

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

ORIGINAL

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

CASE NO. 14587

APPLICATION OF MEWBOURNE COMPANY FOR
APPROVAL OF A NON-STANDARD OIL SPACING
AND PRORATION UNIT, AN UNORTHODOX OIL WELL
LOCATION, AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
WILLIAM V. JONES, Technical Examiner

January 6, 2011

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, WILLIAM V. JONES,
Technical Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, January 6, 2011, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South
Street Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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1 EXAMINER BROOKS: At this time we will call
2 case 14587, application of Mewbourne Oil Company for --
3 it says here Mewbourne Company. Is that an error.

4 MR. BRUCE: That is an error, yeah.

5 EXAMINER BROOKS: It always has been
6 Mewbourne Oil Company. Okay. Application for Mewbourne
7 Oil Company for approval of a non-standard oil spacing
8 and proration unit, an unorthodox oil well location, and
9 compulsory pooling. Eddy County, New Mexico.

10 Call for appearances.

11 MR. BRUCE: Mr. Examiner, Jim Bruce of
12 Santa Fe representing the applicant. I have three
13 witnesses, one of whom will be testifying by phone. So
14 if we need to call him up and get him on the line.

15 EXAMINER BROOKS: Okay. Let us proceed
16 then. You want to call your phone witness as your first
17 witness?

18 MR. BRUCE: You know, he would probably be
19 our last witness. Do you want to wait until the end?

20 EXAMINER BROOKS: Let's swear him in when we
21 call him. That makes it easier administratively. Go
22 ahead and swear in the people who are here.

23 MR. BRUCE: Okay. I call the first two
24 witnesses then.

25 [Two witnesses were duly sworn.]

1 EXAMINER BROOKS: Would the witnesses please
2 identify themselves?

3 MR. HADEN: Paul Haden.

4 MR. ROBISON: Drew Robison.

5 EXAMINER BROOKS: Okay. Go ahead.

6 DONALD PAUL HADEN

7 after having been first duly sworn under oath,
8 was questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY Mr. Bruce:

11 Q. Would you please state your full name for the
12 record?

13 A. My name is Donald Paul Haden.

14 Q. And where do you reside?

15 A. Midland, Texas.

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

17 A. I work for Mewbourne Oil Company as a landman.

18 Q. Have you previously testified before the
19 division?

20 A. Yes, I have.

21 Q. And were your credentials as an expert accepted
22 as a matter of record?

23 A. Yes, they were.

24 Q. And are you familiar with the land matters
25 involved in this application?

1 A. Yes, I am.

2 MR. BRUCE: Mr. Examiner, I tender Mr. Haden
3 as an expert landman.

4 EXAMINER BROOKS: So qualified.

5 Q. (By Mr. Bruce) Mr. Haden, could you please
6 identify Exhibit 1 and describe what the Mewbourne seeks
7 in this case?

8 A. Exhibit Number 1 is a land plat of the area. It
9 shows section 29 and the surrounding sections, all in
10 township 18 south of range 30 east. It also indicates
11 our proposed spacing unit, which consists of the north
12 half of the north half of section 29. It also indicates
13 our surface location and bottom hole location.

14 The surface location is 510 feet from north line
15 and 150 feet from the west line. The terminus location,
16 being the bottom hole location, is a 510 feet from north
17 and also 330 feet from the east line section 29.

18 Q. And what is the name of the well involved today?

19 A. The name of the well is the Bradley 29 Federal
20 Com #4H Well.

21 Q. And there is an unorthodox location involved in
22 this application, correct?

23 A. Yes, there is.

24 Q. And we'll get to that later. What is the working
25 interest ownership in the well unit? And I'll refer you

1 to Exhibit 2.

2 A. Exhibit 2 describes the unit work and interest
3 which is in the north half north half, which has
4 Mewbourne Oil Company as having a 78.75 percent unit
5 working interest. It also lists the other interest
6 owners and also the owners to be forced pool. Those
7 owners to be pooled are indicated by an asteric.

8 Q. So there are five interest owners who need to be
9 force pooled, correct?

10 A. Correct.

11 Q. What is Exhibit 3?

12 A. Exhibit 3 is a copy of all of our correspondence
13 for guarding these proposed pooled owners. Out on the
14 first page it sets forth the summary of communications
15 between all these parties which were the parties being
16 the ones indicated by an asteric. All of these parties
17 and all the other owners were proposed our well via
18 certified mail with an AFE enclosed. This was on
19 October 26th, 2010. In lieu of their participation we
20 offered to purchase term assignments from them.

21 Q. And did you have any telephone conversations with
22 any of these persons?

23 A. I did not have any telephone conversations with
24 any of them. I did have some e-mail communications with
25 Clifford Cone, and those communications are attached as

1 part of the exhibit.

2 Q. Okay. Now, in so far -- and we'll get to this in
3 a little bit more in the notice -- Mewbourne has had
4 dealings with these same interest owners a number of
5 times over the past several years?

6 A. Yes, we have. Yes.

7 Q. And to your knowledge are all of the addresses to
8 which these letters were sent true and correct?

9 A. They are true and correct as far as we know.

10 Q. And in this case there are no unlocateable
11 owners, correct?

12 A. None.

13 Q. In your opinion has Mewbourne made a good faith
14 effort to obtain the voluntary joiner of the interest
15 owners in the well?

16 A. Yes, we have.

17 Q. And were all parties being pooled given notice of
18 this hearing by certified mail?

19 A. They were sent notice via certified mail.

20 Q. And is that reflected in Exhibit 4?

21 A. That's correct.

22 MR. BRUCE: Mr. Examiner, if you can go to
23 Exhibit 4, Kenneth Cone received actual notice, Marilyn
24 J. Cone, trustee, was mailed notice. I just picked up a
25 pink slip, and I will supplement the record after the

1 hearing. As Mr. Haden said, this address is correct for
2 Marilyn Cone. And I will submit a copy of the letter
3 showing that the notice was simply unclaimed.

4 Q. (By Mr. Bruce) And, Mr. Haden, have you had
5 similar issues with Marilyn K. Cone, trustee, insofar as
6 her picking up certified mail?

7 A. Yes, we have. She has always picked it up in the
8 past. And the last occurrence was last July. That
9 address that we had was the one where she picked up her
10 mail.

11 MR. BRUCE: And, Mr. Examiner, the final
12 page of that exhibit shows Clifford Cone.

13 Q. (By Mr. Bruce) And, again, Mr. Haden, to the
14 best of your knowledge that is a current and accurate
15 address for Mr. Cone in Lovington, New Mexico?

16 A. Correct. You'll also notice from a previous
17 exhibit, as to the correspondence, there's a copy of the
18 green card wherein he had signed it.

19 Q. Okay. So he picked up at this address?

20 A. Yes.

21 MR. BRUCE: And, Mr. Examiner, the letter to
22 me was simply unclaimed. So we believe that adequate
23 notice was given to the address there.

24 Q. (By Mr. Bruce) Mr. Haden, do you request that
25 Mewbourne Oil Company be appointed operator of the well?

1 A. Yes, we did.

2 Q. And do you have a recommendation for the amounts
3 which Mewbourne should be paid for supervision and
4 administrative expenses?

5 A. Those would be \$6,500 while the well is drilling
6 and \$650 per month as administrative for producing well.

7 Q. And are those amounts equivalent to those
8 normally charged by Mewbourne and other operators in
9 this area for wells of this depth?

10 A. Yes, they are. In fact, we have an operating
11 agreement covering the south half of the section that
12 had those same rates agreed to by all the parties.

13 Q. And do you request that these rates be adjusted
14 periodically as provided by the COPAS accounting
15 procedure?

16 A. Yes, we do.

17 Q. Does Mewbourne request that the maximum cost plus
18 a 200 percent risk charge be assessed if an interest
19 owner goes non-consent in the well?

20 A. Yes, we do.

21 Q. As part of these horizontal wells, the division
22 requires them to notify offset operators, what is
23 Exhibit 5?

24 A. Exhibit 5 sets forth the offset operators for the
25 surrounding acreage to our proposed basin unit.

1 Q. And were all of those parties, other than
2 Mewbourne, given notice of the non-standard portion of
3 this application?

4 A. They were given notice.

5 Q. And is that reflected in Exhibit 6?

6 A. That is correct.

7 Q. Finally, insofar as in our orthodox location will
8 the next witness, the engineer, give some testimony as
9 to the directional drilling plan and the well's
10 location?

11 A. Yes, he will.

12 Q. But what is the reason for the non-standard
13 surface location?

14 A. The non-standard surface location has -- because
15 existence of some significant sand dune features in the
16 area, the BLM required us to locate our well as we have
17 proposed. The unorthodox location is also because of
18 the Santo Nino special pool rules.

19 Q. And what are those Santo Nino pool rules?

20 A. It requires that you be 150 feet from the center
21 of the quarter quarter of the governmental section.

22 Q. And, again, notice was given to the offsets
23 insofar as the unorthodox location goes?

24 A. That's correct.

25 Q. Were Exhibits 1 through 6 prepared by you or

1 under your supervision or compiled from company business
2 records?

3 A. They were prepared by me.

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

6 A. Yes.

7 MR. BRUCE: Mr. Examiner, I move the
8 admission of Exhibits 1 through 6.

9 EXAMINER BROOKS: Exhibits 1 through 6 are
10 admitted.

11 MR. BRUCE: And I have no further questions
12 of the witness.

13 EXAMINER BROOKS: Okay. Thank you.

14 Mr. Haden, first of all on the location on
15 Exhibit 1, I believe you gave the footages. What were
16 the footages for the surface location?

17 THE WITNESS: That was 510 from north, 150
18 feet from the north line -- wait. 510 feet from the
19 north, 150 feet from the west line.

20 EXAMINER BROOKS: 510 from the north and 150
21 from the west.

22 THE WITNESS: Yes, sir.

23 EXAMINER BROOKS: Now, what were the
24 footages for the terminus?

25 THE WITNESS: The terminus being 510 feet

1 from the north line and 330 from the east line of
2 section 29.

3 EXAMINER BROOKS: Okay. Now, have you
4 computed the footages for the penetration point?

5 THE WITNESS: I have not. That could be
6 determined from testimony from our engineer.

7 EXAMINER BROOKS: It looks like it's in one
8 of the other exhibits.

9 MR. BRUCE: Yeah. We will be presenting an
10 engineer, Mr. Examiner.

11 EXAMINER BROOKS: Very good. Who is the
12 operator of the east half of section 30?

13 THE WITNESS: Currently it's Concho Oil and
14 Gas.

15 EXAMINER BROOKS: It's who?

16 THE WITNESS: Concho Oil and Gas. However,
17 we proposed a formation of a working interest unit the
18 for Bone Spring Formation whereby we would be the
19 designated operator for Bone Spring.

20 EXAMINER BROOKS: Okay. Now, Concho, were
21 they one of the people you gave notices? I didn't see
22 that here.

23 MR. BRUCE: No, we did not, Mr. Examiner.
24 That would be Exhibit 6.

25 EXAMINER BROOKS: Yeah, they're an offset

1 operator?

2 THE WITNESS: They do operate a couple of
3 wells over there, yes. I thought we had given them
4 notice.

5 MR. BRUCE: If necessary, we can continue
6 the case for four weeks.

7 EXAMINER BROOKS: I think we're going to
8 need to do that, especially because this is NSL. And
9 that would seem to be the particular tract. And we need
10 the NSL as well.

11 MR. BRUCE: That's fine. That's fine.

12 EXAMINER BROOKS: Okay. And on the
13 ownership on Exhibit 2, you had said, I believe, that
14 the Cones are the only people that are being proposed,
15 right?

16 THE WITNESS: Yes, sir.

17 EXAMINER BROOKS: Are they unleased mineral
18 interest owners?

19 THE WITNESS: Actually they own leasehold.

20 EXAMINER BROOKS: Okay. So they own an
21 interest in the lease?

22 THE WITNESS: Yes, up in the northeast,
23 northeast quarter.

24 EXAMINER BROOKS: Okay. Their interest is
25 confined to the northeast to the northeast?

1 THE WITNESS: Yes, sir.

2 EXAMINER BROOKS: These other people that
3 are listed here, other than Mewbourne, do they own
4 throughout the unit or do they own only a part?

5 THE WITNESS: They own only in the north
6 half of the northwest quarter.

7 EXAMINER BROOKS: North half of the
8 northwest?

9 THE WITNESS: Yes, sir.

10 EXAMINER BROOKS: Okay. So the Cones are in
11 the northeast of the northeast?

12 THE WITNESS: Correct.

13 EXAMINER BROOKS: And the Yates group is in
14 the northwest of the northwest?

15 THE WITNESS: North half of the northwest
16 quarter. And then Mewbourne Oil Company owns at
17 100 percent of the northwest of the northeast corner.

18 EXAMINER BROOKS: And they own undivided
19 interest in the other tracts?

20 THE WITNESS: Yes.

21 EXAMINER BROOKS: Okay. Same ownership to
22 all depths?

23 THE WITNESS: All depths as to the Bone
24 Spring Formation.

25 EXAMINER BROOKS: Yeah, the Bone Spring is

1 the formation you're drilling in?

2 THE WITNESS: Right. Correct.

3 EXAMINER BROOKS: And so it would be the
4 same ownership from the source to the base of the Bone
5 Spring?

6 THE WITNESS: No, it would not be. There's
7 a queen unit located in section 29.

8 EXAMINER BROOKS: Have you asked for a
9 surface to the top of the Bone Spring unit in this case?

10 MR. BRUCE: No, Mr. Examiner. We are only
11 seeking to the Bone Spring Formation.

12 EXAMINER BROOKS: Okay. So I don't need to
13 worry then.

14 MR. BRUCE: That is correct.

15 EXAMINER BROOKS: All right then. So that's
16 all my questions. Thank you.

17 EXAMINER JONES: Do you know what the Cones
18 do in Lovington? I lived there two years.

19 THE WITNESS: Well, Clifford Cone sometimes
20 shows up in Lovington. He's the only one that has
21 anything to do with Lovington now. He travels
22 extensively all the time. Tom Cone lives in Oklahoma,
23 Eastern Oklahoma somewhere. And his sister Kathy Cone
24 living in Dripping Springs, Texas. Kenneth Cone has an
25 address in Midland, but he is always out of town as

1 well.

2 EXAMINER JONES: Were they homesteaders out
3 there?

4 THE WITNESS: I think the Cone family
5 originally was, yes. And they own a lot of minerals
6 throughout Southeast New Mexico.

7 EXAMINER JONES: A tough place to homestead.

8 THE WITNESS: Yeah, very.

9 MR. BRUCE: Another thing that one of the
10 Cones did was marry the guy who started Superior Oil
11 Company.

12 EXAMINER BROOKS: The Superior Oil Company.

13 MR. BRUCE: The Superior Oil Company.

14 Excuse me, Mr. Examiner. And I think she's still alive
15 out in L.A.

16 EXAMINER BROOKS: Yeah. Somebody that
17 worked for them used to keep correcting me on that. It
18 was the Superior Oil Company.

19 MR. BRUCE: What was his name, Kec, K-e-c?

20 EXAMINER BROOKS: Yeah. Of course I
21 understand that somebody, after they merged into some
22 other company, somebody adopted the motto we are no
23 longer Superior.

24 MR. BRUCE: Yeah, Mobile brought them out.

25 EXAMINER BROOKS: Okay. Thank you.

1 Call your next witness.

2 MR. BRUCE: I call Mr. Robison to the stand.

3 DREW ROBISON

4 after having been first duly sworn under oath,

5 was questioned and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. BRUCE:

8 Q. Would you please state your full name and city of
9 residence?

10 A. My name is Drew Robison. I live in Midland,
11 Texas.

12 Q. And who do you work for and in what capacity?

13 A. I'm a reservoir engineer for Mewbourne Oil
14 Company.

15 Q. Have you previously testified before the
16 division?

17 A. No, I have not.

18 Q. Would you summarize your educational and
19 employment background for the examiner?

20 A. I graduated in 2005 from the University of
21 Oklahoma with a degree in petroleum engineering. I went
22 to work for Mewbourne Oil Company at that point. I
23 worked for two and a half years as a drilling
24 completions engineer in both the Permian and Anadarko
25 Basin. And for the last two and a half years I've been

1 working as a reservoir engineer in the Permian Basin.

2 Q. Does your area of responsibility at Mewbourne
3 include this portion of Southeast New Mexico?

4 A. Yes, it does.

5 Q. And are you familiar with the drilling and
6 engineering matters related to the proposed well?

7 A. Yes, I am.

8 MR. BRUCE: Mr. Examiner, I tender
9 Mr. Robison as an expert petroleum engineer.

10 EXAMINER BROOKS: So qualified.

11 Q. (By Mr. Bruce) Mr. Robison, could you identify
12 Exhibit 7 for the Examiner?

13 A. Exhibit 7 is an AFE for the Bradley 29 Federal
14 Com #4H. And as you'll see the cost of casing point is
15 approximately \$2.2 million with the completed well cost
16 of \$3.6 million.

17 Q. And are these costs in line with the cost of
18 other wells pooled in the area of New Mexico?

19 A. Yes, they are. And, in fact, we recently drilled
20 wells to the section north in the north half of the
21 north half of section 20. And for that well the total
22 cost was around \$3.5 million.

23 Q. What is Exhibit 8?

24 A. Exhibit 8 is the directional drilling plan for
25 this well.

1 Q. I noticed the first page kind of cut off.

2 A. It did. I think the key points you can still see
3 in the table at the top. This was provided to us at our
4 request done by Baker Hughes. And if you'll see on the
5 table at the top we plan to drill vertically down to
6 7622. At that point we will kick off to drill
7 horizontally, kick off with the build rate of 10 degrees
8 of 100 feet to eventually land at a true vertical depth
9 of 8195.

10 Q. And will the entire producing portion of the well
11 bar be at orthodox locations for this pool?

12 A. No, it will not. Because our planned bottom hole
13 location is at 330 from the east line.

14 Q. And it should be 510 from the east line?

15 A. That's correct.

16 Q. But insofar as the western portion of the well
17 bar, will that be at an orthodox location?

18 A. I believe it will be. If you'll notice on this
19 curve -- well, the next exhibit has the acreage
20 dedication plat.

21 Q. Exhibit 9?

22 A. It shows the exact location of our first entry
23 point, our first producing interval.

24 The first point production will be 510 from the
25 north line and 715 from the west line.

1 Q. But the eastern portion of the well bar will also
2 be at an unorthodox location?

3 A. That's correct.

4 Q. Could you describe briefly for the Examiner how
5 Mewbourne completes these horizontal wells?

6 A. Yes. We do something slightly different than a
7 lot of people. We drill down to our kick off point and
8 then drill the curve at which point we finish our curve
9 and get to our landing point. We set seven-inch casing
10 and cement that casing back. And the reason for that is
11 to isolate the curve to decrease any additional drilling
12 problems and cut down on drag when you're moving the
13 drill string, you know, on down the hole and while
14 drilling also. We will then continue to drill out of
15 the seven inch and drill our lateral with the six- and
16 eight-inch bit to a TD. This well is going to TD at
17 12,750 measure depth. We run an open-hole packers and
18 port system, a packers plus system with 17 stages of
19 ports. So it's a little unique from what other people
20 do. But the AFE does reflect this also.

21 Q. And from an engineering standpoint do you believe
22 that each of the quarter quarter sections included in
23 the non-standard proration unit will be productive from
24 this particular interval of the Bone Spring?

25 A. Yes, I do. And we spaced those ports evenly

1 throughout because we feel that all of it contributes.

2 Q. And the geologist will get into this. But what
3 is the particular Bone Spring, what is the particular
4 target in this well?

5 A. This is the second Bone Spring sand. And we will
6 be landing towards the base of the second Bone Spring
7 sand.

8 Q. And Exhibit 9 is simply the C-102 and some of the
9 company documents that Mewbourne has prepared with
10 respect to APD for this well?

11 A. That's correct. It's the location plat. And
12 then there's the topo map and also an aerial photo.

13 Q. And were Exhibits 7, 8, and 9 compiled from
14 company business records?

15 A. Yes, they were.

16 Q. And in your opinion will the granting of this
17 application be in the interest of conservation and the
18 prevention of waste?

19 A. Yes.

20 MR. BRUCE: Mr. Examiner, I move the
21 admission of Mewbourne's Exhibits 7, 8, and 9.

22 EXAMINER BROOKS: Exhibits 7, 8, and 9 are
23 admitted.

24 MR. BRUCE: And I have no further questions
25 of the witness.

1 EXAMINER BROOKS: Okay. This is the point
2 you have marked on Exhibit 9, 510 from the north and 715
3 from the west. Well, let me ask you, are you familiar
4 with the term penetration point as it's used in the ODD
5 rules.

6 THE WITNESS: Yes.

7 EXAMINER BROOKS: You said this was the
8 beginning of the producing portion of the well bar. And
9 sometimes that's not the same as the penetration points.

10 THE WITNESS: Right.

11 EXAMINER BROOKS: Where are we at this
12 point? Are we at the penetration point or is the
13 penetration point somewhere in between 150 and 715?

14 THE WITNESS: No. The penetration point of
15 the Bone Spring will be in the vertical hole. So I
16 believe it will actually penetrate at 510 from the north
17 and 150 from the west. But as I mentioned, we will
18 isolate that curve and it will be isolated from
19 production. And that will be our first point of entry
20 and producing point.

21 EXAMINER BROOKS: Very good. Thank you.

22 Oh, do you know, are there other Bone Spring
23 wells in the immediate vicinity of this one?

24 THE WITNESS: Yes. There is both vertical
25 wells and horizontal wells.

1 EXAMINER BROOKS: Okay. Is there any trend
2 in this area as to whether the vertical wells, whether
3 they're drilled east/west or north/south.

4 THE WITNESS: Well, the horizontal wells, we
5 have drilled two wells in the immediate area and both of
6 them we've drilled east/west.

7 EXAMINER BROOKS: Okay. What about other
8 people drilling around in this immediate area?

9 THE WITNESS: In this township -- well, and
10 to the north EOG has a sand tank filled. And I would
11 say there's approximately 20 wells there and half of
12 them are north/south and half of them are east/west.

13 EXAMINER BROOKS: No particular trend?

14 THE WITNESS: No.

15 EXAMINER BROOKS: Okay. Thank you.

16 EXAMINER JONES: The seven inch, is it set
17 there at the 510 from the north and 715 from --

18 THE WITNESS: Yes. That is our point. We
19 will set seven inch and cement it.

20 EXAMINER JONES: Okay. And then you have no
21 trouble cementing that slanted portion a little?

22 THE WITNESS: No, we don't.

23 EXAMINER JONES: Then you drill out with six
24 and eight. Did you say you run liner?

25 THE WITNESS: Yes. We run a liner that has

1 open-hole packers and also ports. And it's the ball
2 drop system, the progressive ball drop.

3 EXAMINER JONES: Oh, wow. Is it logged
4 while drilling?

5 THE WITNESS: We typically run a gamma ray
6 while drilling the lateral and also a mud log.

7 EXAMINER JONES: Do you have any trouble
8 staying in zone?

9 THE WITNESS: No, we don't. It's a
10 relatively thick interval, approximately in 100 feet.
11 So it's fairly easy to stay in with good well control in
12 the area also.

13 EXAMINER JONES: How many feet per day do
14 you drill?

15 THE WITNESS: Typically in the lateral 600
16 to 750 feet a day.

17 EXAMINER JONES: Okay. Thanks a lot.

18 Q. (By Mr. Bruce) One follow-up question,
19 Mr. Robison. You and I had discussed this previously
20 when it comes to producability of each quarter quarter
21 section. Has Mewbourne drilled a number of wells where
22 there are no shows but then you complete the well and
23 you have a good well?

24 A. That's correct. A lot of our wells that we have
25 drilled, the horizontal section has very few shows and

1 they come and go sporadically. Like I said, we still
2 try to frag every 250 feet approximately and have still
3 made very good wells even when that's the case. And
4 even when we're not in quality sand the entire time.

5 EXAMINER BROOKS: Okay. Thank you.

6 MR. BRUCE: And we have one more witness, a
7 geologist, if we could give him a call.

8 EXAMINER BROOKS: I don't really know how to
9 do this, do you?

10 [Witness is contacted via telephone.]

11 THE WITNESS: This is David Rawlins.

12 MR. BRUCE: David, this is Jim Bruce and the
13 hearing is ongoing. And on the phone will be Examiner
14 David Brooks and Examiner Will Jones and then there is
15 also a court reporter here who needs to swear you in.

16 [Whereupon the witness was duly sworn.]

17 EXAMINER BROOKS: Can you hear me,
18 Mr. Rawlins?

19 THE WITNESS: Yes, I can.

20 DAVID RAWLINS

21 after having been first duly sworn under oath,
22 was questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BRUCE:

25 Q. Okay. Mr. Rawlins, could you please state your

1 full name and city of residence for the record?

2 A. David Michael Rawlins. Midland, Texas.

3 Q. And who do you work for?

4 A. Mewbourne Oil Company.

5 Q. And what's your job with Mewbourne?

6 A. I'm a geologist.

7 Q. Have you previously testified before the
8 division?

9 A. Yes, I have.

10 Q. And were your credentials as an expert petroleum
11 geologist accepted as a matter of record?

12 A. Yes.

13 Q. And are you familiar with the geology involved in
14 this application?

15 A. Yes, I am.

16 Q. And are you responsible as a geologist for this
17 area of Southeast New Mexico for Mewbourne?

18 A. Yes, I am.

19 MR. BRUCE: Mr. Examiner, I tender
20 Mr. Rawlins as an expert petroleum geologist.

21 EXAMINER BROOKS: So qualified.

22 Q. (By Mr. Bruce) Mr. Rawlins, you've prepared
23 three exhibits for this hearing, have you not?

24 A. Correct.

25 Q. Let's start with the first one, Exhibit 10, which

1 is a structure map. Could you identify that for the
2 Examiner and discuss its contents?

3 A. Okay. This is a structure map. On top are
4 horizontal objectives that we're drilling out here. The
5 scale of this map is one inch equals 2500 feet. The
6 contour interval is 50 feet, and the depth of this bed
7 is about 1 degree to the southeast. The blue circles
8 that you see on the map represent Bone Springs
9 production. The numbers that you see to the right of
10 the circles, the green numbers represent cumulative oil
11 production in thousand barrels of oil. The red numbers
12 represent cumulative gas production in million cubic
13 feet of gas. And the blue numbers on the bottom
14 represent cumulative water production in thousand
15 barrels of water. Now --

16 Q. Now -- go ahead.

17 A. Go ahead.

18 Q. I was going to say Mr. Robison has just testified
19 that your target in the proposed well is a second Bone
20 Springs sand. These particular existing Bone Spring
21 wells in section 29, where are they completed?

22 A. The wells in section 29 are completed in both the
23 first Bone Springs sand and the second Bone Springs
24 sand.

25 Q. And in particular the well in the northwest

1 quarter northwest quarter, is that a first Bone Springs
2 sand producer?

3 A. That is a well that's commingled in both the
4 first Bone Springs sand and the second Bone Springs
5 sand.

6 Q. Okay. Do you have anything further on that
7 exhibit?

8 A. No.

9 Q. Let's move on to your cross section. Could you
10 identify Exhibit 11 for the Examiner?

11 A. Okay. The cross section AA prime from the
12 previous map, the previous structure map, you can see
13 the location of the two wells off that map. And the
14 location is also shown in the lower right-hand corner.
15 It shows the two wells that are on the cross section.
16 The well on the -- well, the well on the left is the
17 Santo Nino 292. The log that you see on the left side
18 are the resistivity logs. The logs that you see on the
19 right side of that well are the density neutron logs.

20 And the horizontal target that we tried to stay
21 in horizontally is between the dashed green line and the
22 dashed blue line that you see on the cross section.

23 Q. Okay. Now, with respect to, you know, the
24 existing well out there, Mewbourne has drilled other
25 wells in the area or this pool, has it not?

1 A. Correct. Mewbourne discovered this pool.

2 Q. And in so far as you do have an existing well
3 there, has Mewbourne seen any evidence of interference
4 between particular wells?

5 A. Well, we've recently drilled a well a half a mile
6 or so south of this well. And we drilled past producing
7 wells and we did not see any interference as we drilled
8 past those.

9 Q. Let's move on to your final exhibit, Exhibit 12.
10 Could you identify that?

11 A. Exhibit 12 is an isopach map, a growth sand
12 isopach pack map. And basically it's the sand that you
13 see between the green and the blue line off that
14 previous cross section. And you can see that the
15 isopach shows a more or less east/west trend trending
16 sand lobe, you know, through this area. And that's why
17 we've targeted these wells in an east/west orientation
18 to say in a laterally continuous sandstone interval.

19 Q. And would you expect from a geological standpoint
20 that each quarter quarter section would contribute more
21 or less equally to production?

22 A. Yes, I would.

23 Q. Were Exhibits 10, 11 and 12 prepared by you?

24 A. They were prepared by me.

25 Q. And in your opinion was the granting of this

1 application in the interest of conservation and the
2 prevention of waste?

3 A. Yes.

4 MR. BRUCE: Mr. Examiner, I move the
5 admission of Mewbourne's Exhibits 10, 11, and 12.

6 EXAMINER BROOKS: 10, 11, and 12 are
7 admitted.

8 MR. BRUCE: And I have no further questions
9 of the witness.

10 EXAMINER BROOKS: Okay. In your opinion are
11 each of these quarter sections basically comparable as
12 Bone Spring prospects?

13 THE WITNESS: Yes.

14 EXAMINER BROOKS: Okay. So then in your
15 opinion the combining of the ownership in these four
16 tracts would not impair anyone's correlative rights?

17 THE WITNESS: That's correct.

18 EXAMINER BROOKS: Thank you.

19 Anything further?

20 MR. BRUCE: Not of this witness, no.

21 EXAMINER BROOKS: Okay. Then we can hang up
22 with him. Okay.

23 Oh, did you have any questions?

24 EXAMINER JONES: No, I don't.

25 EXAMINER BROOKS: Okay. Go ahead, Jim.

1 MR. BRUCE: Mr. Examiner, I don't think
2 Mr. Haden needs to get up on the stand. But there was
3 one additional issue with respect to notice.

4 Q. (By Mr. Bruce) Mr. Robison, the Examiner asked
5 about the operator of the east half of section 30, if it
6 was COG. Who does operate that.

7 A. Actually, I was mistaken. That's operated by
8 Chesapeake. Originally those wells in the east half
9 were drilled by Manzano. Then Manzano, those wells were
10 acquired by COG. That's where I came up with that. And
11 then the COG interest was later transferred to
12 Chesapeake.

13 Q. So there have been several permutations of Concho
14 or COG, correct?

15 A. Correct.

16 Q. And Chesapeake bought one of those COG or Concho
17 entities, correct?

18 A. Correct.

19 Q. And so operatorship of east section 30 ended up
20 in Chesapeake?

21 A. Correct.

22 EXAMINER BROOKS: Okay. So there's no
23 default in notice after all?

24 MR. BRUCE: That is correct.

25 EXAMINER BROOKS: Okay. Very good. In that

1 case, case number 14587 will be taken under advisement.

2 [Exhibits 1 - 12 were admitted.]

3 [Testimony concludes on case 14587.]

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14587,
heard by me on Jan 6, 2011.
David K. Brink, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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2
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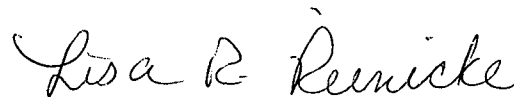
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