

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:)

) CASE NO. 13,157

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

) ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

RECEIVED

OCT 23 2003

October 9th, 2003

Oil Conservation Division

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, October 9th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

October 9th, 2003
 Examiner Hearing
 CASE NO. 13,157

PAGE

APPEARANCES

3

APPLICANT'S WITNESS:

D. PAUL HADEN (Landman)

Direct Examination by Mr. Bruce

4

Examination by Examiner Catanach

12

REPORTER'S CERTIFICATE

16

* * *

E X H I B I T S

Applicant's

Identified

Admitted

Exhibit 1

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Exhibit 2

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Exhibit 3

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Exhibit 4

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Exhibit 5

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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 9:19 a.m.:

3 EXAMINER CATANACH: At this time I'll call Case
4 13,157, which is the Application of Mewbourne Oil Company
5 for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness.

9 EXAMINER CATANACH: Will the witness please stand
10 to be sworn?

11 (Thereupon, the witness was sworn.)

12 D. PAUL HADEN,
13 the witness herein, after having been first duly sworn upon
14 his oath, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BRUCE:

17 Q. Would you please state your name for the record?

18 A. My name is Paul Haden.

19 Q. And where do you reside?

20 A. Midland, Texas.

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

22 A. Mewbourne Oil Company as a petroleum landman.

23 Q. Have you previously testified before the
24 Division?

25 A. Yes, I have.

1 Q. And were your credentials as an expert landman
2 accepted as a matter of record?

3 A. Yes, they were.

4 Q. Are you familiar with the land matters involved
5 in this Application?

6 A. Yes, I am.

7 Q. And your area of responsibility at Mewbourne
8 includes this part of southeast New Mexico?

9 A. Correct.

10 MR. BRUCE: Mr. Examiner, I'd tender Mr. Haden as
11 an expert petroleum landman.

12 EXAMINER CATANACH: Mr. Haden is so qualified.

13 Q. (By Mr. Bruce) Mr. Haden, could you identify
14 Exhibit 1 and tell the Examiner what you seek in this
15 Application?

16 A. Okay, Exhibit Number 1 is a land plat of the
17 area. It depicts our proposed spacing unit, which is the
18 east half of Section 14. It also depicts our proposed
19 location, which is indicated by a red dot. This well
20 location --

21 Q. What is the footage of the well location?

22 A. The footage is 660 from the south line and 1980
23 from the east line.

24 Q. Okay. Do you -- Other than the 320-acre units,
25 do you seek to force-pool any other units?

1 A. Yes, 40 acres in the southwest-southeast quarter,
2 160 acres in the southeast quarter, and all formations
3 spaced on all 320 acres for the east half.

4 Q. Okay. Could you identify your Exhibit 2 and
5 briefly go through the tract ownership in the east half of
6 Section 14?

7 A. Okay. Exhibit Number 2 is a listing of the tract
8 ownership within the units. It describes the unit interest
9 owners under the specific leases, of which there are three
10 state leases involved.

11 Q. And then on page 2 under Unit Ownership, is that
12 the ownership under the 320-acre --

13 A. Yeah, that's correct, that is the current unit
14 ownership.

15 Q. Just briefly, which of these parties are you
16 seeking to pool?

17 A. We are seeking to pool ChevronTexaco Corporation;
18 J. Frederic Van Vranken, Jr.; J.W. Gendron; Isaac A.
19 Kawasaki and his wife Ruby Kawasaki; the Estate of David
20 Goodnow, Deceased; the E.G. Holden Testamentary Trust;
21 Betsy H. Keller; and Joseph R. Hodge.

22 Q. And you'll get to your negotiations in a few
23 minutes, but are there indications that ChevronTexaco may
24 join in the well or farm out its interest?

25 A. They have indicated that they would give us a

1 term assignment. Apparently under their merger agreement
2 with -- well, between Chevron and Texaco, they could not
3 accept any cash considerations for a moratorium period of
4 two years from the date of the merger. He indicated that
5 that date is, in fact, up today. So after today he will be
6 able to make a trade which he's currently drafting up, a
7 term assignment, which we should have executed next week.

8 Q. If you do get their term assignment, will you
9 notify the Division that ChevronTexaco is no longer subject
10 to pooling?

11 A. Yes, we will.

12 Q. And the other interests are fairly small that
13 you're seeking to pool. What, less than a -- somewhere
14 around a percent or 2 -- point --

15 A. .2 percent, after the ChevronTexaco trade is
16 executed.

17 Q. One other item is when you go through the tract-
18 by-tract listing, Devon Energy shows as having really the
19 largest percentage until you get down to the unit ownership
20 where Mewbourne has a larger percentage than Devon. What
21 is the basic reason for that?

22 A. The reason for that is pursuant to the terms,
23 trade terms, which we have with Devon Energy. We're
24 currently carrying them for 30 percent of their interest at
25 casingpoint, at which time they can elect at casingpoint

1 either to participate with their proportionate part of the
2 30-percent interest or elect to not participate in the
3 completion attempt. They in essence are contributing 70
4 percent of their interest to us right now.

5 Q. Okay. So even though they have, what, roughly 65
6 or 70 percent of the well working interest, you are getting
7 70 percent of that 70 percent or --

8 A. That is correct.

9 Q. -- roughly?

10 Let's move on to your discussions with the
11 parties. What is Exhibit 3?

12 A. Exhibit Number 3 first has a summary of
13 communications with all the parties being pooled. It also
14 has copies of the correspondence with these parties, along
15 with notes that I've made regarding phone calls made to
16 these parties.

17 Q. In summary, you've been in touch with most of
18 these parties since early this year, have you not?

19 A. Yes, some of which were late last year.

20 Q. The -- I'm not sure how to pronounce it, the --
21 you pronounced it Gendron, or is it -- I'm not sure if
22 that's --

23 A. That would be Gendron.

24 Q. Were you on the point of reaching an agreement
25 with him at one point? Was it his --

1 A. You know, it was --

2 Q. -- interest, or was it the --

3 A. -- David F. Goodnow, that's --

4 Q. Goodnow, excuse me.

5 A. Right.

6 Q. You were on the point of reaching a voluntary
7 agreement with him, were you not?

8 A. Yes, we were.

9 Q. And then he died?

10 A. He apparently, yeah, passed away before executing
11 the assignment which we had sent him. We also paid him a
12 cash consideration, which the estate has not responded to
13 date after I've been in touch with them.

14 Q. Okay. And then when you go to the final summary
15 page of Exhibit 3, you have the E.G. Holden Testamentary
16 Trust and Betsy H. Keller, who you could not locate. What
17 steps were taken to locate these people?

18 A. Okay, we -- their interest came up in, obviously,
19 an examination of title, of which they were apparently
20 limited partnership partners of Coquina Oil Corporation
21 back in the early 1970s, which they were conveyed an
22 interest, very small, under the terms of the partnership
23 agreement, of which there was no address listed for these
24 people.

25 We've attempted to locate them via the Internet

1 but have been unsuccessful. These parties -- Betsy H.
2 Keller could be deceased, and we don't know what happened
3 to the E.G. Holden testamentary trust.

4 Q. In your opinion, has Mewbourne made a good-faith
5 effort to obtain the voluntary joinder of the parties who
6 could be located?

7 A. Yes.

8 Q. And has Mewbourne Oil Company made a good-faith
9 effort to locate the Holden Testamentary Trust and Betsy
10 Keller?

11 A. Yes, we have.

12 Q. Would you identify Exhibit 4 and discuss the cost
13 of the well?

14 A. Exhibit Number 4 is an authorization for
15 expenditure, also known as an AFE. It describes the
16 dryhole cost of which -- or \$719,800 and a completed well
17 cost of \$1,145,300.

18 Q. And is this cost in line with the costs of other
19 wells drilled in this area of New Mexico?

20 A. Yes, it is.

21 Q. As a matter of fact, this well is only, what, a
22 couple of miles from the well being drilled in the prior
23 case --

24 A. Right.

25 Q. -- Nadel and Gussman case?

1 A. Right. The proposed depth for the Morrow is
2 approximately 11,900 feet.

3 Q. Does Mewbourne request that it be designated
4 operator of the well?

5 A. Yes, we do.

6 Q. And do you have a recommendation for the
7 supervision charges you should be granted?

8 A. Right, \$6000 for drilling and \$600 for producing
9 well rates.

10 Q. And are these amounts equivalent to those
11 normally charged by other operators in this area?

12 A. Yes.

13 Q. Again, do you request that this rate be adjusted
14 periodically under the COPAS accounting procedure?

15 A. Yes, we do.

16 Q. Does Mewbourne request the maximum cost-plus-200-
17 percent risk charge?

18 A. Absolutely.

19 Q. And finally, were the locatable parties notified
20 of this hearing?

21 A. Yes, they were.

22 Q. And is Exhibit 5 my affidavit of notice?

23 A. Yes, that's correct.

24 Q. Mr. Haden, were Exhibits 1 through 5 prepared by
25 you or under your supervision or compiled from company

1 business records?

2 A. Yes, they were.

3 Q. And in your opinion is the granting of
4 Mewbourne's Application in the interests of conservation
5 and the prevention of waste?

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, I would move the
8 admission of Mewbourne Exhibits 1 through 5.

9 EXAMINER CATANACH: Exhibits 1 through 5 are
10 admitted.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Mr. Haden, with respect to the Devon interest --

14 A. Right.

15 Q. -- is that a written agreement that you have with
16 Devon?

17 A. Yes. Yes, it's an executed agreement which we
18 have with Devon. It's called an exploration letter
19 agreement.

20 Q. So they're not in any way or form being force
21 pooled?

22 A. No, they are not.

23 Q. Okay. The interest that you're force pooling is,
24 I believe you said, .2 percent?

25 A. Approximately .2 percent, because the Chevron

1 interest is 12.5 percent as a unit interest. The total
2 interest being force pooled is approximately 12.71027. So
3 it's actually .21027 percent after our trade is made with
4 Texaco, or ChevronTexaco.

5 Q. And you anticipate that being done?

6 A. Yes.

7 Q. Okay.

8 A. Also, Frederic Van Vranken, Jr., he has signed an
9 AFE but he has not returned the executed joint operating
10 agreement which we have sent him, which I've talked to him
11 over the phone last week, he said he'd get it back to us.
12 So he will be dismissed also.

13 These other people I cannot see anything -- any
14 trades being done with them.

15 Q. Okay. Now, the two interests that cannot be
16 located are the E.G. Holden and the Betsy Keller; is that
17 correct?

18 A. Right.

19 Q. And you've attempted to find their current
20 addresses?

21 A. Right. Well, the Holden Testamentary Trust is
22 just nearly impossible because it's a trust. We don't know
23 what entity was their trustee or whatever. It just listed
24 E.G. Holden Testamentary Trust, with no address, no county
25 or state.

1 Q. Is that in the county records that you found
2 that?

3 A. Right.

4 Q. How about the Keller?

5 A. Same difference. We did find initially an
6 address in Texas, which we attempted to contact her. We've
7 dealt with this interest previously in another section.
8 We've drilled two wells in Section 11, which is close to
9 this Section 14. We had the same problem there, could not
10 locate her or get any response or whatever.

11 The same thing goes for J. W. Gendron, the
12 Kawasaki interest, Joseph R. Hodge.

13 Q. When you say the same thing goes for those, what
14 do you mean?

15 A. That means no response from them as to any well
16 proposal.

17 Q. But you've communicated with those parties,
18 though?

19 A. Yes, we sent well proposals via certified mail,
20 got it back, they did sign off on it, they're aware of what
21 we're doing. But follow-up letters -- they just never
22 responded.

23 Q. Now, your contact with all these parties, did it
24 actually begin at about the same time?

25 A. ChevronTexaco started a little bit earlier,

1 because we knew that they would take a while longer to make
2 a decision. But the others are basically earlier this
3 spring, in April.

4 Q. Okay, basically all around the same time?

5 A. Right.

6 EXAMINER CATANACH: Okay, I have no further
7 questions of this witness.

8 MR. BRUCE: I have no further questions in this
9 case.

10 EXAMINER CATANACH: Okay, there being nothing
11 further, Case 13,157 will be taken under advisement.

12 (Thereupon, these proceedings were concluded at
13 9:35 a.m.)

14 * * *

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17
18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 13157,
21 heard by me on October 9 2003.
22 David P. Catnach, Examiner
23 Oil Conservation Division
24
25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL October 10th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006