

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:

ORIGINAL

APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15732

Consolidated with

APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15733

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 22, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, June 22, 2017, 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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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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1 (9:13 a.m.)

2 EXAMINER McMILLAN: I'd call the hearing
3 back to order.

4 Case Number 15732, application of Mewbourne
5 Oil Company for compulsory pooling, Eddy County, New
6 Mexico.

7 Call for appearances.

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

11 EXAMINER McMILLAN: Any other appearances?
12 Please proceed.

13 If the witness would please be --
14 You've (indicating) already been sworn in.
15 (Mr. Crosby sworn.)

16 MR. BRUCE: Mr. Examiner, could this case
17 be consolidated with the next case, 15733?

18 EXAMINER McMILLAN: Okay. Case Number
19 15732 shall be consolidated with Case Number 15733,
20 application of Mewbourne Oil Company for compulsory
21 pooling, Eddy County, New Mexico.

22 Please proceed.

23 MITCHELL ROBB,
24 after having been previously sworn under oath, was
25 questioned and testified as follows:

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence for the record?

A. Mitchell Robb, Midland, Texas.

Q. Who do you work for and in what --

MR. BRUCE: Well, could the record reflect, Mr. Examiner, that Mr. Robb was previously sworn and qualified?

EXAMINER McMILLAN: So qualified.

Q. (BY MR. BRUCE) Mr. Robb, would you refer to Exhibit 1 and discuss the acreage involved for both wells and the names of the wells and the formation being pooled?

A. Exhibit 1 is a Midland Map of Section 27, 23 South, Range 28 East, Eddy County, New Mexico, the proration unit being the east half of Section 27.

Q. For both wells?

A. For both wells.

And the Speedwagon 27 W2PA Fee #1H, with API Number 30-015-43097, and also the Speedwagon 27 W0PA Fee #1H [sic], with an API number of 30-015-4415 [sic].

Q. And the C-102s for the wells are attached and made a part of Exhibit 1?

A. Correct.

1 Q. And will the surface locations be in the
2 northeast quarter -- northeast quarter of the northeast
3 quarter of the adjoining Section 34?

4 A. Yes.

5 Q. And will be drilled normally; is that correct?

6 A. Correct.

7 Q. Will the producing interval in each well be
8 orthodox?

9 A. Yes.

10 Q. Could you identify Exhibit 2 and discuss its
11 contents to the Examiner?

12 A. Exhibit 2 is the tract ownership of the working
13 interest owners in the east half of Section 27, 23
14 South, Range 28 East. It shows 17 owners we are force
15 pooling denoted with an asterisk.

16 Q. So you're only seeking to force pool a little
17 bit less than 3-and-a-half percent interest in the well?

18 A. Correct.

19 Q. Is this fee land?

20 A. Yes.

21 Q. And are there quite a few mineral interest
22 owners in the east half of Section 27?

23 A. Yes. There are over 50.

24 Q. Okay. Okay. Could you -- first of all, before
25 you get into this, are there unlocatable owners in this

1 half section?

2 A. No.

3 Q. Unlocatable, people who did not receive --

4 A. Oh. Yes, there are.

5 Q. And what steps did you take to locate all of
6 the interest owners in this half section of land?

7 A. We went through our files, our internal
8 databases, the county records, did internet searches.

9 Q. And again now, what is Exhibit 3?

10 A. Exhibit 3 is our summary of communications with
11 all the interests we're force pooling. And, also, the
12 first page, Mr. Rodriguez -- is a well proposal. It's
13 kind of go-by that was sent to all the different
14 unleased owners. Then the second one is one we sent to
15 the Guitar family owners.

16 Q. And the same proposal letter was used for both
17 wells?

18 A. Correct.

19 Q. With separate AFEs also enclosed; is that
20 correct?

21 A. Yes.

22 Q. And since you sent out the well-proposal
23 letter, at least to those who received the well
24 proposal, have you gotten any further contact from them?
25 Have they evinced any interest in joining in the wells?

1 A. No. We did not hear back.

2 Q. In your opinion, has Mewbourne made a
3 good-faith effort to obtain the voluntary joinder of the
4 interest owners in the well?

5 A. Yes, we have.

6 Q. And has it also made a good-faith effort to
7 locate all of the interest owners in the well?

8 A. Yes, we have.

9 Q. What is Exhibit 4?

10 A. Exhibit 4 is the two AFEs for both Speedwagon
11 wells that we sent to the parties.

12 Q. Exhibits 4 and 5?

13 A. Oh, yeah, 4 and 5.

14 Q. And what are the costs of the two proposed
15 wells?

16 A. For the WOPA, it's \$5,904,600, and for the
17 W2PA, it's \$6,287,700.

18 Q. And the W2PA is a deeper well than the other
19 well, correct?

20 A. Correct.

21 Q. Are these well costs fair and reasonable and in
22 line with the cost of other horizontal wells drilled of
23 this depth in this area of New Mexico?

24 A. Yes.

25 Q. And what overhead rates do you request?

1 A. 7,500 a month for drilling and 750 for
2 producing.

3 Q. And are these rates fair and equivalent to
4 those charged by other operators in this area?

5 A. Yes.

6 Q. In the event that an interest owner goes
7 nonconsent in the well, do you request the maximum cost
8 plus 200 percent risk charge be assessed against that
9 owner?

10 A. Yes.

11 Q. And was notice given to all of the parties who
12 you seek to pool in this case?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, Exhibit 6 is my
15 Affidavit of Notice. You will see that there are --
16 there two notice letters, one to the Guitar family
17 interest and one to everybody else. Exhibit 7 is an
18 Affidavit of Publication. And between the two, everyone
19 has either received actual notice or constructive notice
20 by publication.

21 EXAMINER BROOKS: Okay. The publication
22 lists everyone who you weren't able to locate?

23 THE WITNESS: Yes.

24 Q. (BY MR. BRUCE) Were Exhibits 1 through 5
25 prepared by you or under your supervision?

1 A. Yes.

2 Q. And Exhibits 6 and 7, the Notice of Affidavit,
3 were prepared by me; is that correct?

4 A. Correct.

5 MR. BRUCE: Mr. Examiner --

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

9 A. Yes.

10 MR. BRUCE: Mr. Examiner, I move the
11 admission of Exhibits 1 through 7.

12 EXAMINER McMILLAN: Exhibits 1 through 7
13 may now be accepted as part of the record.

14 (Mewbourne Oil Company Exhibit Numbers 1
15 through 7 are offered and admitted into
16 evidence.)

17 CROSS-EXAMINATION

18 BY EXAMINER McMILLAN:

19 Q. The first question is: What's the status of
20 both wells?

21 A. They are waiting to be drilled.

22 Q. And is it exactly 320 acres, spacing?

23 A. Yes.

24 Q. And then the question I've got is why didn't --
25 I'm curious. Why didn't you combine these two wells in

1 **one hearing?**

2 MR. BRUCE: One application?

3 EXAMINER McMILLAN: Yeah. I mean, because
4 some companies have done that, and you guys chose not
5 to.

6 MR. BRUCE: Yeah. I've done that, too. I
7 can't answer that question.

8 **Q. (BY EXAMINER McMILLAN) Any depth severances?**

9 A. No.

10 **Q. And then why did you have the wrong name of the**
11 **well? Why REO? REO Speedwagon?**

12 MR. BRUCE: That's actually what it is.
13 Mewbourne people can tell you. But there are areas
14 where they based the well names on '70s and '80s rock
15 bands.

16 EXAMINER McMILLAN: Yeah. This is an '80s
17 rock band.

18 Thanks.

19 Any questions?

20 EXAMINER BROOKS: Well, I think it's a
21 better name for a well than the Stove Pipe that we have
22 from COG.

23 (Laughter.)

24 MS. MUNDS-DRY: Now, now.

25 MR. BRUCE: Yeah. Criticize them,

1 Mr. Examiner.

2 EXAMINER BROOKS: Well, I asked them if
3 their drilling engineer had any input in naming the
4 well.

5 But anyway -- let's see. What was I going
6 to ask? I got so interested in that idea, I forgot
7 to --

8 This one has not -- this one's not been
9 pooled before, right?

10 MR. BRUCE: Correct.

11 EXAMINER BROOKS: This is a de novo pool.

12 CROSS-EXAMINATION

13 BY EXAMINER BROOKS:

14 Q. Do you have everybody listed here that is
15 identified in an instrument of record that identifies
16 them as having an interest or that you know claims an
17 interest?

18 A. Yes.

19 Q. Now, when you were asked about the status of
20 the well, I couldn't really hear your answer. Did you
21 say it's waiting to be drilled?

22 A. Correct. We have not drilled it yet.

23 Q. Okay. Thank you. That's all I have.

24 EXAMINER McMILLAN: Thank you.

25

1 CHARLES CROSBY,
2 after having been previously sworn under oath, was
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Would you please state your name and city of
7 residence?

8 A. Charles Crosby, Midland, Texas.

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

10 A. Mewbourne Oil Company as a petroleum geologist.

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

13 A. Yes, I have.

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

16 A. Yes, they were.

17 Q. And are you familiar with the geology involved
18 in these cases?

19 A. Yes.

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

22 EXAMINER McMILLAN: So qualified.

23 Q. (BY MR. BRUCE) Mr. Crosby, you prepared,
24 basically, two sets of exhibits, one for the sand well
25 and one for the shale well?

1 A. Yes, sir.

2 **Q. Let's run through that, first with the WOPA,**
 3 **the sand well. What is Exhibit 8?**

4 A. So this is just a structure contour map of the
 5 top of the Wolfcamp in the area of interest represented
 6 by the maroon contour lines. It shows continuous
 7 structural dip to the east, no real apparent structure
 8 anomalies. The Wolfcamp Sand wells are highlighted by
 9 the violet lines, with Wolfcamp Shale wells highlighted
 10 by the navy blue lines. The proration unit for the well
 11 is lighted in the east half of Section 27 by the dashed
 12 black line and the proposed well represented by the
 13 dashed red arrow. And there is also a cross-section
 14 reference line, the maroon line, labeled A to A prime.

15 **Q. Let's move on to the cross section, Exhibit 9.**
 16 **Could you discuss that?**

17 A. This is just a representative cross section of
 18 the Wolfcamp section in the area of interest. Our
 19 delineated Wolfcamp zones are listed on the left side of
 20 the cross section. The proposed well location is shown
 21 by the red arrow with the well name, the Wolfcamp Sand
 22 package delineated by the red pick lines. It just shows
 23 a consistent thick, clean Wolfcamp Sand throughout the
 24 area.

25 **Q. So the Wolfcamp Sand is continuous across the**

1 well zone.

2 And will each quarter section, in your
3 opinion, contribute, more or less, equally to
4 production?

5 A. Yes.

6 Q. What is Exhibit 10?

7 A. So this is just a table showing some of the
8 production statistics for Wolfcamp wells in the area.
9 The far right column shows the particular Wolfcamp zone
10 that the wells were landed in. And the column just to
11 the left of that shows the orientation of the wells
12 north-south or east-west. This just shows that four
13 wells landed in a similar zone and have been on line for
14 a similar amount of time. There is no real difference
15 in an east-west or north-south orientation in terms of
16 production.

17 Q. What is Exhibit 11?

18 A. Exhibit 11 is just the survey statistics for
19 the proposed well, and then on the very last page is a
20 schematic areal and cross-sectional view of the well,
21 with the footing calls and first take point labeled on
22 the wellbore path.

23 Q. First and last take point?

24 A. Uh-huh. Yes.

25 Q. Let's move on to the shale wells. What is

1 **Exhibit 12?**

2 A. Exhibit 12 is the same structure map on top of
3 the Wolfcamp, no real structural anomalies. Wolfcamp
4 sands highlighted by violet lines. Wolfcamp shales
5 highlighted by navy blue lines. Same proration by the
6 dashed black line and then the proposed wellbore by the
7 dashed red line -- red arrow, and then the same
8 cross-section reference line A to A prime.

9 **Q. Let's move on to the cross section again.**

10 A. So here this is just the same cross section
11 represented in the Wolfcamp section throughout the area
12 of interest. But you'll notice that the proposed
13 Wolfcamp Shale well in the Wolfcamp D is denoted by the
14 red arrow. And this just shows the Wolfcamp D in this
15 area is continuous.

16 **Q. And will each quarter section of the well unit**
17 **contribute, more or less, equally to the production from**
18 **this well?**

19 A. Yes.

20 **Q. And move on to Exhibit 14. Is this pretty much**
21 **the same as the other --**

22 A. Same table with the production statistics, yes.

23 **Q. And, again, does it matter in this particular**
24 **zone whether you drill north-south or east-west?**

25 A. There is no apparent difference.

1 **Q. What is Exhibit 15?**

2 A. This, again, is just the survey statistics for
3 the proposed well with a schematic areal and
4 cross-section view of the wellbore path on the last
5 page.

6 **Q. Were Exhibits 8 through 15 prepared by you or**
7 **under your supervision or compiled from company business**
8 **records?**

9 A. Yes, they were.

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

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I move the
15 admission of Exhibits 8 through 15.

16 EXAMINER McMILLAN: Exhibits 8 through 15
17 may now be accepted as part of the record.

18 MR. BRUCE: I have.

19 (Mewbourne Oil Company Exhibit Number 8
20 through 15 are offered and admitted into
21 evidence.)

22 MR. BRUCE: I have no further questions.

23 CROSS-EXAMINATION

24 BY EXAMINER McMILLAN:

25 **Q. Okay. I guess the first question I've got**

1 is -- I'm looking at, essentially, Exhibit 13. So it
2 looks like your upper well is in the D sand and your
3 lower well -- I'm sorry -- D -- SDs and the lower one is
4 in the Wolfcamp D. Is there anything in between
5 prospective?

6 A. We've targeted Ds just for development
7 purposes, but we do believe that the Wolfcamp A and C
8 are prospective in the area.

9 Q. So then the question is: How do you compulsory
10 pool those? Which case?

11 MR. BRUCE: Well, I think, Mr. Examiner --
12 yeah. Which case? I suppose either case.

13 EXAMINER McMILLAN: Oh, okay.

14 Did you have questions to ask?

15 EXAMINER BROOKS: No questions.

16 EXAMINER McMILLAN: Okay. I have no
17 further questions at this time. Thank you very much.

18 Case Number 15732 and Case Number 15733
19 shall be taken under advisement.

20 (Case Numbers 15732 and 15733 conclude,
21 9:32 a.m.)

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

_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

4 CERTIFICATE OF COURT REPORTER

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

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

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.
20

21 *Mary C. Hankins*

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20

25 Date of CCR Expiration: 12/31/2017

Paul Baca Professional Court Reporters