

18           A.   Yes, that's correct.

19           Q.   Showing that the horizontal wells do produce  
20   much better than the --

21           A.   That's correct.

22           Q.   And were Exhibits 9, 10, 11 and 12 prepared by  
23   you, under your supervision or compiled from company  
24   business records?

25           A.   Yes, they were.

1 Q. And is the granting of this application in the  
2 interest of conservation and the prevention of waste?

3 A. Yes.

4 MR. BRUCE: Mr. Examiner, I'd move the  
5 admission of Exhibits 11 through 12.

6 And I'll let the Examiners ask any  
7 questions they want.

8 EXAMINER McMILLAN: Okay. What were the  
9 exhibits? Exhibits 9 and 10?

10 MR. BRUCE: 9, 10, 11 and 12.

11 EXAMINER McMILLAN: Exhibits 9 through 12  
12 are accepted as part of the record.

13 (Mewbourne Oil Co. Exhibit Numbers 9  
14 through 12 are offered and admitted into  
15 evidence.)

16 CROSS-EXAMINATION

17 BY EXAMINER McMILLAN:

18 Q. What's the penetration?

19 A. 2310 from the south and then 2310 from the  
20 east.

21 Q. Final penetration?

22 A. 330 from south, 2310 from east in Section 4.

23 Q. And oil gravity, 50?

24 A. 58, with a GOR of 8,000.

25 Q. I'm assuming there are no characteristics?

1 A. Correct.

2 Q. Is the project area 479.88 acres?

3 MR. PEARSON: That's correct.

4 EXAMINER McMILLAN: Go ahead.

5 EXAMINER JONES: I don't have any  
6 questions, actually. Thank you.

7 EXAMINER WADE: No.

8 EXAMINER McMILLAN: Case Number 15510 shall  
9 be continued until August the 4th.

10 (Case Number 15510 concludes, 10:11 a.m.)

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16 I do hereby certify that the foregoing is  
17 a correct record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_,  
18 heard by me on \_\_\_\_\_.

19

\_\_\_\_\_, Examiner  
20 Oil Conservation Division

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STATE OF NEW MEXICO



1 COUNTY OF BERNALILLO

2

3 CERTIFICATE OF COURT REPORTER

4 I, MARY C. HANKINS, Certified Court  
5 Reporter, New Mexico Certified Court Reporter No. 20,  
6 and Registered Professional Reporter, do hereby certify  
7 that I reported the foregoing proceedings in  
8 stenographic shorthand and that the foregoing pages are  
9 a true and correct transcript of those proceedings that  
10 were reduced to printed form by me to the best of my  
11 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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MARY C. HANKINS, CCR, RPR  
Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2016  
Paul Baca Professional Court Reporters