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*NOT LICENSED IN NEW MEXICO

Florene Davidson
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Dear Florene:

Enclosed for filing are an original and two copies of a Pre-Hearing Statement in Case No. 10,689.

Very truly yours,

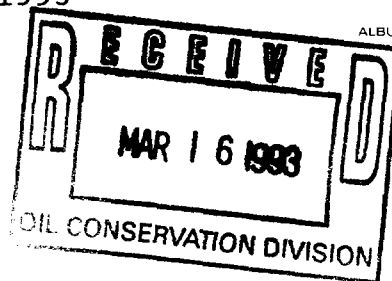
HINKLE, COX, EATON, COFFIELD
& HENSLEY

James Bruce
James Bruce

JB:frs
Enclosures

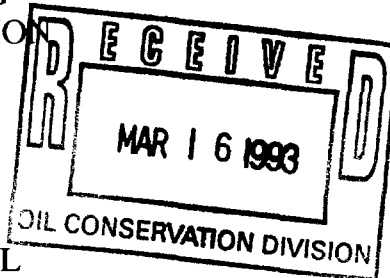
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JGB5\93562.c



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. 10,689

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

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Applicant as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Mewbourne Oil Company
Suite 1020
550 West Texas
Midland, Texas 79701
(915) 682-3715
Attention: D. Paul Haden

ATTORNEY

James Bruce
Hinkle, Cox, Eaton, Coffield
& Hensley
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

OPPOSITION OR OTHER PARTY ATTORNEY

STATEMENT OF CASE

APPLICANT

Applicant seeks to pool all interests in the W½ of Section 17 - 18 South - 28 East, from 500 feet below the top of the San Andres formation to the base of the Morrow formation. There are interest owners who have not agreed to commit their interests. Applicant proposes to drill a well to test the Morrow formation, and requests pooling of all pools or formations spaced on 160 and 320 acre spacing.

OPPOSITION

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
D. Paul Haden (Landman)	10 minutes	(a) Land plat (b) List of interest owners (c) Correspondence and telephone notes (d) AFE (e) Affidavit of Notice
David Schatzer (Geologist)	10 minutes	(a) Structure map (b) Production map (c) Isopach

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

PROCEDURAL MATTERS

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Mewbourne Oil Company

HINKLE, COX, EATON, COFFIELD & HENSLEY

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March 24, 1993

*NOT LICENSED IN NEW MEXICO

Michael E. Stogner
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Re: Case No. 10,689; Application of Mewbourne Oil Company
for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. Stogner:

This letter is submitted as you requested at the hearing on
March 18.

The location of the well in the above case is 1,980 feet FWL
and 2,180 feet FNL of Section 17, 18 South - 28 East, in Eddy
County. Mewbourne requested pooling of 160 acre and 320 acre units
(for a Morrow test well). At the hearing you asked Mr. Haden,
Mewbourne's landman, if the location was orthodox as to 160 acre
units, and Mr. Haden replied "Yes, I believe it is." You requested
written verification to substantiate Mr. Haden's statement.

After reviewing the rules, I state on Mewbourne's behalf that
the location is unorthodox as to 160 acre units. We could locate
no special pool rules which specified the above location as
standard. I discussed this matter with Mr. Haden: He informed me
that he thought that the location was orthodox under Rules
104(B)(1) and 104(C)(2) because it was no closer than 330 feet to
the quarter-quarter section line. Hence his statement at hearing.
He was incorrect, but it was a good faith mistake based on a mis-
reading of the rules.

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OIL CONSERVATION DIVISION
RECEIVED
MAR 24 1993

Michael E. Stogner
Page Two
March 24, 1993

I was responsible for filing the application, and I should have caught the non-standard location. I did not, and I apologize for the inconvenience. It was a simple mistake; I obviously concentrated on the standard location for the Morrow formation.

In short, both Mr. Haden and I made human errors. Mewbourne does request that you approve the application, but state in the order that if Mewbourne completes the well uphole in a 160 acre gas zone, that it be required to obtain approval of the unorthodox location pursuant to Rule 104(F).

Please contact me if you need anything further in this matter.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce

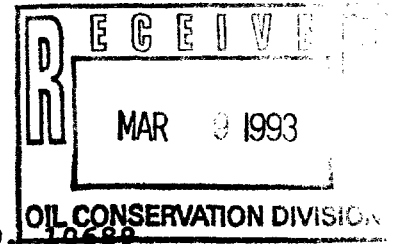
JB:frs

c: D. Paul Haden
Robert G. Stovall, Esq.

VIA HAND DELIVERY

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

IN THE MATTER OF THE HEARING
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CONSIDERING:



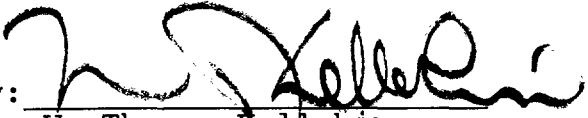
CASE NO. 10689

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

ENTRY OF APPEARANCE

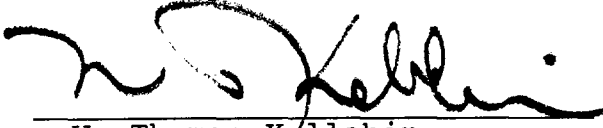
COMES NOW, W. THOMAS KELLAHIN of Kellahin and Kellahin,
and enters the firm's appearance on behalf of MARATHON OIL
COMPANY in the above captioned matter.

KELLAHIN and KELLAHIN

By: 
W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR MARATHON OIL COMPANY

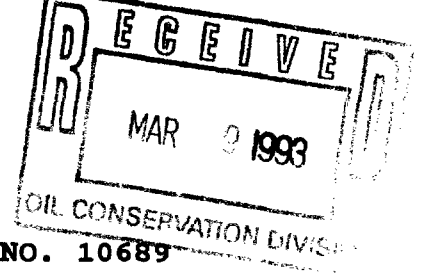
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Entry of Appearance was sent by U.S. Mail, postage pre-paid to James Bruce, Esq. of Hinkle, Cox, Eaton, Coffield and Hensley, P.O. Box 2068, Santa Fe, New Mexico 87504 and hand-delivered to William J. LeMay of the Oil Conservation Division, 310 Old Santa Fe Trail, Room 219, Santa Fe, NM 87501 on this 9th day of March, 1993.


W. Thomas Kellahin

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

IN THE MATTER OF THE HEARING
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EDDY COUNTY, NEW MEXICO

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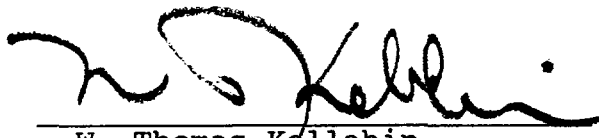
Santa Fe, New Mexico 87504

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ATTORNEYS FOR MARATHON OIL COMPANY

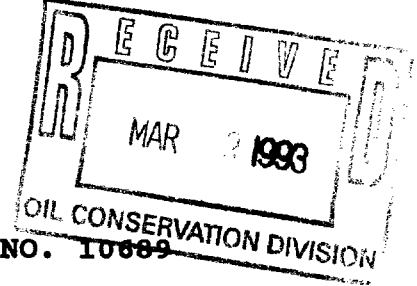
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W. Thomas Kellahin

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
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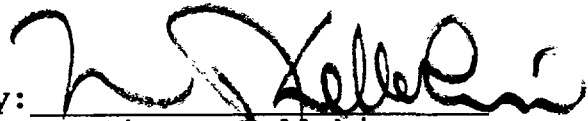


THE APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

ENTRY OF APPEARANCE

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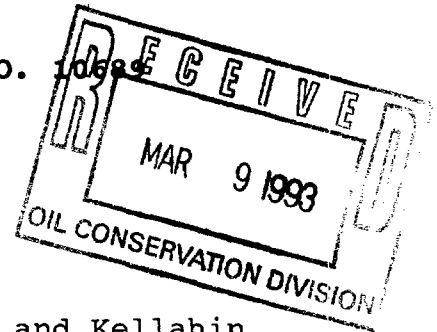

W. Thomas Kellahin

**STATE OF NEW MEXICO
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OIL CONSERVATION DIVISION**

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

CASE NO. 10589



ENTRY OF APPEARANCE

COMES NOW, W. THOMAS KELLAHIN of Kellahin and Kellahin,
and enters the firm's appearance on behalf of OXY USA, INC.
in the above captioned matter.

KELLAHIN and KELLAHIN

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR OXY USA INC.

CERTIFICATE OF SERVICE

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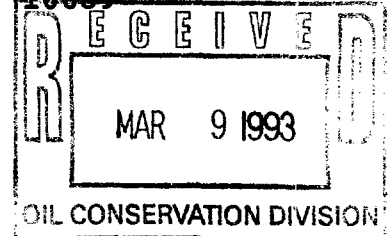

W. Thomas Kellahin

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

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


CASE NO. 10689



ENTRY OF APPEARANCE

COMES NOW, W. THOMAS KELLAHIN of Kellahin and Kellahin,
and enters the firm's appearance on behalf of OXY USA, INC.
in the above captioned matter.

KELLAHIN and KELLAHIN

By: 
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Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR OXY USA INC.

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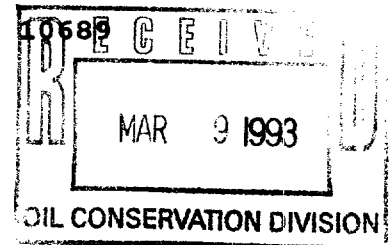

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STATE OF NEW MEXICO
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EDDY COUNTY, NEW MEXICO

CASE NO. 10689



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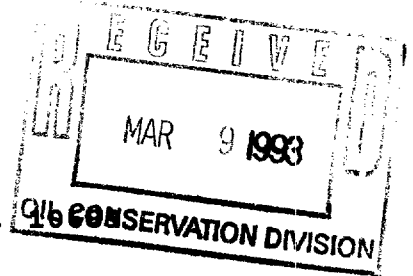

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EDDY COUNTY, NEW MEXICO**

CASE NO. 916 CONSERVATION DIVISION



ENTRY OF APPEARANCE

COMES NOW, W. THOMAS KELLAHIN of Kellahin and Kellahin,
and enters the firm's appearance on behalf of LOUIS DREYFUS
NATURAL GAS CORPORATION in the above captioned matter.

KELLAHIN and KELLAHIN

By: 

W. Thomas Kellahin

Post Office Box 2265

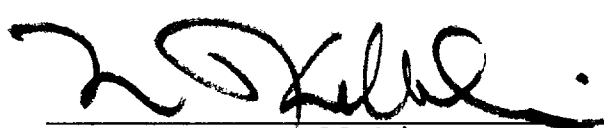
Santa Fe, New Mexico 87504

(505) 982-4285

ATTORNEYS FOR LOUIS DREYFUS NATURAL
GAS CORPORATION

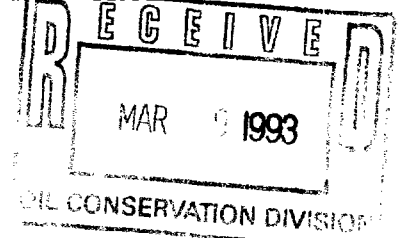
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EDDY COUNTY, NEW MEXICO

ENTRY OF APPEARANCE

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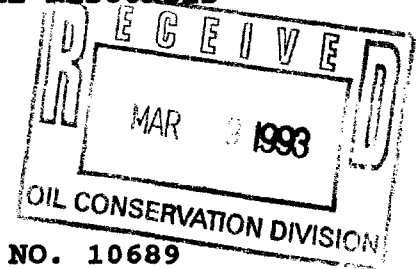
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By: 

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(505) 982-4285

ATTORNEYS FOR LOUIS DREYFUS NATURAL
GAS CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the
foregoing Entry of Appearance was sent by U.S. Mail, postage
pre-paid to James Bruce, Esq. of Hinkle, Cox, Eaton,
Coffield and Hensley, P.O. Box 2068, Santa Fe, New Mexico
87504 and hand-delivered to William J. LeMay of the Oil
Conservation Division, 310 Old Santa Fe Trail, Room 219,
Santa Fe, NM 87501 on this 9th day of March, 1993.


W. Thomas Kellahin

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

4 IN THE MATTER OF THE HEARING)
5 CALLED BY THE OIL CONSERVATION)
6 DIVISION FOR THE PURPOSE OF)
7 CONSIDERING:) CASE NO. 10689

8 APPLICATION OF MEWBOURNE OIL
COMPANY

9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

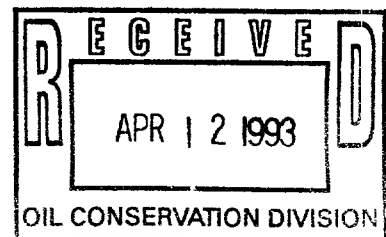
11 BEFORE: Michael E. Stogner, Hearing Examiner

12 March 18, 1993

13 Santa Fe, New Mexico

14
15 This matter came on for hearing before the
16 Oil Conservation Division on March 18, 1993, at the
17 Oil Conservation Division Conference Room, State Land
18 Office Building, 310 Old Santa Fe Trail, Santa Fe, New
19 Mexico, before Deborah O'Bine, RPR, Certified Court
20 Reporter No. 63, for the State of New Mexico.

21
22 **ORIGINAL**



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March 18, 1993
 Examiner Hearing
 CASE NO. 10689

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A P P E A R A N C E S

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
218 Montezuma
Santa Fe, New Mexico 87501
BY: JAMES G. BRUCE, ESQ.

FOR LOUIS DREYFUS KELLAHIN AND KELLAHIN
NATURAL GAS 117 N. Guadalupe
CORPORATION, Santa Fe, New Mexico 87501
MARATHON OIL BY: W. THOMAS KELLAHIN, ESQ.
COMPANY,
OXY USA, INC.:

1 EXAMINER STOGNER: Hearing will come to
2 order. Call next case No. 10689.

3 MR. STOVALL: Application of Mewbourne Oil
4 company for compulsory pooling, Eddy County, New
5 Mexico.

6 EXAMINER STOGNER: Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce from
8 the Hinkle Law Firm in Santa Fe, representing the
9 Applicant. I have two witnesses to be sworn.

10 EXAMINER STOGNER: Will the witnesses
11 please stand and be sworn at this time?

12 (Witnesses sworn.)

13 EXAMINER STOGNER: Mr. Kellahin?

14 MR. KELLAHIN: Mr. Examiner, I'm appearing
15 today on behalf of Louis Dreyfus Natural Gas
16 Corporation, Marathon Oil Company, and OXY USA, Inc.

17 EXAMINER STOGNER: Louis Dreyfus, OXY and?

18 MR. KELLAHIN: Marathon.

19 EXAMINER STOGNER: Do you have any
20 witnesses?

21 MR. KELLAHIN: No, sir.

22 EXAMINER STOGNER: Any other appearances?
23 We swore the witnesses in.

24 Mr. Bruce?

25 PAUL HADEN,

1 the witness herein, after having been first duly sworn
2 upon his oath, was examined and testified as follows:

3 EXAMINATION

4 BY MR. BRUCE:

5 Q. Would you please state your name for the
6 record.

7 A. My name is Paul Haden.

8 Q. And where do you reside?

9 A. I live in Midland, Texas.

10 Q. Who are you employed by and in what
11 capacity?

12 A. I am employed by Mewbourne Oil Company as a
13 petroleum landman.

14 Q. And have you previously testified before
15 the Division as a petroleum landman and had your
16 credentials accepted as a matter of record?

17 A. Yes, I have, and they were accepted.

18 Q. Are you familiar with the land matters
19 involved in this application?

20 A. Yes, I am.

21 MR. BRUCE: Mr. Examiner, I tender Mr.
22 Haden as an expert landman.

23 EXAMINER STOGNER: Mr. Haden is so
24 qualified.

25 Q. (BY MR. BRUCE) Mr. Haden, please state

1 briefly what it is that Mewbourne seeks in this case.

2 A. Mewbourne seeks an order pooling all the
3 mineral interests from 500 feet below the top of the
4 San Andres formation to the base of the Morrow
5 formation, underlying the west half of Section 17,
6 Township 18 South, Range 28 East, for all pools or
7 formations spaced on 160 and 320 acres.

8 Q. And what is the location of the well, and I
9 refer you to Mewbourne Exhibit 1?

10 A. Exhibit No. 1 is a land plat which
11 highlights the proposed 320-acre spacing unit. It
12 also designates the location of our well by pink dot.
13 This well is located 1,980 feet from the west line and
14 2,180 feet from north line of Section 17.

15 Q. Referring to Exhibit 2, who does Mewbourne
16 seek to force pool? And before you get to that, there
17 is a listing of ownership on this interest. Would you
18 first state specifically who on this list Mewbourne is
19 not seeking to force pool?

20 A. Okay. Mewbourne is not seeking to force
21 pool OXY USA, Inc., nor Corrine Grace.

22 Q. And you have recently come to terms with
23 those two parties, have you not?

24 A. Yes, we have.

25 Q. And even though they were notified of this

1 hearing, you do not seek to pool them?

2 A. That's correct.

3 Q. Are the other parties -- why don't you
4 identify then the parties you do seek to pool?

5 A. The parties which we do seek to force pool,
6 they are Phillips Petroleum Company, the Estate of
7 George M. Hatcher, deceased, his heirs and devisees,
8 Marathon Oil Company, Louis Dreyfus Gas Holdings,
9 Inc., and Louis Dreyfus Natural Gas Corporation, Yates
10 Petroleum Corporation, and also Michael P. Grace.

11 Q. And referring to Exhibit 3, could you
12 identify that for the examiner?

13 A. Exhibit No. 3 is a summary of
14 communications with the poolees prior to the hearing.

15 Q. And are the backup documentation for this
16 summary, the letters and the phone notes, marked
17 Exhibit 4?

18 A. Yes, that's correct.

19 Q. And generally, just generally for the
20 examiner, when did these contacts begin?

21 A. Okay. Looking at Exhibit No. 3 in the
22 summary, Louis Dreyfus Gas Holdings, Inc., and Louis
23 Dreyfus Natural Gas Corporation, I communicated with
24 Mr. Rusty Waters, their landman. Communications began
25 February 4 of 1993. This is where a well proposal was

1 sent proposing the well. Also, if Dreyfus did not
2 want to participate, we requested that they farm out
3 to us or sell us an assignment of their interest. AFE
4 for the test well was sent with this letter.

5 The other communications are simply follow-
6 up communications. The last communication was, as you
7 see, is March 16, phone call with Mr. Waters again.
8 He indicated that their attorney would make an
9 appearance but would not protest the hearing, that
10 they still were unable to make a decision.

11 Q. And although you had not sent an AFE prior
12 to the contacts with Louis Dreyfus, had you contacted
13 DEKALB, its predecessor in interest?

14 A. That's also correct.

15 Q. And their correspondence is in the files,
16 isn't it?

17 A. Right, that's correct.

18 Q. How about Michael Grace?

19 A. Michael Grace, if you would look at the
20 correspondence, our first communications were back in
21 February 1992. This is February 14. This is where we
22 offered to purchase their interest.

23 There were some follow-ups. There was a
24 follow-up letter sent March 9 of '92. And on February
25 4 of '93, we sent a well proposal with an AFE

1 attached, requesting him to participate to the extent
2 of his interest in the spacing unit, farm out, or sell
3 his interest.

4 Q. Now, without going into any more detail,
5 with each of these you've had a number of contacts,
6 have you not?

7 A. Yes, I have.

8 Q. On page 2 of Exhibit 3, with one
9 correction, the Phillips Petroleum Company contact, is
10 that October 17, 1992?

11 A. Yes, that is October 17, 1992. That's a
12 typo.

13 Q. And, in your opinion, have you made a good
14 faith effort to obtain voluntary joinder of the
15 parties who you listed and you desire to pool?

16 A. Yes, I believe I have.

17 Q. Does Mewbourne request that it be named
18 operator of the well?

19 A. That's correct.

20 Q. Referring to Exhibit 5, would you identify
21 that for the examiner?

22 A. Exhibit No. 5 is a copy of our AFE which we
23 sent to the owners that describes our estimated well
24 cost. The estimated well cost to the casing point is
25 \$422,000. Total estimated well cost is \$755,000.

1 This is for a 10,550-foot Morrow test well.

2 Q. Is this estimated well cost in line with
3 those normally encountered in drilling wells to this
4 depth in this area of Eddy County?

5 A. We have found this to be correct.

6 Q. What amounts do you recommend which
7 Mewbourne should be paid for supervision and
8 administration expenses?

9 A. We're recommending \$6,167 per month for a
10 drilling well and \$626.50 per month be allowed for a
11 producing well. These are the rates approved recently
12 for our Turkey Tract 15 State #2 well, which is
13 approximately two miles east of this property.

14 This was described in Case No. 10635. The
15 order was issued under R-9856.

16 And also extensive testimony on these rates
17 was presented in case 1484, and Order No. R-9688.

18 Q. And do you request that if the pooling
19 application is granted, the operating charges be
20 escalated annually?

21 A. Yes, we were requesting such escalation.

22 Q. Do you request it under the COPAS procedure
23 marked Exhibit 5?

24 A. Yes, sir, we are.

25 Q. Are these amounts which you have just

1 recommended in line with those amounts or with amounts
2 normally charged by Mewbourne and other operators in
3 this area?

4 A. We believe that that is correct.

5 Q. And is Exhibit 6 your Affidavit regarding
6 notice sent to the parties to be pooled in this
7 application?

8 A. Yes, that's correct, also.

9 Q. What penalty do you recommend against
10 nonconsenting interest owners?

11 A. We are recommending well costs plus 200
12 percent. This figure is used in operating agreements
13 in this area of New Mexico.

14 Q. Will the geologist, Mewbourne's geologist,
15 also testify as to the risk penalty?

16 A. Yes, he will.

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

20 A. Yes, it is.

21 Q. Were Exhibits 1 through 6 prepared by you
22 or under your direction?

23 A. Yes, they were.

24 MR. BRUCE: Mr. Examiner, at this time I
25 would move the admission of Exhibits 1 through 6.

1 EXAMINER STOGNER: Exhibits 1 through 6
2 will be admitted into evidence at this time.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. The location of that well again is 1,980
6 from the west, 2,180 from the north; is that correct?

7 A. That's correct.

8 Q. So it is orthodox should all formations
9 that's spaced on 320 be --

10 A. That would be orthodox for 160 and 320.

11 Q. It will? What pool then would it be
12 standard for 160? Do you want to provide that to me
13 later on as to that, a written explanation of why it
14 is standard, and denote what pool rule that is? If
15 not, could you please also provide me a written of why
16 you think it is?

17 A. Yes, sir, if that is the case, I will
18 provide a written --

19 Q. Well, you said it was and you testified
20 that it was; so now it's time for you to write it to
21 me and prove it to me, sir. You've been here long
22 enough. You know what the pool rules are.

23 A. Yes, sir.

24 EXAMINER STOGNER: You should know what the
25 general rules are. Now that you told me something,

1 then you state it for me.

2 THE WITNESS: I will so do.

3 EXAMINER STOGNER: I will expect that
4 within five working days, Mr. Bruce.

5 MR. BRUCE: Yes, sir, Mr. Examiner.

6 EXAMINATION

7 BY MR. STOVALL:

8 Q. Mr. Haden, one other thing. This is a real
9 nitpicky little thing, but actually you were
10 requesting an adjustment factor or provision be
11 provided, not necessarily an escalation factor; is
12 that not correct?

13 A. Yes, that is an adjustment. It could be
14 escalated or de-escalated in that respect.

15 MR. STOVALL: It actually even happened
16 once according to your exhibit. Okay, that's all I've
17 got.

18 EXAMINER STOGNER: No other questions.

19 Mr. Kellahin, did you have any?

20 MR. KELLAHIN: No questions, Mr. Examiner.

21 EXAMINER STOGNER: Mr. Bruce?

22 MR. STOVALL: Next witness, Jim? Oh, I'm
23 sorry, you're making notes.

24 MR. BRUCE: Call Mr. Shatzer to the stand.

25 DAVID SHATZER,

1 the witness herein, after having been first duly sworn
2 upon his oath, was examined and testified as follows:

3 EXAMINATION

4 BY MR. BRUCE:

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

7 A. My name is David Shatzer. I live in
8 Midland, Texas.

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

10 A. I'm a petroleum geologist for Mewbourne
11 Oil.

12 Q. Have you previously testified before the
13 Division as a geologist?

14 A. Yes, I have.

15 Q. Were your credentials accepted as a matter
16 of record?

17 A. Yes.

18 Q. Are you familiar with the geology involved
19 in this application?

20 A. Yes, I am.

21 MR. BRUCE: Mr. Examiner, I tender Mr.
22 Shatzer as an expert petroleum geologist.

23 EXAMINER STOGNER: So qualified.

24 Q. (BY MR. BRUCE) Mr. Shatzer, would you
25 refer to Exhibit 7 and discuss the target zone of the

1 proposed well?

2 A. Exhibit 7 is a production map in the area
3 of the prospect, showing only those wells which
4 penetrate the Morrow. All the other shallow controls
5 are not shown in this area.

6 The Morrow producers are shown in the color
7 orange. And there are seven wells drilled, and six of
8 them are in the Morrow. Of those seven wells, only
9 one of them is an outstanding well, the Arco State
10 "CG" in the southwest quarter of Section 7.

11 Three wells that are in the north-
12 northeast portion of the mapped area are decent Morrow
13 wells, having produced over a Bcf. And then there's
14 two Morrow wells that are marginal to poor. That
15 being the Arco "BY" in the northwest of Section 7, and
16 the Southland Royalty Midstream 16 in the west half of
17 Section 16.

18 Q. So your proposed well is really stepping
19 out quite a ways from established good wells?

20 A. Yes, it is.

21 Q. Would you refer to Exhibit 8 and discuss
22 its contents for the examiner?

23 A. Exhibit 8 is an Atoka/Morrow cross-section,
24 O-O'. That is constructed from northwest to
25 southeast, which is the depositional trend of the

1 Morrow, especially the Lower Morrow Sands in this
2 area, which are the primary target.

3 The primary target within the Lower Morrow
4 is the Lower Morrow Orange Sand, which produced best
5 in the Arco "CG" well, southwest of Section 7. There
6 are other wells that they have the sand in them, but
7 the proposed location is about a mile and three-
8 quarters downdip from this Arco "CG."

9 The last well on the cross-section is the
10 Southland Royalty Midstream 16, and it also has Lower
11 Morrow Sands that were perforated and tried. However,
12 they are broken, not as well-developed. The porosity
13 is poor, and this was a poor producer, which only made
14 34 million cubic feet of gas.

15 The Middle Morrow Green is a secondary
16 target in this area, but it is erratic and scattered
17 in its geological development. It had poor sand
18 development in both the Arco wells in Section 7, and
19 then in Section 16, it had better development. It had
20 some clean interval with good porosity. However, when
21 it was production tested, it tested wet and was
22 unproductive.

23 Q. And, briefly, what is Exhibit 9?

24 A. Exhibit 9 is a structure map on top of the
25 Lower Morrow with a contour interval of 100 feet.

1 Structural dip of the Morrow in this area is to the
2 southeast, and therefore the proposed location would
3 be 140 feet downdip to the nearest Arco Orange Sand,
4 Lower Morrow producer.

5 Q. Based on your exhibits, what penalty do you
6 recommend against any nonconsenting interest owners?

7 A. Based on the geological risk, I recommend
8 well cost plus 200 percent.

9 Q. Was Exhibit 9 prepared by you or under your
10 direction?

11 A. Yes, it was.

12 Q. How about Exhibits 7 and 8?

13 A. Exhibits 7 and 8 were prepared by Dexter
14 Harmon, another Mewbourne geologist. However, I have
15 done extensive overlapping geological mapping in this
16 area, and I concur fully with interpretations made in
17 Exhibits 7 and 8.

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

21 A. Yes, it is.

22 MR. BRUCE: Mr. Examiner, I move the
23 admission of Mewbourne Exhibits 7, 8, and 9.

24 EXAMINER STOGNER: Exhibits 7, 8 and 9 will
25 be admitted into evidence.

EXAMINATION

BY MR. STOGNER:

Q. How far is the proposed well from the No. 2 Illinois Camp over there in the east of 17?

A. I guess it would be -- our present proposed 17 No. 1 from the proposed 17 No. 2, it would be, oh, probably 1,300 feet, 1,400 feet, something like that.

Q. Okay, so that is a proposed well?

A. Yes. 17 No. 1 is our initial location which we're here for today.

EXAMINATION

BY MR. STOVALL:

Q. Why was this specific location picked for this well? Was it the geology department that picked it?

A. Yes. It's a standard location in a west half proration unit, and it fit best with the geological interpretation.

Q. What other zones would you consider prospective in this area?

A. The Atoka is a possibility. There haven't been any Atoka producers really nearby; however, there's one Atoka sand that has not been perforated to date in the Southland Midstream well on the O' location, right-hand side of the cross-section.

1 That's so, yes, the Atoka could be in play.

2 Then there have been some drill stem
3 tests. I think Section 8, that was a drill stem test
4 in the lower canyon. So there are some other
5 prospective horizons in the Pennsylvanian.

6 Q. Were those taken into consideration in
7 picking the location?

8 A. Not really, no. No, the Morrow is
9 primarily the zone we're after and was the key to the
10 location choice.

11 FURTHER EXAMINATION

12 BY EXAMINER STOGNER:

13 Q. The geological parameters for your two
14 Illinois Camp wells are shown here on Exhibit No. 9.
15 There are no Morrow tests in 18, 19, 20, or 21, as
16 your map indicates; is that correct?

17 A. Yes, that is correct.

18 Q. Are there some other geological parameters
19 that I'm not seeing here that locations were chosen
20 that exact?

21 A. I don't think there's anything -- as far as
22 the location, why, we wanted to go with a standard
23 proration unit because this is such a geological
24 stepout from the Arco wells in Section 7. We didn't
25 have any basis to which to suggest a nonstandard

1 location.

2 And insofar as the No. 2 well, there could
3 be some contingency based on the No. 1, but right now
4 we're applying for the No. 1, and that's based on the
5 Morrow trends that we have in the area.

6 FURTHER EXAMINATION

7 BY MR. STOVALL:

8 Q. Could that well go north at all and still
9 catch what you think to be the trend?

10 A. I wouldn't want to go too far north because
11 the midstream well did have poor sands. The Southland
12 Royalty Midstream in Section 16 had poor Lower Morrow
13 sands. So I wouldn't want to go too far north because
14 we feel like the trend is more northwest, southeast.

15 Q. How far is too far north? What kind of
16 distance would you be uncomfortable moving?

17 A. Well, 1,980 is the standard location. I
18 think there were -- I'm not positive on this, but the
19 reason that one of the distances is a little bit
20 farther is, there was some surface problem there with
21 shallow production out there that's not shown here
22 shallow, Artesia Grayburg Field production. There was
23 surface location because it was originally proposed
24 internally for 1,980-1,980, and we've had to move it
25 slightly because of existing surface problems.

FURTHER EXAMINATION

BY EXAMINER STOGNER:

Q. I'm looking more at your location primarily now as the 200 percent risk penalty, but it looks like that might affect more that No. 2, which I assume is the subject of an upcoming case on the 8th; is that correct?

A. Yes.

Q. So you'll have a little bit more geology by then to help either substantiate or to amend the 200 percent to something less, if that be appropriate, since that particular well would be sandwiched in between, hopefully, two producers?

A. Right.

MR. STOVALL: Will you have more information on the 8th? That's three weeks from today.

THE WITNESS: Yes, the 17 No. 1 won't be down by then. We won't have information further than what we have right now. The 17 No. 1 will not be drilled, and information data gotten on the Morrow by the time the other case is heard.

Q. (BY EXAMINER STOGNER) But we can have a status report at that time on that No. 1?

A. Yes.

1 MR. STOVALL: Do you have a proposed spud
2 date for that well, or anything that's driving you
3 other than getting an order and approvals from the
4 Division?

5 THE WITNESS: As soon as possible. I don't
6 know of any other concern.

7 MR. STOVALL: In other words, go through
8 the order, and you've got the 30 day AFE period and
9 all that. You're not being driven by something that
10 would require shortening that, are you? You don't
11 have a lease deadline would be the main thing?

12 THE WITNESS: There's some internal
13 financing considerations, but there's nothing that you
14 described.

15 MR. STOVALL: When would you anticipate
16 spudding that well? If you don't know, feel free to
17 say so.

18 THE WITNESS: I'm not sure. I haven't seen
19 the drilling schedule. I think that they were talking
20 about sometime in April.

21 EXAMINER STOGNER: Any other questions of
22 this witness?

23 MR. STOVALL: I have none.

24 EXAMINER STOGNER: He may be excused.

25 Mr. Bruce, do you have anything further?

1 MR. BRUCE: Only one thing, Mr. Examiner.
2 If the location is unorthodox for 160-acre units, we
3 would ask the application be approved but that it
4 state that any completion in a 160-acre unit be
5 required to obtain subsequent approval for the
6 nonstandard location.

7 EXAMINER STOGNER: Okay. And I assume you
8 will echo that in the written request that I've
9 suggested?

10 MR. BRUCE: Yes, sir.

11 EXAMINER STOGNER: As I understand it, that
12 won't be the case, as I've been told under oath by
13 your witness. Anything else?

14 MR. KELLAHIN: I have a statement, Mr.
15 Examiner.

16 EXAMINER STOGNER: Mr. Kellahin?

17 MR. KELLAHIN: OXY USA, Mr. Examiner, has
18 directed me to make a statement on their behalf.

19 They have told me that while they have
20 reached a voluntary agreement with Mewbourne in this
21 matter, they are concerned about the procedure by
22 which Mewbourne has conducted itself in trying to get
23 voluntary agreement.

24 There is a chronology of events that has
25 concerned them. OXY on February 5th of '93 received

1 Mewbourne's proposal for the well at a location 1,780
2 from the north line, 1,980 from the west line of 17.
3 That proposal neither provided any deadline for reply,
4 nor provided a spacing unit.

5 On February 23, OXY received notification
6 from Mewbourne that they were amending the location
7 and now sought the well location 2,180 from the north
8 line, 1,980 from the west line of 17.

9 MR. STOVALL: What date was that?

10 MR. KELLAHIN: The 23rd of February --
11 proposing to them a change in location and proposing
12 the west half of 17 as the spacing unit. On that same
13 day, unbeknownst to OXY USA, Mewbourne caused a forced
14 pooling case to be filed.

15 On February 25, OXY and Mewbourne met in
16 OXY's office in Midland, discussed the proposal. OXY
17 requested additional information from Mewbourne which
18 was supplied on February 26, and at no time did
19 Mewbourne personnel mention the forced pooling
20 application had been filed just two days earlier.
21 Later in the day after the meeting, OXY received
22 notification of the forced pooling case.

23 While they have subsequently come to terms,
24 it is of concern to OXY that Mewbourne prematurely
25 instituted compulsory pooling action against them

1 without first undertaking a good faith and reasonable
2 effort to form a spacing unit on a voluntary basis.

3 They wished me to convey that information
4 to you, Mr. Examiner.

5 EXAMINER STOGNER: Thank you, Mr.
6 Kellahin.

7 Anything further in this case?

8 MR. STOVALL: I'm going to step out on a
9 limb here and make a recommendation, Mr. Bruce, that
10 perhaps at some time, and of course OXY will have to
11 make this determination, because you are their
12 attorney, and they are the managers of the project --

13 MR. BRUCE: You mean --

14 MR. STOVALL: I mean not OXY, excuse me --
15 Mewbourne. Did I confuse you? -- possibly sit down
16 and review some of the requirements that might assist
17 them in establishing some procedures to avoid that
18 kind of criticism that just went into the record.

19 It's not the first time, unfortunately, Mr.
20 Bruce. So that is my advice. And I pass that on to
21 OXY, as well -- excuse me, OXY, I keep trying to do
22 that to you -- to Mewbourne, that possibly they set up
23 some sort of mechanism for a fairly active drilling
24 program, but it is not uncommon for Mewbourne to come
25 in here and file an application shortly after they

1 have initiated discussions with other parties.

2 And while we don't recognize corporate
3 delay as a reason for not participating, we recognize
4 that there has to be some information flow. And I'm
5 not going to suggest at this time that that be put in
6 the form of any order, but it is part of the record of
7 this case, and I think it would behoove Mewbourne to
8 review how they handle their drilling program, and the
9 process they use to communicate to other participants
10 in wells.

11 Again, I've suggested to Mr. Bruce that he
12 communicate with them. Obviously, it's Mewbourne's
13 decision how they go about that process. I can't
14 direct that they use a specific attorney for a
15 specific purpose. Mr. Bruce is familiar with what is
16 required here and could be useful, I think.

17 I have nothing further.

18 EXAMINER STOGNER: Anything further in this
19 matter? Then case No. 10689 -- I'm going to keep the
20 record open for five working days pending my written
21 statement from the first witness, Mr. Bruce.

22 With that we'll proceed on.

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 10689,
heard by me on 18 March 1993

25 , Examiner

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2
3 CERTIFICATE OF REPORTER4
5 STATE OF NEW MEXICO)

6) ss.

7
8 COUNTY OF SANTA FE)9 I, Deborah O'Bine, Certified Shorthand
10 Reporter and Notary Public, HEREBY CERTIFY that I
11 caused my notes to be transcribed under my personal
12 supervision, and that the foregoing transcript is a
13 true and accurate record of the proceedings of said
14 hearing.15 I FURTHER CERTIFY that I am not a relative
16 or employee of any of the parties or attorneys
17 involved in this matter and that I have no personal
18 interest in the final disposition of this matter.

19 WITNESS MY HAND AND SEAL, March 30, 1993.

20
21 *Deborah O'Bine*22 DEBORAH O'BINE
23 CCR No. 63