

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:

APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 20737
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 19, 2019

Santa Fe, New Mexico

BEFORE: KATHLEEN MURPHY, CHIEF EXAMINER
 PHILLIP GOETZE, TECHNICAL EXAMINER
 DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Kathleen Murphy, Chief Examiner; Phillip Goetze, Technical Examiner; and Dana Z. David, Legal Examiner, on Thursday, September 19, 2019, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
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EXHIBITS OFFERED AND ADMITTED

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1 (4:55 p.m.)

2 EXAMINER MURPHY: Last case of the day,
3 Mr. Bruce.

4 20737, application of Mewbourne Oil Company
5 for compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Jim Bruce of Santa Fe
8 representing the Applicant.

9 I'm submitting this case by affidavit.

10 EXAMINER MURPHY: Any other appearances?
11 Please proceed.

12 MR. BRUCE: I've handed you a set of four
13 exhibits.

14 Exhibit 1 is the verified statement of
15 Mitch Robb, the landman who has previously testified
16 before the Division as an expert petroleum landman. In
17 this case Mewbourne seeks the force pooling of the
18 Wolfcamp Formation in the west half of Section 12 and
19 the northwest quarter of Section 13 in 26 South, Range
20 29 East. I notice there was a typo on the first page.
21 And it will be dedicated to two Wolfcamp wells, the
22 Fuller 13/12 W1ED #1 and 2H.

23 EXAMINER GOETZE: Is that your cross-out
24 here?

25 MR. BRUCE: That is my cross-out. I

1 probably should have initialed it.

2 EXAMINER GOETZE: We're not a bank.

3 MR. BRUCE: The landman did this affidavit,
4 and I looked at that and I panicked. And I looked at my
5 application, and the application is correct.

6 EXAMINER GOETZE: Thank you.

7 MR. BRUCE: There is a land plat, a Midland
8 Map Company plat, showing the well unit. And, of
9 course, this is the Purple Sage; Wolfcamp Gas Pool and
10 the locations of the two wells. The C-102s for the
11 wells are attached also as part of Attachment A.

12 Then if you go back to Attachment B, you'll
13 see the parties being pooled. You'll notice that about
14 4.4 percent of the working interest is being pooled.
15 The first four people being pooled are working interest
16 owners. The remaining four people are record title
17 owners, who are being force pooled only for
18 communitization agreement purposes. There are -- some
19 of these people are unlocatable. And I've force pooled
20 them a number of times for Mewbourne, and the landman
21 does discuss the records that were searched, being
22 paragraph 2E, to locate these parties. Mewbourne does
23 have the authority to pool the overriding royalty
24 owners.

25 Attachment C is the well proposal sent to

1 the various parties.

2 Attachment D is the AFEs for the wells.
3 The wells are approximately \$1.8 million each, which are
4 stated to be fair and reasonable. Mewbourne requests
5 8,000 a month for drilling wells and 800 a month for
6 producing wells and that the rates be adjusted under the
7 COPAS accounting procedure. They request the cost plus
8 200 percent risk charge, and Mewbourne would be the
9 operator of the wells.

10 Exhibit 2 is my Affidavit of Notice.
11 Notice was sent to the eight interest owners. Not all
12 of the green cards have come back, including the one
13 that was shipped to -- which is to Canada for Nu-Energy.
14 Actually, that went by registered mail.

15 But Exhibit 3 is the Affidavit of
16 Publication in the Carlsbad newspaper showing that all
17 of the people did receive constructive notice also.

18 Exhibit 4 is the verified statement of
19 Tyler Hill, the geologist, who has also been qualified
20 before the Division as an expert petroleum geologist.
21 He submits a structure map. The structure dips very
22 slightly, about 100 feet per mile, across the well unit.
23 All of the wells in this area -- immediate area are all
24 stand-up wells. Those are the preferred wells. The
25 cross section is attached showing that the zones being

1 tested by these two wells are continuous across the well
2 unit.

3 I can email a copy of this very dense cross
4 section.

5 EXAMINER GOETZE: That would be nice.

6 MR. BRUCE: I'll do that when I get back to
7 the office.

8 This is not at the very top of the
9 Wolfcamp, so there should be no interference with any
10 Bone Spring potential out in this area, if that is an
11 issue. They're below the Wolfcamp XY zone, which is the
12 uppermost zone.

13 If you look at Attachment C, you can see
14 there have been a number of Wolfcamp wells drilled in
15 this area. Mewbourne has drilled six immediate
16 offsetting wells, and you can see that some of these
17 wells are quite good. And then they've also attached
18 the -- just the drilling prognosis for the standard
19 planning reports for each of the wells. The geologist
20 states that each quarter section in the well unit will
21 contribute more or less equally to production, and there
22 is no faulting or other matter that would interfere with
23 the drilling of the wells. And he does state that the
24 preference is for stand-up units in this well.

25 With that, I would move the admission of

1 Exhibits 1 through 4 and ask that the matter be taken
2 under advisement.

3 EXAMINER MURPHY: Exhibits 1 through 4 are
4 admitted.

5 (Mewbourne Oil Company Exhibit Numbers 1
6 through 4 are offered and admitted into
7 evidence.)

8 EXAMINER MURPHY: Any questions, Mr.
9 Goetze?

10 EXAMINER GOETZE: No. Mr. Goetze doesn't
11 have any questions for you.

12 EXAMINER MURPHY: I have no questions.
13 Mr. David?

14 EXAMINER DAVID: Is there any way you can
15 get us another copy of the affidavit of publications
16 because it's cut off. It's not legible.

17 MR. BRUCE: I might have one. Hold on a
18 second.

19 EXAMINER DAVID: Or does anybody have one
20 that's complete?

21 MR. BRUCE: Actually, no, because I have
22 the original here.

23 EXAMINER DAVID: Just for our records, so
24 it shows --

25 MR. BRUCE: I will give you the original,

1 but what I got from the Carlsbad newspaper is cut off.

2 EXAMINER MURPHY: You know, we've heard
3 that lately.

4 MR. BRUCE: And this is the original, which
5 you may have.

6 EXAMINER DAVID: Thank you. It doesn't
7 help very much, does it?

8 MR. BRUCE: What I can give you -- maybe I
9 didn't keep it out. What I can email you is the Word
10 document which I shipped to the Carlsbad newspaper,
11 which shows the same thing.

12 EXAMINER DAVID: That would be helpful so
13 our records are complete. If you want to keep the
14 original, I guess -- it doesn't prove anything, but no
15 sense in us having an original.

16 EXAMINER GOETZE: You can go buy a
17 September 6th edition of the "Current-Argus" and cut it
18 out and give it to us.

19 EXAMINER MURPHY: They've been doing that.
20 They've been cutting them off.

21 Any more questions?

22 Case 20737 will be taken under advisement.

23 Thank you, everybody.

24 (Case Number 20737 concludes, 5:03 p.m.)

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

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

20 DATED THIS 9th day of October 2019.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters