

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

Application of Mewbourne Oil Company for approval of
a non-standard oil spacing and proration unit an
unorthodox well location and compulsory pooling,
Eddy County, New Mexico.

ORIGINAL

Case No. 14643

May 12, 2011
8:20 a.m.
Santa Fe, New Mexico

HEARING EXAMINERS: DAVID BROOKS AND WILLIAM JONES

For The Applicant:

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THE WITNESSES:
CORY MITCHELL
JASON LODGE

EXHIBITS

1. Map
2. Ownership List
3. Summary of Communications
4. Authorization
5. Affidavit of Notice
6. Affidavit of Publication
7. List of Offset Ownership
8. Affidavit of Notice
9. Map
10. Map
11. Production Table
12. Planning Report

1 (In Session at 8:20.)

2 HEARING EXAMINER JONES: Let's call case
3 14643, Application of Mewbourne Oil Company for
4 approval of a non-standard oil spacing and proration
5 unit an unorthodox oil well location and compulsory
6 pooling, Eddy County, New Mexico. Call for
7 appearances.

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

11 HEARING EXAMINER JONES: Any other
12 appearances? Will the witnesses please stand and
13 state your name.

14 MR. MITCHELL: Cory Mitchell.

15 MR. LODGE: Jason Lodge.

16 CORY MITCHELL
17 after having been first duly sworn under oath,
18 was questioned and testified as follows:

19 EXAMINATION

20 BY MR. BRUCE

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

23 A. Cory Mitchell. I reside in Midland,
24 Texas.

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

1 A. Mewbourne Oil Company as a landman.

2 Q. Have you previously testified before the
3 division?

4 A. Yes.

5 Q. Were your credentials as an expert
6 petroleum landman accepted as a matter of record?

7 A. Yes.

8 Q. Are you familiar with the land matters
9 involved in this case?

10 A. Yes, sir.

11 MR. BRUCE: Mr. Examiner, I tender
12 Mr. Mitchell as an expert petroleum landman.

13 HEARING EXAMINER JONES: So qualified.

14 Q. Would you identify Exhibit 1 for the
15 examiner and describe the well involved in this
16 application.

17 A. Exhibit 1 is a Midland Map Company land
18 plat which includes our Section 15 and 22 of
19 township 20 south range 25 east. We are seeking an
20 order approving a non-standard well unit comprised
21 of the west half southwest of Section 15 and
22 approval of unorthodox well location as well as
23 pooling all unleased mineral oil owners in
24 Glorieta-Yeso formation.

25 Q. What is the name of the proposed well?

1 A. This is the Limousine 15 ML No. 1H.

2 Q. And what is its surface location and its
3 bottom hole location?

4 A. Surface location is 245 feet from the
5 north line and 370 feet from the west line of
6 section -- of the joining Section 22. And the
7 bottom hole location is 2310 feet from the south
8 line and 370 feet from the west line of Section 15.

9 Q. And will the producing interval be located
10 wholly within the west half southwest quarter of
11 Section 15?

12 A. Yes.

13 Q. Will the producing interval be orthodox?

14 A. Yes, sir.

15 Q. Why is the surface location in Section 22?

16 A. We put it in Section 22 to maximize the
17 length of the production portion of the wellbore.

18 Q. And what will be the entry point in the
19 Yeso-Glorietta?

20 A. It's approximately 120 feet from the north
21 line and 370 feet from the west line of Section 22.

22 Q. So the penetration point is actually
23 outside the well unit?

24 A. Yes, sir.

25 Q. What is the working interest ownership of

1 the well? And I refer you to Exhibit 2.

2 A. Exhibit 2 is our track ownership in the
3 well. It lists all the parties that are committed
4 except for the individuals that are noted with an
5 asterisk.

6 Q. So the people with the asterisk are those
7 who you seek to force pool?

8 A. Correct. Yes, sir.

9 Q. I note that all except Mr. Parker are
10 unlocatable; is that correct?

11 A. That's correct.

12 Q. Could you identify Exhibit 3 for the
13 examiner?

14 A. Exhibit 3 is a summary of my
15 communications with Mr. Parker, who was the only
16 individual here we were able to locate. Page 1 is a
17 quick summary of my communications and attached are
18 the actual communications themselves, copies of.

19 Q. And has Mewbourne force-pooled Mr. Parker
20 before?

21 A. Yes, sir.

22 Q. And so quite a number of times, I believe?

23 A. Yes, sir. We have pooled these
24 individuals three or four wells in the same section.

25 Q. And Mr. Parker, you contacted Mr. Parker

1 for those wells also?

2 A. Correct, yes, sir.

3 Q. And never received a response from him?

4 A. No, sir.

5 Q. What did you do to attempt to locate the
6 unlocatable interest owners?

7 A. As mentioned previously, we have come
8 across these people in three or four other wells, so
9 we tried to locate them a number of times by through
10 the internet searches and looking through the
11 records in the county as well as trying to locate
12 them through the other people, the other owners in
13 the section. Just have been unsuccessful.

14 Q. Some of the other owners in the section
15 are related to the heirs?

16 A. Correct.

17 Q. In your opinion, has Mewbourne made a good
18 faith effort to obtain the voluntary joinder of
19 interest owners in the well or to locate the
20 interest owners in the well?

21 A. Yes, sir.

22 Q. What is Exhibit 4?

23 A. Exhibit 4 is our AFE for this well, which
24 lists our estimated costs.

25 Q. What is the completed well cost?

1 A. Well, we have a dry hole cost of \$820,100
2 and a completed well cost of \$2,015,400.

3 Q. Are these costs in line with the cost of
4 other wells drilled in this depth in this area of
5 New Mexico?

6 A. Yes.

7 Q. Do you request that Mewbourne be appointed
8 operator of the well?

9 A. Yes.

10 Q. What overhead rates do you recommend for
11 the well?

12 A. We are requesting 6,000 a month for
13 drilling and 600 a month for producing.

14 Q. Are these amounts equivalent to those
15 normally charged by Mewbourne and other operators in
16 this area for wells of this depth?

17 A. Yes, sir.

18 Q. Do you request that the overhead rates be
19 adjusted periodically as provided by the COPAS
20 accounting procedure?

21 A. Yes, sir.

22 Q. And do you request that the maximum cost
23 plus 200 percent risk charge be assessed against the
24 non-consenting interest owner?

25 A. Yes, sir.

1 Q. And was Mr. Parker notified of this
2 hearing by certified mail?

3 A. Yes, sir.

4 Q. And is that reflected in Exhibit 5?

5 A. Yes, sir.

6 MR. BRUCE: Mr. Examiner, Exhibit 6 is an
7 affidavit of publication from the Carlsbad newspaper
8 for the unlocatable interest owners.

9 Q. What is Exhibit 7, Mr. Mitchell?

10 A. Exhibit 7 is a list of the offset
11 ownership to the non-standard well and unorthodox
12 location.

13 Q. The only other offset operator is Echo
14 Production; is that correct?

15 A. That is correct.

16 Q. But insofar as the -- everybody -- I think
17 you say the west half of Section 15 is under a JOA
18 except the people you are seeking to force-pool?

19 A. Correct. Under the same JOA and are
20 parties to this well.

21 Q. But as to the unorthodox location, did you
22 notify -- were the non-operating working interest
23 owners notified in the north half northwest quarter
24 of Section 22 as to the well unit and the unorthodox
25 location?

1 A. Yes, sir.

2 Q. And is that reflected in Exhibit 8?

3 A. Yes, sir.

4 MR. BRUCE: Mr. Examiner, I note that all
5 of the offsets did receive actual notice. There are
6 signed cards. There's one other thing,
7 Mr. Examiner, and that is I forgot to get the notary
8 to sign it and I will submit a signed affidavit of
9 publication later today.

10 HEARING EXAMINER BROOKS: Very good.
11 Thank you.

12 Q. Were Exhibits 1 through 8 prepared by you
13 or under your supervision or compiled from competent
14 business records?

15 A. Yes, sir.

16 Q. In your opinion is the granting of this
17 application in the interest of conservation and the
18 prevention of waste?

19 A. Yes, sir.

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

22 HEARING EXAMINER JONES: Exhibits 1
23 through 8 will be admitted.

24 MR. BRUCE: I pass the witness.

25 HEARING EXAMINER BROOKS: What's the

1 surface location in Section 22?

2 THE WITNESS: It's 245 feet from the north
3 line and 370 feet from the west line of Section 22.

4 HEARING EXAMINER BROOKS: Point of
5 penetration is 120 from the north line and 370 from
6 the west?

7 THE WITNESS: Yes, sir.

8 HEARING EXAMINER BROOKS: And the bottom
9 hole?

10 THE WITNESS: It is 2310 feet from the
11 south line and 370 feet from the west line of
12 Section 15.

13 HEARING EXAMINER BROOKS: When you said
14 the producing interval is entirely in Section 22,
15 you meant the perforated interval, I assume?

16 THE WITNESS: In section 15.

17 HEARING EXAMINER BROOKS: Section 15?

18 THE WITNESS: Yes, sir.

19 HEARING EXAMINER BROOKS: And, of course,
20 the term producing interval is defined in the OCD
21 rules as beginning at the part of penetration, so if
22 you used the term producing interval in the way that
23 the OCD rules use it instead of the way everybody
24 else uses it, that would not be a true statement, as
25 I understand it, because the actual point where the

1 hole enters the target formation is in Section 22.

2 THE WITNESS: Okay.

3 HEARING EXAMINER BROOKS: Now, what is the
4 target formation? I must have missed that somehow.

5 THE WITNESS: It is the Yeso formation.

6 HEARING EXAMINER BROOKS: Are you asking
7 for any pooling of any other formations or just the
8 Yeso?

9 THE WITNESS: Just the Yeso.

10 HEARING EXAMINER BROOKS: Do you know what
11 pool this is in?

12 THE WITNESS: It's the North Seven Rivers
13 Glorieta-Yeso pool.

14 HEARING EXAMINER BROOKS: And, let's see.
15 Anything else? These people that you can't locate,
16 are they unleased mineral -- owners of unleased
17 mineral interests?

18 THE WITNESS: Yes, sir.

19 HEARING EXAMINER BROOKS: Okay. I guess
20 that's all I have.

21 HEARING EXAMINER JONES: Okay. Say again
22 the COPAS? How much drilling rate?

23 THE WITNESS: 6,000 a month for drilling
24 and 600 a month for producing.

25 HEARING EXAMINER JONES: Has anything else

1 changed from the application to today as far as you
2 know?

3 THE WITNESS: No, sir.

4 HEARING EXAMINER JONES: The locations are
5 all the same?

6 THE WITNESS: Yes, sir.

7 HEARING EXAMINER JONES: Did you know the
8 middle initial of any of these people that were not
9 located?

10 THE WITNESS: No, sir. This is how their
11 name is reflected of record.

12 HEARING EXAMINER JONES: In Eddy County?

13 THE WITNESS: Yes, sir.

14 HEARING EXAMINER JONES: They didn't put
15 their initial or maiden names or anything?

16 THE WITNESS: No, sir.

17 HEARING EXAMINER JONES: Echo is the only
18 operator. Do they actually have a well in Section
19 22 in Unit D.

20 THE WITNESS: They have a well in Section
21 16, Echo does, to the west.

22 HEARING EXAMINER JONES: Okay. So who
23 owns the Unit D of Section 22?

24 THE WITNESS: Mewbourne is operator, yes,
25 sir.

1 HEARING EXAMINER JONES: You guys have a
2 well?

3 THE WITNESS: Yes, sir.

4 HEARING EXAMINER JONES: And I forgot if
5 David asked this. Is the curve of the well cased?
6 In other words, the first perforation is going to be
7 in Section 15?

8 THE WITNESS: Yes, sir. When we are legal
9 in 15, 330 from the south line.

10 HEARING EXAMINER JONES: There won't be an
11 open hole interval in the well?

12 THE WITNESS: I do not believe so, but I
13 would have to defer that to the next witness, Jason
14 Lodge, who will be better able to explain all that.

15 HEARING EXAMINER JONES: I don't have any
16 more questions. Thank you very much.

17 HEARING EXAMINER BROOKS: Thank you.

18 JASON LODGE
19 after having been first duly sworn under oath,
20 was questioned and testified as follows:

21 EXAMINATION

22 BY MR. BRUCE

23 Q. Would you please state your name and city
24 of residence?

25 A. Jason Lodge. Tyler, Texas.

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

2 A. Mewbourne Oil Company as a geologist.

3 Q. Have you previously testified before the
4 division?

5 A. Yes, I have.

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

8 A. Yes.

9 Q. Does your area of responsibility at
10 Mewbourne include this portion of Southeast New
11 Mexico?

12 A. Yes.

13 Q. Are you familiar with the geology involved
14 in this case?

15 A. Yes.

16 MR. BRUCE: Mr. Examiner, I tender
17 Mr. Lodge as an expert petroleum geologist.

18 HEARING EXAMINER JONES: He is so
19 qualified.

20 MR. BRUCE: Mr. Examiner, when I put the
21 exhibits together, I put -- the exhibit that's on
22 top should be the second exhibit.

23 Q. Mr. Lodge, could you identify Exhibit 9
24 for the examiner?

25 A. Exhibit 9 is my base map. It also

1 includes structure in the top of the Yeso. You can
2 see the structure is kind of gently dipping to the
3 east southeast. A couple things of note on this
4 map. The pink or purplish dots are Yeso producers
5 in the area, which are the most important ones to
6 pay attention to here.

7 Also you can see in Section 15 I have the
8 proposed wellbore path laid out in red with the
9 surface location in Section 22 just next to our
10 vertical well, and then I also have the
11 cross-section line which I will be talking about
12 next.

13 Q. Move on to Exhibit 10.

14 A. Exhibit 10 is the A to A prime, which
15 includes two wells in this area. One in Section 22D
16 and then 15M. Basically this shows just the
17 interval that we're going to be targeting. The pink
18 up there is the top of the Glorieta and my green is
19 the top of the Yeso. You can see the red boxes are
20 the interval which we perforated on the vertical
21 wells. I've also included how we fracked them and
22 we have also got exactly where we plan on targeting.

23 Again, this is the Yeso. We don't use the
24 nomenclature but it's the same as a paddock. On the
25 vertical wells we generally fracked 300 to 200,000

1 gallons, 150,000 sand, one to two stages. Depends
2 on how deep we are going. You can see we split it
3 up. On the 22D we did one stage at 300,000 gallons
4 and 150,000 sand. On 15M we did two different
5 stages, one lower. We had a smaller frac of 100,000
6 gallons and an upper frac of 200,000 gallons. The
7 reason we had a smaller one on the bottom is because
8 we were worried about water from below.

9 Q. This particular well that we are here for
10 today, you will not be completing in the Glorieta
11 interval, will you?

12 A. No, we will not.

13 Q. What is Exhibit 11?

14 A. Exhibit 11 is a production table that I
15 put together. It's all the wells, all the pink dots
16 that you see on Exhibit 9. So I won't go through
17 all of them, but on the second page there's just a
18 couple things that I want to note. The well, the
19 Limousine 15C to D Fed Com No. 1H is a horizontal
20 well we drilled about ten months ago. It has cumed
21 so far 54,000 barrels of oil, 33,000 barrels of
22 water. Another one is 15 FDE, another horizontal
23 well we drilled three and a half months ago. It's
24 cumed 10,000 barrels of oil.

25 If you keep going down to the Limousine

1 15L, we've cumed 15,000 barrels of oil in about a
2 year and a half. So horizontal production is much
3 better and we get more oil quickly, which is the
4 reason we are doing it.

5 Also another thing to note is between the
6 15M and the 15N, you can see there's a big
7 difference in water production so we are pretty
8 close to the edge here between a wet vertical well
9 and one that's not, one that's about one-to-one or
10 so. The 15M made 15,000 barrels of water, 21,000 of
11 water. While the 15N made 9,000 barrels of oil,
12 75,000 barrels of water producing in the same zone.

13 Q. Roughly, in many of these wells have you
14 found that the oil to water is roughly one-to-one?

15 A. For the horizontals, yes, for the most
16 part.

17 Q. And finally, what is Exhibit 12? If you
18 could discuss how Mewbourne drills and completes its
19 horizontal wells?

20 A. Exhibit 12 is the horizontal drilling plan
21 from DDC, the Direction Drilling Company. Basically
22 what we do, we will drill through the curve. We
23 will set seven-inch when we land it and then we do
24 the open hole packers, packers and ports completion.
25 So generally we will run on 80-acre horizontal like

1 this one, we'll run ten or nine ports, depending on
2 how many the management tells us we can do, but it's
3 generally 200 to 220 feet apart is how we space
4 them.

5 As far as fracs, we will do anywhere
6 from -- we have done anywhere from 60,000 gallons
7 per port to 120,000 gallons per port. Here we will
8 probably do around 100,000 gallons per port.

9 Q. Based on your geology, do you expect each
10 port or quarter section to contribute to production?

11 A. Yes, I do.

12 Q. And based on the production you have seen,
13 would you expect each port or quarter section to
14 contribute more or less equally to production?

15 A. Yes.

16 Q. Were Exhibits 9 through 12 prepared by you
17 or under your supervision?

18 A. Yes, sir.

19 Q. In your opinion, is the granting of this
20 application in the interest of conservation and the
21 prevention of waste?

22 A. Yes.

23 MR. BRUCE: Mr. Examiner, I move the
24 admission of Exhibits 9 through 12.

25 HEARING EXAMINER JONES: Admitted.

1 (Note: Exhibit 9 through 12 admitted.)

2 MR. BRUCE: I have no further questions of
3 the witness.

4 HEARING EXAMINER JONES: Okay. The
5 horizontal well path, before I forget to ask, 10
6 degrees per hundred, it looks like?

7 THE WITNESS: Yes.

8 HEARING EXAMINER JONES: And you said you
9 land -- where you land the seven-inch, but where did
10 you say you land the seven-inch? Where is the
11 extent of the seven-inch casing?

12 THE WITNESS: It will be most likely -- it
13 will be legal, so it will be 580 feet from the
14 surface.

15 HEARING EXAMINER BROOKS: Okay.

16 THE WITNESS: So takes us 580 feet to turn
17 until we land.

18 HEARING EXAMINER JONES: So the seven-inch
19 will be landed inside Section 15?

20 THE WITNESS: Yes.

21 HEARING EXAMINER JONES: And it will be
22 cemented back?

23 THE WITNESS: Correct.

24 HEARING EXAMINER JONES: No pilot hole on
25 this one?

1 THE WITNESS: No pilot hole. We have good
2 vertical production, control in the area.

3 HEARING EXAMINER JONES: So you log it
4 then? Drill the hole and log it and run the four
5 and a half?

6 THE WITNESS: We run gamma ray through the
7 curve and pull the gamma ray off and do mud logs
8 through the lateral. I do believe we log the
9 vertical before we make our turn.

10 HEARING EXAMINER JONES: No logs, no
11 electric logs through the horizontal?

12 THE WITNESS: None planned at this time.

13 HEARING EXAMINER JONES: Two-man mud
14 logger out there?

15 THE WITNESS: Yes.

16 HEARING EXAMINER JONES: Is it all
17 remotely transmitted to you, the data?

18 THE WITNESS: Yes, it is. We get updates
19 multiple times a day.

20 HEARING EXAMINER JONES: So this kickoff
21 point, is that -- I don't have a real feel for the
22 thickness of the Glorieta. I guess you have it
23 here. So the kickoff point would be above the
24 Glorieta?

25 THE WITNESS: It will be, yes, that's

1 correct. So it will be in the San Andres.

2 HEARING EXAMINER JONES: The wet portion
3 of the San Andres? Is it wet or not productive?

4 THE WITNESS: Not productive here, most
5 likely, but it is in some areas around here.

6 HEARING EXAMINER JONES: So the pool
7 actually starts at the top of the Glorieta, and is
8 that pretty easy to pick?

9 THE WITNESS: It is, yes. It's just the
10 top of the sands that come through. I don't have
11 resistivity on these logs, but you can really see it
12 in the resistivity.

13 HEARING EXAMINER JONES: How do you pick
14 the target goal in the paddock?

15 THE WITNESS: Generally we just go for the
16 best porosity. We also look for the best shows.
17 But we have moved up and down a little bit as far as
18 we change our philosophy a little bit. We've moved
19 it up because we are worried about water coming from
20 below. But for the most part, we just pick the best
21 porosity with the best show and go for that.

22 HEARING EXAMINER JONES: Do your engineers
23 tell you about the fracs, how much of the reservoir
24 they are contacting above?

25 THE WITNESS: Yes.

1 HEARING EXAMINER JONES: How much?

2 THE WITNESS: We think 200 to 250 feet is
3 how much we grow up. We think we grow up more than
4 we grow down.

5 HEARING EXAMINER JONES: So you are
6 packing sand through the growth interval?

7 THE WITNESS: Yes.

8 HEARING EXAMINER JONES: 200 feet up? And
9 just a little bit down?

10 THE WITNESS: Yeah, just a little bit
11 down. We have run some microseismic in the area.
12 Actually in the same section. So we have a pretty
13 good idea of what it does. We think it grows in
14 kind of cigar-shaped fracs that go kind of in a
15 northeast southwest direction.

16 HEARING EXAMINER JONES: So you picked the
17 north direction to drill your well?

18 THE WITNESS: Yes.

19 HEARING EXAMINER JONES: But the frac is
20 going to leave the wellbore and curve just a little
21 bit northeast?

22 THE WITNESS: It will go northeast to
23 east/west is what we think. We think more
24 northeast.

25 HEARING EXAMINER JONES: You didn't want

1 to drill the well east/west?

2 THE WITNESS: No. The reason being is we
3 have some vertical production in the area, so this
4 was a better spot for it. You notice we have gone
5 east/west just north of that well, so we have good
6 east/west and north/south of those in the area.

7 HEARING EXAMINER JONES: And within this
8 spacing unit, how many vertical wells do you already
9 have?

10 THE WITNESS: Within this 80-acre well
11 unit we have two vertical wells.

12 HEARING EXAMINER JONES: So you will have
13 two verticals and one horizontal?

14 THE WITNESS: Correct.

15 HEARING EXAMINER JONES: I think that's
16 about all. I will pass it to David.

17 HEARING EXAMINER BROOKS: Just overall
18 conclusions. Do you believe that these 80-acre
19 horizontal wells are reasonable way to develop the
20 Yeso in this vicinity?

21 THE WITNESS: Yes, I do.

22 HEARING EXAMINER BROOKS: We have two
23 40-acre units be being, in effect, pooled here. Do
24 you believe that they will contribute somewhat
25 equally to production?

1 THE WITNESS: Yes, I do.

2 HEARING EXAMINER JONES: Both of them will
3 contribute?

4 THE WITNESS: Yes, that's my opinion.

5 HEARING EXAMINER BROOKS: That's all.

6 HEARING EXAMINER JONES: Thank you. That
7 concludes No. 14643. We will take it under
8 advisement.

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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. _____
heard by me on _____.

_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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



JAN GIBSON, CCR-RPR-CRR
New Mexico CCR No. 194
License Expires: 12/31/11