

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 FOR APPROVAL OF AN
UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 15730

Consolidated with

APPLICATION OF MEWBOURNE OIL
COMPANY FOR APPROVAL OF AN
UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 15731

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 22, 2017

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, June 22, 2017, 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
500 4th Street, Northwest, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

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1 (9:36 a.m.)

2 EXAMINER McMILLAN: Looks like we're
3 going -- we have two cases left, and we're going to
4 take a --

5 MR. BRUCE: Before you break, Mr. Examiner,
6 I do have to ask one thing, and I guess I should ask it
7 on the record. You dismissed Cases 15730 and 15731, the
8 unorthodox location cases from Mewbourne.

9 EXAMINER McMILLAN: 15730 and 31 were
10 dismissed.

11 MR. BRUCE: Dismissed, yeah. Now, I did
12 not request that, but I did ask you about them
13 yesterday. Those were the cases in which EOG filed an
14 entry -- or protested the administrative applications
15 and has withdrawn its administrative applications.

16 EXAMINER McMILLAN: Oh, okay. I didn't --

17 MR. BRUCE: And then there is a question as
18 to the well spacing, et cetera. I would not mind if
19 they're referred back to the administrative docket, but
20 if you want questions, we do have witnesses available,
21 obviously.

22 EXAMINER McMILLAN: Okay. Wouldn't they
23 still be dismissed here, or would they just --

24 EXAMINER BROOKS: Yeah. The hearing case,
25 I would think, would be dismissed, although normally --

1 I believe Mr. Bruce is correct about what we've done in
2 the past, that we have -- we have referred them back, in
3 certain cases, to the hearing docket. But I need to
4 figure out exactly -- you are still pursuing this
5 unorthodox location application; is that correct?

6 MR. BRUCE: That is correct.

7 EXAMINER BROOKS: And the protest has been
8 withdrawn?

9 MR. BRUCE: It has been withdrawn.

10 EXAMINER BROOKS: Well, I guess we should
11 issue an order, then, dismissing the case and referring
12 the matter back to the -- to the administrative process,
13 reciting that the protest has been withdrawn. I don't
14 know -- I think that's been done before, so we ought to
15 be able to figure out what type of order we've issued.

16 MR. BRUCE: I think that's proper. I would
17 like to submit, if I may, just a few documents.

18 EXAMINER McMILLAN: Okay. Well, then,
19 we're going to have --

20 EXAMINER BROOKS: To call the case.

21 MR. BRUCE: Yeah.

22 EXAMINER McMILLAN: Let's do that. Let's
23 just make it --

24 At this time we're going to change part of
25 the docket. We are going to call Case Number 15730,

1 application of Mewbourne Oil Company for approval of an
2 unorthodox gas well location Lea County, New Mexico.

3 Call for appearances.

4 MR. BRUCE: Mr. Examiner, Jim Bruce of
5 Santa Fe representing the Applicant.

6 All I would like to do is just explain on
7 the record a little bit of what happened, Mr. Examiner.

8 EXAMINER McMILLAN: Okay. But then my
9 question is: Do we want to combine this with 15731?

10 MR. BRUCE: That is correct.

11 EXAMINER McMILLAN: At this time I'd like
12 to call Case Number 15731, application of Mewbourne Oil
13 Company for approval of an unorthodox gas well location,
14 Lea County, New Mexico.

15 Call for appearances.

16 MR. BRUCE: Jim Bruce of Santa Fe
17 representing the Applicant.

18 EXAMINER McMILLAN: Any other appearances?
19 Please proceed.

20 MR. BRUCE: Mr. Examiner, I've just
21 submitted three exhibits. To explain what's happening
22 here -- actually four exhibits.

23 Exhibit 1 is simply a Midland Map Company
24 land plat showing all of Section 10 of 26 south, 33
25 East. That is the -- do you see over in the west

1 half-west half of the section there is a Wolfcamp well,
2 in the west half-west half of Section 10? This has been
3 drilled and completed by Mewbourne in the Wolfcamp
4 Formation. And that well, the OCD's file shows that
5 it's part of the Red Hills; Wolfcamp Gas Pool. Three
6 River [sic] to the north is in the Red Hills Gas Pool.
7 Because this initial well and this well unit was, you
8 know, obviously less than a mile from the pool, under
9 statewide rules, it was placed in the Red Hills;
10 Wolfcamp Gas Pool.

11 And Exhibit 2 is simply a copy of the pool
12 rules for the Red Hills Gas Pool, which shows that that
13 pool is spaced on 640 acres, with wells to be located no
14 closer than 660 feet to the outer boundary of the well
15 unit.

16 And Exhibits 3 and 4 are simply the C-102s
17 for the two wells, which are the subjects of this case,
18 showing that Mewbourne is requesting 330-foot setbacks,
19 although -- I just wanted to get that on the record so
20 it is part of the administrative record when these cases
21 are referred back. I know there is some question -- you
22 raised it yesterday, Mr. Examiner -- about Mr. Kautz
23 looking at which pool or whatever is the spacing.

24 EXAMINER McMILLAN: Something has problems.

25 MR. BRUCE: And what I would like to say is

1 that there has been -- well, we all appreciate
2 Mr. Kautz' efforts, but Mewbourne was simply following
3 the statewide rule that say within a mile of the pool,
4 those pool rules apply. And that's why I get kind of
5 frustrated why there are no nomenclature orders anymore
6 because you no longer know what you're dealing with.

7 EXAMINER BROOKS: You're not the only
8 person who experiences that frustration.

9 EXAMINER McMILLAN: The other problem is
10 that if you look in the northwest, you're able to drill
11 oil wells in defined gas pools.

12 MR. BRUCE: Yeah.

13 EXAMINER McMILLAN: So there is the
14 question of that, because the southern San Juan is oil
15 within the Basin-Mancos.

16 MR. BRUCE: Correct.

17 EXAMINER McMILLAN: It becomes a real
18 question of whether or not that wildcat oil pool is
19 applicable. That is a legitimate concern.

20 MR. BRUCE: Well, no, I understand that.
21 It's just that, you know, Mewbourne -- the first well
22 was placed in the Red Hills; Wolfcamp Gas Pool, and
23 Mewbourne did get a BLM-approved com agreement for the
24 640-acre Section 10. So --

25 EXAMINER McMILLAN: Okay. I see the

1 problem.

2 MR. BRUCE: So -- and as you can tell just
3 by looking at Exhibit 1, there are different tracts
4 involved and different interest owners. And the Red
5 Hills pool is not limited to just its current areal
6 extent.

7 EXAMINER McMILLAN: It's not frozen.

8 EXAMINER BROOKS: It's not frozen.

9 MR. BRUCE: It's not frozen.

10 So with that, I'd just -- you know, have
11 Exhibits 1 through 3 made part of the record and refer
12 this matter back to the administrative docket.

13 EXAMINER McMILLAN: Actually, Exhibits 1
14 through 4.

15 MR. BRUCE: 1 through 4, yeah.

16 EXAMINER McMILLAN: Okay. Exhibits 1
17 through 4 in Case 15730 and Case Number 15731 shall be
18 taken under advisement. And these cases -- these wells
19 involved in these cases shall be remanded back to
20 administrative process.

21 (Mewbourne Oil Company Exhibit Numbers 1
22 through 4 are offered and admitted into
23 evidence.)

24 EXAMINER BROOKS: I guess that works.

25 We'll issue an order, find out what we've done before if

1 we can. I don't know. That may be hard. But if not,
2 we'll try something else.

3 MR. BRUCE: It has been done.

4 EXAMINER BROOKS: I know it's been done. I
5 just don't know where to look.

6 EXAMINER McMILLAN: All right.

7 MR. BRUCE: Thank you, Mr. Examiner.

8 EXAMINER McMILLAN: So we're going to take
9 a -- we're going to take a break.

10 (Case Numbers 15730 and 15731 conclude,
11 9:44 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters

25