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I N D E X

January 10, 1991
Examiner Hearing
Case No. 10214

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

D. PAUL HADEN

Direct Examination by Mr. Bruce
Examination by Examiner Catanach
Examination by Mr. Stovall

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DAVID SHATZER

Direct Examination by Mr. Bruce
Examination by Examiner Catanach

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APPLICANT'S EXHIBITS:

MRKD

ADMTD

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2.	5	10
3.	5	10
4.	5	10
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6.	13	17
7.	13	17
8.	13	17

A P P E A R A N C E S

BEFORE: DAVID R. CATANACH, Hearing Examiner

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: HINKLE, COX, EATON, COFFIELD & HENSLEY
Attorneys at Law
BY: JAMES G. BRUCE, ESQ.
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Suite 800
Albuquerque, New Mexico 87102

FOR OXY USA INC.: KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
BY: W. THOMAS KELLAHIN ESQ.
117 North Guadalupe
Santa Fe, New Mexico 87501

** * **

1 EXAMINER CATANACH: We'll call case 10214.

2 MR. STOVALL: Application of Mewbourne Oil Company for
3 compulsory pooling, Eddy County, New Mexico.

4 EXAMINER CATANACH: Are there appearances in this case?

5 MR. BRUCE: Mr. Examiner, I'm Jim Bruce from the Hinkle
6 law firm representing the applicant. I have two witnesses to
7 be sworn.

8 EXAMINER CATANACH: Any other appearances?

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the
10 Santa Fe law firm of Kellahin, Kellahin & Aubrey appearing on
11 behalf of Oxy USA Inc.

12 MR. STOVALL: The same two witnesses, Mr. Bruce?

13 MR. BRUCE: The geologist is different.

14 (Witnesses sworn.)

15 MR. BRUCE: Mr. Examiner, my first witness is Paul Haden,
16 who was previously sworn, and I would ask that the record
17 reflect the same, and qualified as an expert.

18 EXAMINER CATANACH: The record shall so reflect.

19 D. PAUL HADEN

20 the Witness herein, having been previously duly sworn, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BRUCE:

24 Q. Mr. Haden, would you briefly state what Mewbourne
25 seeks in this case.

1 A. Mewbourne Oil Company seeks an order pooling all
2 mineral interests from the surface to the base of the Morrow
3 formation underlying the east half of Section 29, Township 20
4 South, Range 27 East for all pools and formations. The east
5 half will be dedicated to all pools or formations based on 320
6 acres. The northeast quarter will be dedicated to all pools
7 and formations spaced on 160 acres. The south half of the
8 northeast quarter will be dedicated to all pools or formations
9 spaced on 80 acres. The southeast and northeast quarter will
10 be dedicated to all pools or formations based on 40 acres.

11 The unit will be dedicated to Mewbourne's Federal Z
12 Well Number 1 to be located at a standard location. Mewbourne
13 requests consideration of the cost of drilling and completing
14 the well, allocation of those costs, and approval of actual
15 operating costs and charges for supervision. Mewbourne asks
16 that it be designated as operator of the well and that a
17 charge for the risk involved in drilling the well be assessed.

18 (Applicant's Exhibits Nos. 1 through 5
19 were marked for identification.)

20 Q. Would you refer to Exhibits 1 and 2, describe their
21 contents for the examiner, and identify the interest owners
22 you seek to force pool.

23 A. Exhibit Number 1 is a land plat depicting our
24 proposed drilling and spacing unit in the east half of Section
25 29 which is shaded in yellow. Our location is indicated as a

1 red dot located 1980 feet from the north line and 660 feet
2 from the east line of Section 29. Exhibit Number 2 is a
3 listing of tract ownership wherein there are interest owners
4 who are currently uncommitted. I would like to point out,
5 however, that Oxy USA Inc. is hereby dismissed from this
6 pooling action as they have agreed and have signed the joint
7 operating agreement proposed to them. The other interest
8 owners are unknown heirs or dedicees of the estate of Myrtle
9 Stubblefield, deceased.

10 Q. Would those be the people listed there in numbers 3
11 through 12 on this listing?

12 A. Yes, sir, they would.

13 Q. What efforts have you made to get these interest
14 owners to join in the well? And I refer you first to Exhibit
15 Number 3.

16 A. Exhibit Number 3 is actually two letters, a letter
17 offering to lease their land.

18 Q. The heirs' land?

19 A. The heirs of Myrtle Stubblefield, and describing to
20 them that apparently there were nine different nieces listed
21 in her last will and testament. However, some of these nieces
22 have since died and left some heirs or unknown heirs.

23 Q. These people listed on Exhibit 2, have you
24 succeeded in leasing any of these people?

25 A. Yes, we have.

1 Q. And who would they be?

2 A. The persons leased would be Edna Blankenship, Mary
3 J. Lee, Lena Mae Ellis, Alma Hoyt, Josephine Hamilton, Kathryn
4 Johnson, Aileen Mantooth, John M. Russell. And Bobbie
5 J. Warden, apparently he is not an heir, but we did take a
6 lease from him as a precautionary matter.

7 Q. Referring back to Exhibit 2, are all the people
8 listed in items 3 through 12, are they still uncommitted?

9 A. They're still uncommitted as we have not been able
10 to locate them.

11 Q. And so you have no address for them other than the
12 address for the estate of Myrtle Stubblefield; is that
13 correct?

14 A. No, sir, I do not.

15 Q. And since these were unleased mineral interest
16 owners, did your efforts to get them to commit to the well
17 consist primarily of trying to obtain leases from certain of
18 the people?

19 A. Yes, we prefer to take leases from the heirs in
20 lieu of them joining in drilling of the well. This was
21 accomplished by way of negotiating with the heirs that we did
22 know about and, of course, the ones who we did previously
23 lease.

24 Q. Would you please now refer to Exhibit Number 4 and
25 discuss the cost of the well.

1 A. Exhibit Number 4 is an authorization for
2 expenditure. This is the proposed well costs, the estimated
3 well costs, I might add. The dry hole estimated cost is
4 \$477,805. A completed well cost is \$764,140.

5 Q. And is this well cost in line with those normally
6 encountered by Mewbourne in drilling wells to this depth in
7 Eddy County?

8 A. Yes, it is.

9 Q. And what is your recommendation for the supervision
10 and administrative expenses which Mewbourne should be paid?

11 A. We are recommending \$6,540 for a drilling well rate
12 and a \$654 assessment for a producing well rate. This is the
13 same well rate which has been agreed with Oxy. I think it
14 would be fair to also attach that assessment to the unleased
15 mineral owners.

16 Q. And you said these were the amounts that Oxy agreed
17 to; is that correct?

18 A. Yes, that is correct.

19 Q. And what penalty does Mewbourne recommend against
20 the nonconsenting interest owners?

21 A. Mewbourne Oil Company requests the well costs plus
22 200 percent.

23 Q. And is Exhibit 5 a copy of the notice letter sent
24 to the estate of Myrtle Stubblefield by my office?

25 A. Yes, that is correct.

1 Q. And, once again, the only address you had for those
2 heirs was the address care of Josephine Hamilton; is that
3 correct?

4 A. That is also correct.

5 Q. Are you continuing at this time to search for those
6 heirs?

7 A. Yes, we're continuing to search for the heirs.

8 Q. With the aim of leasing them if possible?

9 A. With the aim of leasing them. However, under the
10 terms of our joint operating agreement with Oxy USA Inc., we
11 have a spud date of March 31st, 1991.

12 Q. So you need to get this well in motion?

13 A. We would like to get this well drilling as soon as
14 possible.

15 Q. Were Exhibits 1 through 5 prepared by you, under
16 your direction, or compiled from company records?

17 A. Yes, they are.

18 Q. And in your opinion, will the granting of this
19 application be in the interests of conservation and the
20 prevention of waste?

21 A. Yes, sir.

22 MR. BRUCE: Mr. Examiner, I move the admission of
23 Exhibits 1 through 5

24 EXAMINER CATANACH: Exhibits 1 through 5 will be admitted
25 as evidence.

1 (Applicant's Exhibits Nos. 1 through 5
2 were admitted as evidence.)

3 EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. Mr. Haden, you said the only address you had was
6 for Josephine Hamilton?

7 A. That is correct. The reason being that she was the
8 executrix of the estate of Myrtle Stubblefield. I might add
9 she was coexecutrix. The other executrix has since died. The
10 heirs left by her estate, we have leased. Mrs. Hamilton, I
11 might add, did supply us with the addresses listed on the
12 letters dated September 28th, 1989.

13 Q. And have you since notified these parties?

14 A. These parties have been leased.

15 Q. Oh, these are the parties that have been leased?

16 A. Yes, uh-huh.

17 Q. I misunderstood. So the parties that have not been
18 leased are simply --

19 A. Listed in Exhibit Number 2, except for, of course,
20 Oxy.

21 Q. Those being numbered 1 through 12?

22 A. Well, the unleased owners are numbered 3 through
23 12, comprising a total percentage of the unit of 3.98437
24 percent.

25 MR. STOVALL: These are the unleased owners, and you've

1 also been unable to locate each and every one of them; is that
2 correct?

3 THE WITNESS: That is correct. We are still trying to
4 locate these individuals. But because of our commencement
5 date of the well, we need to allow us the opportunity to drill
6 this well now. We will continue to seek these owners and
7 lease them, and I'm fairly confident that eventually we can
8 and will.

9 Q. (By Examiner Catanach:) The percentage of
10 uncommitted interest is shown as 3.98437?

11 A. That is correct.

12 EXAMINATION

13 BY MR. STOVALL:

14 Q. Looking at your application, what you've testified
15 to is you're kind of seeking to pool everything that might be
16 relevant; right?

17 A. That's correct.

18 Q. To whatever size pool?

19 A. Uh-huh.

20 Q. At the present time in this area, there are no
21 80-acre pools. So there really isn't anything to pool
22 anything into for 80 acres; is that correct?

23 MR. BRUCE: Mr. Examiner, if I can answer that, I believe
24 that was correct. I threw that in as a catchall when I filed
25 the application because I was not sure of the pool spacing at

1 that time.

2 EXAMINER CATANACH: Okay.

3 Q. (By Mr. Stovall:) And if I read your Exhibit Number
4 2 and the application correctly, you really don't need to pool
5 the 40-acre tract. That's the southeast of the northeast, and
6 you don't have any missing people in the southeast of the
7 northeast; is that correct? All these unknown folks are in
8 the southwest of the northeast; am I reading your information
9 properly?

10 A. That is correct. The southeast of the northeast is
11 a federal lease owned by Mewbourne Oil Company.

12 Q. So that could actually be dismissed as far as that,
13 the 40-acre pool?

14 A. That is correct.

15 MR. STOVALL: That's it. I'm through.

16 EXAMINER CATANACH: And so am I. The witness may be
17 excused.

18 DAVID SHATZER

19 the Witness herein, having been first duly sworn, was examined
20 and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name for the record.

24 A. My name is David Shatzer.

25 Q. And where do you reside?

1 A. Midland, Texas.

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

3 A. I'm a petroleum geologist for Mewbourne Oil
4 Company.

5 Q. Have you previously testified before the OCD as an
6 expert geologist?

7 A. Yes, I have.

8 Q. And are you familiar with the geological matters
9 involved in this case?

10 A. Yes, I am.

11 MR. BRUCE: Mr. Examiner, is the witness acceptable?

12 EXAMINER CATANACH: He is.

13 (Applicant's Exhibits Nos. 6 through 8
14 were marked for identification.)

15 Q. (By Mr. Bruce:) Mr. Shatzer, would you please refer
16 to Exhibit Number 6 and describe its contents for the
17 examiner.

18 A. Exhibit Number 6 is a isopach, gross sand isopach
19 map done on the middle Morrow zone that I've labeled. I've
20 labeled them with colors as the purple zone or sand of the
21 middle Morrow section. And it is a isopach, which is mapping
22 the gross sand.

23 However, the first number represents net porosity
24 feet greater than or equal to seven percent. And the second
25 number is gross sand which is the mapping data point for each

1 of the wells shown. The wells that produce from this zone are
2 shown in the purple, lavender color on the map.

3 Q. Does the map also show all Morrow penetrations in
4 this area?

5 A. Yes. All the Morrow penetrations are designated by
6 the bold circles around the well bores.

7 Q. Would you please describe the trend of the porosity
8 in this area.

9 A. The trend of the purple sand is northwest,
10 southeast. The map shows that there's greater thicknesses of
11 the sand productive to the northwest and it becomes a linear,
12 more narrow channel trend as we come into the area of Section
13 29 in our proposed location. It is productive in a couple
14 wells to the southeast. Really there's a lack. There's about
15 a two- to three-mile portion where there's a lack of control
16 from the most of Section 29, most of Section 20, all the way
17 up to the producers in Section 18 and 19. There's a gap in
18 the control that we have along this channel system.

19 Q. So you're looking at Mewbourne's well in the
20 southwest quarter of Section 28; correct?

21 A. Yes.

22 Q. And there's a lack of well control for the next two
23 or three miles to the northwest; is that correct?

24 A. That is correct.

25 Q. And is the cross section R-R Prime also indicated

1 on that map?

2 A. Yes, it is, R-R Prime is located, starts in Section
3 19. The first well at the R location is the Sohio State 19
4 Com Number 1. It proceeds to the southeast through the
5 proposed location. The next well shown is the Mewbourne
6 Federal Q Number 1, and the last well on the cross section at
7 R Prime location is the Arco Conley Federal Number 1.

8 Q. Would you please move on to the cross section
9 marked Exhibit 7 and discuss those wells in a little more
10 detail.

11 A. The cross section shows the concentrates on the
12 middle Morrow section in this area, and I've highlighted the
13 purple sand zone showing that it is part of the productive
14 perms in the Sohio well that has made over 2 bcf. It should
15 be noted there is also productive perforations in the sands
16 immediately above this zone, but the purple target sand is
17 probably the biggest contributor to the production in that
18 well.

19 The purple sand is basically what is, with the
20 exception of four other feet, it's basically what is open in
21 our well. And production tests so far and first production of
22 the first few months show it to be a economic well. The last
23 well in the cross section is the Arco Conley Federal. It's
24 produced 2.2 bcf of gas, and they don't have this purple sand
25 present. Their production is coming out of the middle Morrow

1 sand found immediately above.

2 Q. Would you please move on to Exhibit 8 and discuss
3 production in this area in more detail.

4 A. The production map for this area shows the Morrow
5 producers in orange color, and it's the dominant reservoir in
6 this area. The wells vary from a high of 6.4 bcf in Section
7 18. There's a Yates well that made that 6.4 bcf. There is 2
8 bcf as previously mentioned in Section 19. There are poor
9 wells closer to the prospect in Section 18. There's a well in
10 the southwest of the southeast of Section 28 that only
11 produced 247 million from the Morrow. The well immediately
12 south in the northeast of Section 33 only produced 115 million
13 from the Morrow. And then there's the better producers
14 immediately south. The R Prime well, again, was over 2 bcf,
15 the Arco Conley Federal, and just south of that was a 5.6 bcf
16 well of Fasken.

17 Q. Based upon your testimony, what penalty do you
18 recommend against the nonconsenting interest owners?

19 A. I'm recommending a cost plus 200 percent penalty.

20 Q. You believe there's a geologic risk involved in
21 this well, do you not?

22 A. Yes, I do.

23 Q. Were Exhibits 6 through 8 prepared by you or under
24 your direction?

25 A. Yes, they were.

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

4 A. Yes, it is.

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

7 EXAMINER CATANACH: Exhibits 6 through 8 will be admitted
8 as evidence.

9 (Applicant's Exhibits Nos. 6 through 8
10 were admitted as evidence.)

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Mr. Shatzer, have you identified zones above the
14 Morrow which could potentially be productive?

15 A. Above the purple?

16 Q. Above the Morrow or above of the Pennsylvanian
17 formation.

18 A. Above the Morrow in this cross section? In the
19 area, you mean, or in the --

20 Q. In the general area, are there other producing
21 zones besides the Pennsylvanian?

22 A. Yes, there are. The red color denotes Strawn
23 production, and there's about eight to ten Strawn producers in
24 the Avalon field to the south. There's also Wolfcamp
25 production that's shown on my production map in the forest

1 green color in Section 28. There's also Bone Spring
2 production. It wasn't very good, but it's in Section 29. And
3 that's shown in dark blue. There's also Delaware production
4 in Section 27. And I don't have that color coded. I only
5 color coded what I considered the deeper formations. I didn't
6 color code the Delaware well in the northwest of 27. So there
7 are other scattered pays in the area.

8 Q. Okay.

9 A. Scattered.

10 Q. The primary target in the well is the Morrow
11 formation, the middle Morrow?

12 A. Yes, it is.

13 EXAMINER CATANACH: I believe that's all I have. The
14 witness may be excused. Anything further in this case? There
15 being nothing, case 10214 will be taken under advisement.

16 (The foregoing hearing was adjourned at the approximate
17 hour of 5:04 p.m.)

18
19
20 I do hereby certify that the foregoing is
21 a complete report of the proceedings in
22 the Examiner hearing of case No. 10214,
heard by me on January 16 1991.

23 David R. Catanach, Examiner
24 Oil Conservation Division
25

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

3 REPORTER'S CERTIFICATE

4
5
6 I, DEBORAH F. LAVINE, RPR, a Certified Court
7 Reporter and Notary Public, DO HEREBY CERTIFY that I
8 stenographically reported these proceedings before the Oil
9 Conservation Division; and that the foregoing is a true,
10 complete and accurate transcript of the proceedings of said
11 hearing as appears from my stenographic notes so taken and
12 transcribed under my personal supervision.

13 I FURTHER CERTIFY that I am not related to nor
14 employed by any of the parties hereto and have no interest in
15 the outcome hereof.

16 DATED at Santa Fe, New Mexico, this 11th of
17 February, 1991.

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My Commission Expires:
August 6th, 1993


DEBORAH F. LAVINE, RPR
Certified Court Reporter
CCR No. 252, Notary Public