

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

**APPLICATION OF MEWBOURNE OIL COMPANY FOR [*Inter Alia*]  
NON-STANDARD SPACING AND PRORATION UNITS,  
COMPULSORY POOLING, AND UNORTHODOX  
GAS WELL LOCATIONS, EDDY COUNTY, NEW MEXICO**

**CASE NOS. 15547,  
15548, 15549, 15550,  
15551, 15552, 15562  
Consolidated**

**OIL CONSERVATION DIVISION HEARING**

**November 8, 2017**

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**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. 15547  
ORDER NO. R-13879-A**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY  
POOLING AND AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY,  
NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 27<sup>th</sup> day of July, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner.

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Cases 15547, 15548, 15549, 15550, 15551, 15552 and 15562 were consolidated for hearing. However, a separate order is being issued in each case.

(3) Order No. R-13879 was issued in Case No. 15143 on August 13, 2014, forming a 320-acre standard gas spacing and proration unit and project area (the "Unit") for oil and gas production from the Wolfcamp formation comprising the E/2 of Section 22, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico and pooling all uncommitted interests in the Wolfcamp formation within the Unit.

(4) By this application, Applicant seeks to pool the interests, if any, in the Unit of certain parties ("additional parties") whose interests are contingent on the outcome of pending litigation, and who were not notified of the prior pooling proceeding.

(5) The Unit is dedicated to Applicant's Owl Draw 22 W1AP Federal Com Well No. 1H ("the well"; API No. 30-015-42475), a horizontal well that Applicant has drilled and completed from a surface location 230 feet from the South line and 660 feet from the East line (Unit P) of Section 15, to an as-drilled bottom-hole location 333 feet from the South line and 650 feet from the East line (Unit P) of Section 22, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. The well's unorthodox location was approved in Order No. R-13879.

(6) The well was originally permitted within the wildcat pool designated WC-015 5262714M; Wolfcamp (Gas) Pool (code 98140); subject to statewide Rule 19.15.15.9.B. NMAC, which provides for standard 320-acre spacing units each comprising a governmental half section, and 660-foot setbacks from the unit boundaries. It is now located in the Purple Sage; Wolfcamp (Gas) Pool (pool code 98220), subject to special pool rules that provide for 330-foot setbacks.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Wolfcamp Formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well north to south is appropriate for the Unit.
- (c) Notice was provided for compulsory pooling to all the additional parties by certified mail, return receipt requested.

(8) Respondents, James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs"), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application.

(9) No other party or person appeared at the hearing or indicated any opposition to the granting of the application.

The Division concludes as follows:

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to, and completed the well in, a common source of supply within the Unit at the above-described location.

(12) Respondents claim or may claim interests in the oil and gas within the Unit, and have not agreed to pool their interests, nor were they notified of the application or hearing in Case No. 15143.

(13) None of the Respondents except Blair Seaton Crooke ("Crooke") claims a working or unleased mineral interest in the Unit.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, including the interests, whatever they may be, of the additional parties in the oil and gas within the Unit, that were not effectively pooled by Order No. R-13879.

(15) Mewbourne Oil Company should be designated the operator of the well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*."

(18) The non-standard location portion of the previous order is not required, since the subject well is within the 330-foot setback requirement of the Purple Sage; Wolfcamp (Gas) Pool.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company ("Applicant"), all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp Formation, Purple Sage; Wolfcamp (Gas) Pool (pool code 98220), underlying the E/2 of Section 22, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico ("the Unit"), including, but not limited to the interests of additional parties, if any, are hereby pooled.

(2) The Unit is dedicated to Applicant's Owl Draw 22 WIAP Federal Com Well No. 1H ("the well"; API No. 30-015-42475), a horizontal well that Applicant has drilled and completed from a surface location 230 feet from the South line and 660 feet from the East line (Unit P) of Section 15, to an as-drilled bottom-hole location, 333 feet from the South line and 650 feet from the East line (Unit P) of Section 22, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(5) After the effective date of this Order, the operator shall furnish the Division and to each of the additional parties who owns a working or unleased interest in the Unit ("additional owners") an itemized schedule of actual costs of drilling, completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of well costs is furnished, the additional owners shall have the right to pay their claimed share of actual well costs to the operator in lieu of paying their share of reasonable well costs out of production as hereinafter provided. An additional owner who pays its claimed share of well costs within 30 days after receipt of the schedule of costs as provided shall remain liable for operating costs with respect to his interest, if any, but shall not be liable for risk charges. An additional owner who elects not to pay his claimed share of well costs as provided in this paragraph shall be deemed a "non-consenting additional owner."

(7) If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any additional working interest owner who has paid his claimed share of actual costs in advance as provided above shall receive from the operator the amount, if any, that the actual well costs he has paid exceed his claimed share of reasonable well costs.

(9) The operator is hereby authorized to withhold all proceeds of production attributable to additional owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a final settlement or judgment establishes that an additional owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due to such owner by reason of its adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement or judgment. If a final settlement or judgment establishes that an additional owner has no interest in production from the Unit, the operator shall refund to such additional owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(10) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(11) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(12) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production attributable to each owner's interest the owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(13) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-28, as amended).

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(17) Order No. R-13879 shall remain in effect except as modified hereby.

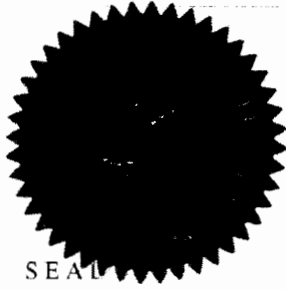
(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.



Case No. 15547  
Order No. R-13879-A  
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

**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. 15548  
ORDER NO. R-13814-A**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 27<sup>th</sup> day of July, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Cases 15547, 15548, 15549, 15550, 15551, 15552 and 15562 were consolidated for hearing. However, a separate order is being issued in each case.
- (3) Order No. R-13814 was issued in Case No. 15088 on April 9, 2014, forming a 320-acre standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring Formation, Hay Hollow; Bone Spring Pool (pool code 30215), comprising the E/2 E/2 of Section 22 and the E/2 E/2 of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico and pooling all uncommitted interests in the Bone Spring formation within the Unit.
- (4) By this application, Applicant seeks to pool the interests, if any, in the Unit of certain parties ("additional parties") whose interests are contingent on the outcome of pending litigation, and who were not notified of the prior pooling proceeding.

(5) The Unit is dedicated to Applicant's Owl Draw 22 27 B2AP Federal Com Well No. 1H ("the well"; API No. 30-015-41430), a horizontal well that Applicant has drilled and completed from a surface location 200 feet from the South line and 600 feet from the East line (Unit P) of Section 15, to an as-drilled bottom-hole location, 336 feet from the South line and 572 feet from the East line (Unit P) of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(6) The well is within the Hay Hollow; Bone Spring Pool and is subject to statewide Rule 19.15.15.9.A, NMAC, which provides for standard 40-acre spacing units each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries. The Unit consists of eight contiguous quarter-quarter sections aligned north to south.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring Formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well north to south is appropriate for the Unit.
- (c) All quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.
- (d) Notice was provided for compulsory pooling to all the additional parties by certified mail, return receipt requested.

(8) Respondents, James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs"), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application.

(9) No other party or person appeared at the hearing or indicated any opposition to the granting of the application.

The Division concludes as follows:

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to, and completed the well in, a common source of supply within the Unit at the above-described location.

(12) Respondents, or some one or more of them, claim interests in the oil and gas within the Unit, and have not agreed to pool their interests, nor were they notified of the application or hearing in Case No. 15088.

(13) None of the Respondents except Blair Seaton Crooke ("Crooke") claims a working or unleased mineral interest in the Unit.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, including the interests, if any, whatever they may be, in the oil and gas within the Unit that were not effectively pooled by Order No. R-13814.

(15) Mewbourne Oil Company should be designated the operator of the well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*."

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company ("Applicant"), all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring Formation underlying the E/2 E/2 of Section 22 and the E/2 E/2 of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico ("the Unit"), including, but not limited to the interests of additional parties, if any, are hereby pooled.

(2) The Unit is dedicated to Applicant's Owl Draw 22 27 B2AP Federal Com Well No. 1H ("the well"; API No. 30-015-41430), a horizontal well that Applicant has drilled and completed from a surface location 200 feet from the South line and 600 feet from the East line (Unit P) of Section 15, to an as-drilled bottom-hole location, 336 feet from the South line and 572 feet from the East line (Unit P) of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(5) After the effective date of this Order, the operator shall furnish the Division and to each of the additional parties who owns a working or unleased interest in the Unit ("additional owners") an itemized schedule of actual costs of drilling, completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of well costs is furnished, the additional owners shall have the right to pay their claimed share of actual well costs to the operator in lieu of paying their adjudicated share of reasonable well costs out of production as hereinafter provided. An additional owner who pays its claimed well costs within 30 days after receipt of the schedule of costs as provided shall remain liable for operating costs with respect to his adjudicated interest, if any, but shall not be liable for risk charges. An additional owner who elects not to pay his claimed share of well costs as provided in this paragraph shall be deemed a "non-consenting additional owner."

(7) If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any additional working interest owner who has paid his claimed share of actual costs in advance as provided above shall receive from the operator the amount, if any, that the actual well costs he has paid exceed his claimed share of reasonable well costs.

(9) The operator is hereby authorized to withhold all proceeds of production attributable to additional owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a final settlement or judgment establishes that an additional owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due to such owner by reason of its adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement of judgment. If a final settlement or judgment establishes that an additional owner has no interest in production from the Unit, the operator shall refund to such additional owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(10) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and

- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(11) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(12) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production attributable to each owner's interest the owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(13) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-28, as amended).

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

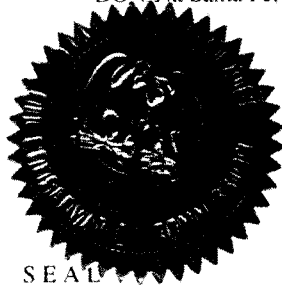
(17) Order No. R-13814 shall remain in effect except as modified hereby.

(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 15548  
Order No. R-13814-A  
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

**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. 15549  
ORDER NO. R-13749-A**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY  
POOLING AND AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY,  
NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 27<sup>th</sup> day of July, 2017, the Division Director, having considered the testimony, the record and the recommendations of Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Cases 15547, 15548, 15549, 15550, 15551, 15552 and 15562 were consolidated for hearing. However, a separate order is being issued in each case.
- (3) Order No. R-13749 was issued in Case No. 15007 on September 18, 2013, forming a 320-acre standard gas spacing unit and project area (the "Unit") for oil and gas production from the Wolfcamp formation, comprising the W/2 of Section 23, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico and pooling all uncommitted interests in the Wolfcamp formation within the Unit.
- (4) By this application, Applicant seeks to pool the interests, if any, in the Unit of certain parties ("additional parties") whose interests are contingent on the outcome of pending litigation, and who were not notified of the prior pooling proceeding.



(5) The Unit is dedicated to Applicant's Owl Draw 23 DM Federal Com Well No. 1H ("the well"; API No. 30-015-41448), a horizontal well that Applicant has drilled and completed from a surface location 375 feet from the South line and 990 feet from the West line (Unit M) of Section 14, to an as-drilled bottom-hole location, 344 feet from the South line and 625 feet from the West line (Unit M) of Section 23, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. The well's completed interval is at an unorthodox location that was approved by Administrative Order NSL-6820.

(6) The well was permitted in the wildcat pool designated WC-015 5262714M Wolfcamp (Gas) Pool (code 98140) subject to statewide Rule 19.15.15.9.B. NMAC, which provides for standard 320-acre spacing units each comprising a governmental half section, and 660-foot setbacks from the unit boundaries. Now it is located in the Purple Sage; Wolfcamp (Gas) Pool (pool code 98220), which is subject to special pool rules that provide for 330-foot setbacks.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Wolfcamp Formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well north to south is appropriate for the Unit.
- (c) Notice was provided for compulsory pooling to all the additional parties by certified mail, return receipt requested.

(8) Respondents, James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application.

(9) No other party or person appeared at the hearing or indicated any opposition to the granting of the application.

The Division concludes as follows:

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to, and completed the well in, a common source of supply within the Unit at the above-described location.

(12) Respondents claim or may claim interests in the oil and gas within the Unit, and have not agreed to pool their interests, nor were they notified of the application or hearing in Case No. 15007.

(13) None of the Respondents except Blair Seaton Crooke ("Crooke") claims a working or unleased mineral interest in the Unit.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, including the interests, whatever they may be, of the additional parties in the oil and gas within the Unit that were not effectively pooled by Order No. R-13749.

(15) Mewbourne Oil Company should be designated the operator of the well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*."

(18) The non-standard location portion of the previous order is not required, since the subject well is within the 330-foot setback requirement of the Purple Sage; Wolfcamp (Gas) Pool.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company ("Applicant"), all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp Formation, Purple Sage; Wolfcamp (Gas) Pool (pool code 98220), underlying the W/2 of Section 23, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico ("the Unit"), including, but not limited to the interests of additional parties, if any, are hereby pooled.

(2) The Unit is dedicated to Applicant's Owl Draw 23 DM Federal Com Well No. 1H ("the well"; API No. 30-014-41448), a horizontal well that Applicant has drilled and completed from a surface location 375 feet from the South line and 990 feet from the West line (Unit M) of Section 14, to an as-drilled bottom-hole location, 344 feet from the South line and 625 feet from the West line (Unit M) of Section 23, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(5) After the effective date of this Order, the operator shall furnish the Division and to each of the additional parties who owns or claims a working or unleased interest in the Unit ("additional owners") an itemized schedule of actual costs of drilling, completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of well costs is furnished, the additional owners shall have the right to pay their claimed share of actual well costs to the operator in lieu of paying their adjudicated share of reasonable well costs out of production as hereinafter provided. An additional owner who pays its claimed well costs within 30 days after receipt of the schedule of costs as provided shall remain liable for operating costs with respect to his adjudicated interest, if any, but shall not be liable for risk charges. An additional owner who elects not to pay his claimed share of well costs as provided in this paragraph shall be deemed a "non-consenting additional owner."

(7) If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any additional working interest owner who has paid his claimed share of actual costs in advance as provided above shall receive from the operator the amount, if any, that the actual well costs he has paid exceed his claimed share of reasonable well costs.

(9) The operator is hereby authorized to withhold all proceeds of production attributable to additional owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a final settlement or judgment establishes that an additional owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due to such owner by reason of his adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement of judgment. If a final settlement or judgment establishes that an additional owner has no interest in production from the Unit, the operator shall refund to such additional owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(10) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(11) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(12) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production attributable to each owner's interest the owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(13) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-28, as amended).

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(17) Order No. R-13749 shall remain in effect except as modified hereby.

(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 15549  
Order No. R-13749-A  
Page 6 of 6

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

**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. 15550  
ORDER NO. R-13751-A**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 27<sup>th</sup> day of July, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Cases 15547, 15548, 15549, 15550, 15551, 15552 and 15562 were consolidated for hearing. However, a separate order is being issued in each case.

(3) Order No. R-13751 was issued in Case No. 15038 on September 18, 2013, forming a 160-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring Formation, Hay Hollow; Bone Spring Pool (pool code 30215), comprising the W/2 W/2 of Section 23, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico and pooling all uncommitted interests in the Bone Spring formation within the Unit.

(4) By this application, Applicant seeks to pool the interests, if any, in the Unit of certain parties ("additional parties") whose interests are contingent on the outcome of pending litigation, and who were not notified of the prior pooling proceeding.

(5) The Unit is dedicated to Applicant's Owl Draw 23 DM Federal Com Well No. 2H ("the well"; API No. 30-015-41629), a horizontal well that Applicant has drilled and completed from a surface location 370 feet from the South line and 1055 feet from the West line (Unit M) of Section 14, to an as-drilled bottom-hole location, 334 feet from the South line and 661 feet from the West line (Unit M) of Section 23, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(6) The well is within the Hay Hollow; Bone Spring Pool and is subject to statewide Rule 19.15.15.9.A. NMAC, which provides for standard 40-acre spacing units each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries. The Unit consists of eight quarter-quarter sections aligned north to south.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring Formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well north to south is appropriate for the Unit.
- (c) All quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.
- (d) Notice was provided for compulsory pooling to all the additional parties by certified mail, return receipt requested.

(8) Respondents, James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs"), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application.

(9) No other party or person appeared at the hearing or indicated any opposition to the granting of the application.

The Division concludes as follows:

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to, and completed the well in, a common source of supply within the Unit at the above-described location.

(12) Respondents, or some one or more of them, claim interests in the oil and gas within the Unit, and have not agreed to pool their interests, nor were they notified of the application or hearing in Case No. 15038.

(13) None of the Respondents except Blair Seaton Crooke ("Crooke") claims a working or unleased mineral interest in the Unit.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, including the interests of the additional parties, whatever they may be, in the oil and gas within the Unit that were not effectively pooled by Order No. R-13751.

(15) Mewbourne Oil Company should be designated the operator of the well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*."

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company ("Applicant"), all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring Formation underlying the W/2 W/2 of Section 23 in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico ("the Unit"), including, but not limited to the interests of additional parties, if any, are hereby pooled.

(2) The Unit is dedicated to Applicant's Owl Draw 23 DM Federal Com Well No. 2H ("the well"; API No. 30-015-41629), a horizontal well that Applicant has drilled and completed from a surface location 370 feet from the South line and 1055 feet from the West line (Unit M) of Section 14, to a bottom-hole location 334 feet from the South line and 661 feet from the West line (Unit M) of Section 23, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.



(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(5) After the effective date of this Order, the operator shall furnish to the Division and to each of the additional parties who owns a working or unleased interest in the Unit ("additional owners") an itemized schedule of actual costs of drilling, completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of well costs is furnished, the additional owners shall have the right to pay their claimed share of actual well costs to the operator in lieu of paying their share of reasonable well costs out of production as hereinafter provided. An additional owner who pays his claimed share of well costs within 30 days after receipt of the schedule of costs as provided shall remain liable for operating costs with respect to his interest, if any, but shall not be liable for risk charges. An additional owner who elects not to pay his claimed share of well costs as provided in this paragraph shall be deemed a "non-consenting additional owner."

(7) If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any additional owner who has paid his claimed share of actual costs in advance as provided above shall receive from the operator the amount, if any, that the actual well costs he has paid exceed his claimed share of reasonable well costs.

(9) The operator is hereby authorized to withhold all proceeds of production attributable to additional owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a final settlement or judgment establishes that an additional owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due to such owner by reason of its adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement of judgment. If a final settlement or judgment establishes that an additional owner has no interest in production from the Unit, the operator shall refund to such additional owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(10) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and

- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(11) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(12) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production attributable to each owner's interest the owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(13) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-28, as amended).

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

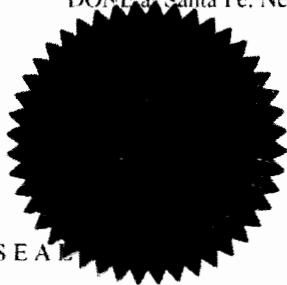
(17) Order No. R-13751 shall remain in effect except as modified hereby.

(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 15550  
Order No. R-13751-A  
Page 6 of 6

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

**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. 15551  
ORDER NO. R-13959-A**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 27<sup>th</sup> day of July, 2017, the Division Director, having considered the testimony, the record and the recommendations of Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Cases 15547, 15548, 15549, 15550, 15551, 15552 and 15562 were consolidated for hearing. However, a separate order is being issued in each case.
- (3) Order No. R-13959 was issued in Case No. 15259 on February 10, 2015, forming a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring Formation, Hay Hollow; Bone Spring Pool (pool code 30215), comprising the W/2 E/2 of Section 22 and the W/2 E/2 of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico and pooling all uncommitted interests in the Bone Spring formation within the Unit.
- (4) By this application, Applicant seeks to pool the interests, if any, in the Unit of certain parties ("additional parties") whose interests are contingent on the outcome of pending litigation, and who were not notified of the prior pooling proceeding.

(5) The Unit is dedicated to Applicant's Owl Draw 22 27 B2BO Federal Com Well No. 2H ("the well"; API No. 30-015-42829), a horizontal well that Applicant has drilled and completed from a surface location 330 feet from the North line and 1585 feet from the East line (Unit B) of Section 22, to a bottom-hole location, 330 feet from the South line and 1980 feet from the East line (Unit O) of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. The well's completed interval is unorthodox.

(6) The well is within the Hay Hollow; Bone Spring Pool and is subject to statewide Rule 19.15.15.9.A. NMAC, which provides for standard 40-acre spacing units each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries. The Unit consists of eight contiguous quarter-quarter sections aligned from north to south.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring Formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well north to south is appropriate for the Unit.
- (c) All quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.
- (d) Notice was provided for compulsory pooling to all the additional parties by certified mail, return receipt requested.

(8) Respondents, James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs"), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application.

(9) No other party or person appeared at the hearing or indicated any opposition to the granting of the application.

The Division concludes as follows:

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to, and completed the well in, a common source of supply within the Unit at the above-described location.

(12) Respondents, or some one or more of them, claim interests in the oil and gas within the Unit, and have not agreed to pool their interests, nor were they notified of the application or hearing in Case No. 15259.

(13) None of the Respondents except Blair Seaton Crooke ("Crooke") claims a working or unleased mineral interest in the Unit.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, including the interests, if any, whatever they may be, in the oil and gas within the Unit that were not effectively pooled by Order No. R-13959.

(15) Mewbourne Oil Company should be designated the operator of the well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*."

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company ("Applicant"), all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring Formation underlying the W/2 E/2 of Section 22 and the W/2 E/2 of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico ("the Unit"), including, but not limited to the interests of additional parties, if any, are hereby pooled.

(2) The Unit is dedicated to Applicant's Owl Draw 22 27 B2BO Federal Com Well No. 2H ("the well"; API No. 30-015-42829), a horizontal well that Applicant has drilled and completed from a surface location 330 feet from the North line and 1585 feet from the East line (Unit B) of Section 22, to a bottom-hole location, 330 feet from the South line and 1980 feet from the East line (Unit O) of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(5) After the effective date of this Order, the operator shall furnish the Division and to each of the additional parties who owns a working or unleased interest in the Unit ("additional owners") an itemized schedule of actual costs of drilling, completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of well costs is furnished, the additional owners shall have the right to pay their claimed share of actual well costs to the operator in lieu of paying their share of reasonable well costs out of production as hereinafter provided. An additional owner who pays his claimed share of well costs within 30 days after receipt of the schedule of costs as provided shall remain liable for operating costs, but shall not be liable for risk charges. An additional owner who elects not to pay his claimed share of well costs as provided in this paragraph shall be deemed a "non-consenting additional owner."

(7) If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any additional working interest owner who has paid his claimed share of actual costs in advance as provided above shall receive from the operator the amount, if any, that the actual well costs he has paid exceed his claimed share of reasonable well costs.

(9) The operator is hereby authorized to withhold all proceeds of production attributable to additional owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a final settlement or judgment establishes that an additional owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due to such owner by reason of his adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement or judgment. If a final settlement or judgment establishes that an additional owner has no interest in production from the Unit, the operator shall refund to such additional owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(10) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and

- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(11) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(12) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production attributable to each owner's interest the owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(13) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-28, as amended).

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(17) Order No. R-13959 shall remain in effect except as modified hereby.

(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.



Case No. 15551  
Order No. R-13959-A  
Page 6 of 6

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

(4) Spacing in the Purple Sage; Wolfcamp (Gas) is governed by special pool rules adopted by Order No. R-14262, which provides for standard 320-acre units, each comprising a governmental half section, and 330-foot setbacks for oil or gas wells. The Unit and project area consists of two adjacent half sections.

(5) Applicant appeared at the hearing through counsel and presented geologic evidence by affidavit to the effect that:

(a) This area is suitable for development by horizontal drilling, and orientation of horizontal well South to North is appropriate.

(b) All parts of the Unit are expected to be productive in the Wolfcamp Formation, so that approval of the Unit as requested will not impair correlative rights.

(c) Applicant gave notice by certified mail, return receipt requested, to all uncommitted owners within the Unit to whom notice is required for this compulsory pooling application, except for unlocatable parties. Return receipts were filed for all owners in the Unit to whom mailed notice was directed. After a diligent search, Applicant gave notice to the unlocatable parties by publication in a newspaper of general circulation in Eddy County.

(6) By this application, Applicant seeks to pool, in addition to the interests of uncommitted owners it has identified as owners of interests, the interests, if any, in the Unit of certain parties ("contingent owners") whose interests depend on the outcome of pending litigation.

(7) The following parties identified as contingent owners entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application:

James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs"), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke.

(8) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(9) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

**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. 15562  
ORDER NO. R-14415**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
SPACING AND PRORATION UNIT, COMPULSORY POOLING, AND AN  
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27<sup>th</sup> day of June, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Mewbourne Oil Company ("Applicant"), seeks approval of a non-standard 640-acre gas spacing unit and project area ("the Unit") in the Wolfcamp Formation, Purple Sage; Wolfcamp Pool (Pool Code 98220) underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests within the Unit in the Wolfcamp formation.

(3) The Unit will be dedicated to Applicant's Owl Draw 27 22 W2NC Federal Com Well No. 2H ("the subject well"), a horizontal well that has been drilled and completed from a surface location, 170 feet from the South line and 2230 feet from the West line (Unit N) of Section 27 to an as drilled terminus, 339 feet from the North line and 2313 feet from the West line (Unit C) of Section 22.

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is an owner of an oil and gas working interest within the Unit. Applicant had the right to drill and has drilled the subject well to a common source of supply within the Unit at the above-described location.

(12) There are interest owners in the Unit that have not agreed to pool their interests.

(13) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(14) Mewbourne Oil Company should be designated the operator of the proposed well and of the Unit.

(15) Any pooled working interest owner who does not pay its share of estimated well costs for any well in advance should have withheld from production its share of reasonable well costs of such well plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "Accounting Procedure-Joint Operations."

(17) The subject well was originally permitted for completion in the Welch; Wolfcamp (Gas) Pool (pool code 98017), and was subject to Rule 19.15.15.10.B NMAC, which requires a well to be located no closer than 660 feet from unit boundaries, making the subject well's location unorthodox. That pool was abolished, and the completion was transferred to the Purple Sage; Wolfcamp (Gas) Pool for which special pool orders provide a setback distance of 330 feet from unit boundaries. Accordingly, the subject well's location is now orthodox, and the application's request for approval of an unorthodox location should be dismissed.

**IT IS THEREFORE ORDERED THAT:**

(1) A non-standard 640-acre gas spacing and proration unit and project area ("the Unit") is hereby established for oil and gas production from the Wolfcamp Formation, Purple Sage; Wolfcamp Pool (Pool Code 98220) underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Owl Draw 27 22 W2NC Federal Com Well No. 2H (API No. 30-015-43684, "the subject well"), a horizontal well that has been drilled from a surface location 170 feet from the South line and 2230 feet from the West line (Unit N) of Section 27 to an as-drilled terminus 339 feet from the North line and 2313 feet from the West line (Unit C) of Section 22. The subject well's completed intervals of both wells will be at an orthodox location.

(4) Since the subject well's location in the Purple Sage; Wolfcamp (Gas) Pool is orthodox, the application's request for approval of an unorthodox location is dismissed.

(5) Upon final plugging and abandonment of the subject well and any other well drilled on the Unit pursuant to Division Rule 19.1513.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(6) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the subject well and of the Unit.

(7) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners or contingent owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit, an itemized schedule of actual costs of drilling, completing and equipping the subject well ("well costs").

(8) Within 30 days from the date the schedule of actual well costs is furnished, any pooled working interest owner shall have the right to pay its share of actual well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Any owner who pays its share of actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Any owner of a contingent interest pays the share of actual costs corresponding to his claimed interest and shall not be liable for risk charges upon any adjudicated interest he may be determined to own to the extent such adjudicated interest is less than or equal to his claimed interest. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph for either well shall thereafter be referred to as "non-consenting working interest owners."

(9) If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well

costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(10) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of actual costs of such well in advance as provided above shall receive from the operator the amount, if any, that the actual well costs it has paid for such well exceed its share of reasonable well costs.

(11) The operator is hereby authorized to withhold all proceeds of production attributable to owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a settlement or judgment establishes that a contingent owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due by reason of his adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement or judgment. If a final settlement or judgment establishes that a contingent owner has no interest in production from the Unit, the operator shall refund to such contingent owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(12) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(13) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(14) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not in excess of what are reasonable, attributable to pooled working interest owners.

(15) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when

required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

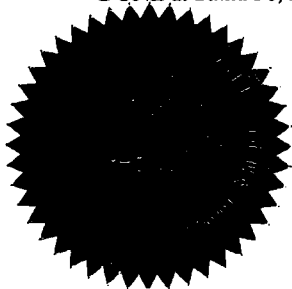
(16) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(19) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

*David R. Catanach*

**DAVID R. CATANACH**  
Director

**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. 15552  
ORDER NO. R-14018-A**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD  
OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 27<sup>th</sup> day of July 2017, the Division Director, having considered the testimony, the record and the recommendations of Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Cases 15547, 15548, 15549, 15550, 15551, 15552 and 15562 were consolidated for hearing. However, a separate order is being issued in each case.
- (3) Order No. R-14018 was issued in Case No. 15298 on July 16, 2015, forming a 320-acre, non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring Formation, Hay Hollow; Bone Spring Pool (pool code 30215), comprising the W/2 W/2 of Section 22 and the W/2 W/2 of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico and pooling all uncommitted interests in the Bone Spring formation within the Unit.
- (4) By this application, Applicant seeks to pool the interests, if any, in the Unit of certain parties ("additional parties") whose interests are contingent on the outcome of pending litigation, and who were not notified of the prior pooling proceeding.



(5) The Unit is dedicated to Applicant's Owl Draw 27 22 B2MD Federal Com Well No. 1H ("the well"; API No. 30-015-43331), a horizontal well that Applicant has drilled and completed from a surface location 170 feet from the South line and 330 feet from the West line (Unit M) of Section 27, to an as-drilled bottom-hole location, 335 feet from the North line and 431 feet from the West line (Unit D) of Section 22, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(6) The well is within the Hay Hollow; Bone Spring Pool and is subject to statewide Rule 19.15.15.9.A. NMAC, which provides for standard 40-acre spacing units each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries.

(7) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Bone Spring Formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well south to north is appropriate for the Unit.
- (c) All quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.
- (d) Notice was provided for compulsory pooling to all the additional parties by certified mail, return receipt requested.

(8) Respondents, James Wesley Welch, Joe Michael Welch and Barbara Grace Walker (collectively "the Welch Heirs), Tuffy Oil Co., LLC, Premier Oil & Gas, Inc., and Blair Seaton Crooke entered appearances in this case and appeared at the hearing through counsel, but did not oppose the application.

(9) No other party or person appeared at the hearing or indicated any opposition to the granting of the application.

The Division concludes as follows:

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to, and completed the well in, a common source of supply within the Unit at the above-described location.

(12) Respondents, or some one or more of them, claim interests in the oil and gas within the Unit, and have not agreed to pool their interests, nor were they notified of the application or hearing in Case No. 15298.

(13) None of the Respondents except Blair Seaton Crooke ("Crooke") claims a working or unleased mineral interest in the Unit.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, including the interests, if any, whatever they may be, in the oil and gas within the Unit that were not effectively pooled by Order No. R-14018.

(15) Mewbourne Oil Company should be designated the operator of the well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided these rates should be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*."

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Mewbourne Oil Company ("Applicant"), all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring Formation underlying the W/2 W/2 of Section 22 and the W/2 W/2 of Section 27, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico ("the Unit"), including, but not limited to the interests of additional parties, if any, are hereby pooled.

(2) The Unit is dedicated to Applicant's Owl Draw 27 22 B2MD Federal Com Well No. 1H ("the well"; API No. 30-015-43331), a horizontal well that Applicant has drilled and completed from a surface location 170 feet from the South line and 330 feet from the West line (Unit M) of Section 27, to an as-drilled bottom-hole location, 335 feet from the North line and 431 feet from the West line (Unit D) of Section 22, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(4) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and the Unit.

(5) After the effective date of this Order, the operator shall furnish the Division and to each of the additional parties who claims a working or unleased interest in the Unit ("additional owners") an itemized schedule of actual costs of drilling, completing and equipping the well ("well costs").

(6) Within 30 days from the date the schedule of well costs is furnished, the additional owners shall have the right to pay their claimed share of actual well costs to the operator in lieu of paying their share of reasonable well costs out of production as hereinafter provided. An additional owner who pays his claimed share of well costs within 30 days after receipt of the schedule of costs as provided shall remain liable for operating costs with respect to his adjudicated interest, if any, but shall not be liable for risk charges. An additional owner who elects not to pay his claimed share of well costs as provided in this paragraph he shall be deemed a "non-consenting additional owner."

(7) If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any additional working interest owner who has paid his claimed share of actual costs in advance as provided above shall receive from the operator the amount, if any, that the actual well costs he has paid exceed his claimed share of reasonable well costs.

(9) The operator is hereby authorized to withhold all proceeds of production attributable to additional owners whose interest is contingent upon the outcome of pending litigation until the litigation is terminated by settlement or final judgment and the operator is provided with satisfactory proof thereof. If a final settlement or judgment establishes that an additional owner is entitled to an interest in production from the Unit ("adjudicated interest"), the operator shall pay or deliver to such additional owner all amounts due to such owner by reason of its adjudicated interest, less amounts operator is authorized to withhold under this order, within 60 days after receipt of proof of such agreement of judgment. If a final settlement or judgment establishes that an additional owner has no interest in production from the Unit, the operator shall refund to such additional owner, without interest, any amounts he has paid as well costs pursuant to Ordering Paragraph (6) above.

(10) The operator is further authorized to withhold from production attributable to each non-consenting additional owner's interest:

- (a) The proportionate share of reasonable well costs attributable to such interest; and

- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(11) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(12) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production attributable to each owner's interest the owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(13) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-28, as amended).

(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(17) Order No. R-14018 shall remain in effect except as modified hereby.

(18) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Case No. 15552  
Order No. R-14018-A  
Page 6 of 6

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 IN THE MATTER OF THE HEARING CALLED  
5 BY THE OIL CONSERVATION DIVISION FOR  
6 THE PURPOSE OF CONSIDERING:  
7 APPLICATION OF MEWBOURNE OIL CASE NO. 15547  
8 COMPANY FOR COMPULSORY POOLING  
9 AND AN UNORTHODOX GAS WELL LOCATION,  
10 EDDY COUNTY, NEW MEXICO.  
11 Consolidated with  
12 APPLICATION OF MEWBOURNE OIL CASE NO. 15548  
13 COMPANY FOR A NONSTANDARD OIL  
14 SPACING AND PRORATION UNIT AND  
15 COMPULSORY POOLING, EDDY COUNTY,  
16 NEW MEXICO.  
17 APPLICATION OF MEWBOURNE OIL CASE NO. 15549  
18 COMPANY FOR COMPULSORY POOLING  
19 AND AN UNORTHODOX GAS WELL LOCATION,  
20 EDDY COUNTY, NEW MEXICO.  
21 APPLICATION OF MEWBOURNE OIL CASE NO. 15550  
22 COMPANY FOR A NONSTANDARD OIL  
23 SPACING AND PRORATION UNIT AND  
24 COMPULSORY POOLING, EDDY COUNTY,  
25 NEW MEXICO.  
APPLICATION OF MEWBOURNE OIL CASE NO. 15551  
COMPANY FOR A NONSTANDARD OIL  
SPACING AND PRORATION UNIT AND  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.  
APPLICATION OF MEWBOURNE OIL CASE NO. 15552  
COMPANY FOR A NONSTANDARD OIL  
SPACING AND PRORATION UNIT AND  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO,  
APPLICATION OF MEWBOURNE OIL CASE NO. 15562  
COMPANY FOR A NONSTANDARD SPACING  
AND PRORATION UNIT, COMPULSORY  
POOLING, AND AN UNORTHODOX GAS WELL  
LOCATION, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 25, 2017

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER  
PHILLIP GOETZE, TECHNICAL EXAMINER  
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Phillip Goetze, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, May 25, 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

1 APPEARANCES

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7 FOR JAMES WESLEY WELCH, JOE MICHAEL WELCH, BARBARA GRACE  
WELCH AND THE WELCH HEIRS, et al.:

8

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23

24

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1 (10:59 a.m.)

2 EXAMINER DAWSON: Moving down the list, we  
3 are going to the next case here. At this point we'll  
4 skip over Case Number 15705, which is number 13 on the  
5 list, on page 3 of 7, and we will go now to Case Number  
6 15447, case number 15 -- I'm sorry -- Case Numbers  
7 15547, 548, 549, 15550, 15551, 15552 and 15562.

8 Those seven cases will be consolidated into  
9 one case, correct, Mr. Hall?

10 MR. HALL: Yes.

11 EXAMINER DAWSON: Okay. And I'll call for  
12 appearances on these cases.

13 MR. BRUCE: Mr. Examiner, Jim Bruce, of  
14 Santa Fe, representing the Applicant. I have two  
15 witnesses.

16 EXAMINER DAWSON: Okay.

17 MR. HALL: Mr. Examiner, Scott Hall, of  
18 Montgomery & Andrews, Santa Fe, appearing on behalf of  
19 James Wesley Welch, Joe Michael Welch, Barbara Grace  
20 Parker, the Welch heirs and their operating entity,  
21 Tuffy [phonetic] Oil, LLC.

22 EXAMINER DAWSON: Any witnesses?

23 MR. HALL: No witnesses.

24 EXAMINER DAWSON: Mr. Padilla?

25 MR. PADILLA: Mr. Examiner, I represent

1 Premier Oil & Gas, Inc. I have no witnesses.

2 MR. MORGAN: And Scott Morgan for Blair  
3 Seaton Crooke, Cavin & Ingram, Albuquerque, New Mexico.  
4 No witnesses.

5 EXAMINER DAWSON: Okay. Mr. Bruce, your  
6 witnesses have all been sworn in?

7 MR. BRUCE: That's correct.

8 EXAMINER DAWSON: And they have already  
9 testified in previous cases?

10 MR. BRUCE: That is correct.

11 EXAMINER DAWSON: I will let you start out  
12 with your questioning.

13 MR. BRUCE: Okay.

14 COREY MITCHELL,  
15 after having been previously sworn under oath, was  
16 questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Would you please state your name for the  
20 record?

21 A. Corey Mitchell.

22 Q. And are you familiar with the land matters  
23 involved in these applications?

24 A. I am.

25 MR. BRUCE: Mr. Examiners, before we begin,

1 it's not marked as an exhibit, but there is a sheet on  
2 top of the exhibits of Exhibit 1.

3 All of the wells in this matter were  
4 previously force pooled except for Case 15562, which has  
5 not been pooled. Mr. Mitchell can explain this. The  
6 parties who were pooled in those prior cases were  
7 unlocatable interest owners, and we're just putting this  
8 for reference. As we go through and move on to the  
9 geology, when it comes to the approval of the  
10 nonstandard units, they've all been approved, except for  
11 Case 15562. They've all been approved in the prior  
12 orders, and so we intended only to put on geologic  
13 evidence for the last lace case, 15562, and ask that  
14 those prior orders or prior cases be incorporated as  
15 part of the record or administrative notice be taken of  
16 them for the purpose of justifying the nonstandard  
17 units.

18 EXAMINER DAWSON: Okay.

19 Q. (BY MR. BRUCE) Mr. Mitchell, I've stapled  
20 together the land plat and then a number of -- and then  
21 the C-102s for this -- for these wells, but could you  
22 identify the first page of Exhibit 1?

23 A. The first page of Exhibit 1 is a Midland Map  
24 Company land plat showing Township 26 South, Range 27  
25 East. Highlighted on there is the west half of Section

1 23 and all of Sections 22 and 27. In yellow are various  
2 proration units that encompass this land, and also noted  
3 on there, in red, are our wells.

4 Q. Okay. Now, in these cases, there are both Bone  
5 Spring wells and Wolfcamp wells, correct?

6 A. Correct.

7 Q. Have all of the wells been drilled?

8 A. Yes, sir, they have.

9 Q. As to the Bone Spring, I believe they are in  
10 the Hay Hollow; Bone Spring pool?

11 A. That's correct.

12 Q. And that's based on statewide rules?

13 A. Yes, sir.

14 Q. And the others -- the Wolfcamp wells are all in  
15 the Purple Sage; Wolfcamp pool?

16 A. That's correct.

17 Q. Could you just quickly run through the  
18 remaining pages of Exhibit 1. I don't think you need to  
19 say, but do they -- are these -- let's get into the  
20 C-102s for the wells. Are these the actual final  
21 locations after drilling, or could you explain that?

22 A. Yes. These are the C-102s for the wells. The  
23 first four C-102s are the actuals that were revised  
24 after the well was drilled and completed. I do not have  
25 the actuals on the last three yet, even though they've

1     been -- they have been drilled.

2           Q.     And in looking at both -- in this area, in the  
3     two-and-a-half sections that we're talking about here  
4     today, looking at the Bone Spring, are there any depth  
5     severances in the Bone Spring Formation?

6           A.     No, sir.

7           Q.     Are there any depth severances in the Wolfcamp  
8     Formation?

9           A.     No, sir.

10          Q.     What is Exhibit 2? And I've stapled -- there  
11     are exactly the number of pages to it, a number of  
12     two-sheet sets. Could you describe briefly what is  
13     shown on these two pages for each particular well?

14          A.     Exhibit 2 is our tract ownership for each well,  
15     listed on all of them except the last two pages, which  
16     is for the Owl Draw 27/22 W2NC Fed Com Number 2H well.  
17     All the other ones are noted with an asterisk of parties  
18     that were previously pooled. And then the double  
19     asterisk is next to either Premier Oil & Gas, Mewbourne  
20     Oil Company or COG Operating. Portions for all of that  
21     interest is subject to litigation.

22          Q.     Okay. We'll get into that in a minute.

23          A.     Okay. And then the last two -- or the last  
24     one, for the W2NC, the parties noted with an asterisk  
25     are who we are seeking to pool, and then also one party

1 associated with the double asterisk.

2 Q. Okay. Just to avoid -- in all of the -- in the  
3 first six wells that there has already been a pooling  
4 order, have Corexcas and Petrorep, Inc. been forced  
5 pooled?

6 A. Yes, sir.

7 Q. Are those two entities unlocatable companies?

8 A. Yes, sir.

9 Q. Has Mewbourne been trying to locate them for a  
10 number of years?

11 A. Yes, sir.

12 Q. Have other operators in this area, such as  
13 Cimarex, also been trying to locate them?

14 A. Yes, sir.

15 Q. Without luck?

16 A. Correct.

17 Q. I believe the prior testimony was that they  
18 disappeared off the face of the earth decades ago, and  
19 nobody's been able to track them down?

20 A. Yeah. I believe 1972 is the last time they  
21 appeared on the record.

22 Q. So has Mewbourne made a good-faith effort to  
23 locate all of the potential -- all of the interest  
24 owners or potential interest owners in this -- in these  
25 wells?

1           A.    Yes, sir.

2           Q.    Then let's stalk about Premier Oil & Gas, Inc.,  
3 whatever the interest is, 14.8 percent, or COG, on one  
4 or two of them, 18.75 percent interest. What is the  
5 status of those interests?

6           A.    Those interests are currently subject to  
7 litigation.

8           Q.    And is that identified on sheet two?

9           A.    Yes, sir.

10          Q.    And there is a title dispute or an heirship or  
11 probate dispute which originated this lawsuit; is that  
12 correct?

13          A.    That's correct.

14          Q.    It's been going on now close to five years?

15          A.    Correct.

16          Q.    And correct me if I'm wrong, but I believe  
17 Premier Oil & Gas claims this interest --

18          A.    That's correct.

19          Q.    -- or COG claims the subject interest, but the  
20 people represented by Mr. Hall and Mr. Morgan are in  
21 litigation with those entities?

22          A.    Correct.

23          Q.    Do you have any clue when the lawsuit will be  
24 resolved?

25          A.    I do not.



1           Q.    You said the wells have been completed.  Is a  
2   portion of the revenue from each well held in suspense  
3   until the lawsuit is determined?

4           A.    I believe so.

5           Q.    It's being held by Mewbourne?

6           A.    Yes, sir.

7           Q.    And Mewbourne will accept whatever the Court  
8   decides?

9           A.    That is correct.

10          Q.    We're going to get into the proposal letter  
11   shortly and the notice letters.  There are a number  
12   of -- number of heirs, as identified by the attorneys  
13   over here?

14          A.    Correct.

15          Q.    I think eight or nine of these heirs?

16          A.    That's fair.  Somewhere around there.

17          Q.    And they're generally referred to as the Welch  
18   heirs?

19          A.    Correct.

20          Q.    Other than Mr. Morgan's client, Blair Seaton  
21   Crooke, have the other interest owners come to terms  
22   with Mewbourne Oil Company regarding their possible  
23   interests?

24          A.    Yes, sir.

25          Q.    And you are not seeking to force pool anyone

1 other than -- in each of the seven cases, you are  
2 seeking to force pool the contingent interest of Blair  
3 Crooke?

4 A. Correct.

5 Q. And Corexcal and Petrorep, you are only seeking  
6 to force pool them in the last case, 15562?

7 A. That is correct.

8 Q. And Exhibit 3 is a summary of your  
9 communications; is that correct --

10 A. Yes, sir.

11 Q. -- or attempts to locate the interest owners?

12 What is attached behind Exhibit 3?

13 A. Attached to Exhibit 3 is our proposal letter to  
14 Mr. Crooke regarding the subject wells.

15 Q. Okay. And because these matters have been in  
16 litigation, the notices that were sent out to the  
17 interest owners all went to the attorneys?

18 A. Yes, sir.

19 Q. This has been going on for quite some time. In  
20 your opinion, has Mewbourne made a good-faith effort to  
21 obtain a voluntary joinder of all the interest owners --

22 A. Yes, sir.

23 Q. -- in the application?

24 Next -- and, again, I've stapled them all  
25 together. But Exhibit 4 contains AFEs for the wells.

1     Could you identify those and describe which ones are the  
2     actual well costs and which ones are the actual -- are  
3     the estimated well costs?

4           A.     Exhibit 4 are our AFEs for the subject wells.  
5     The first four of them are actual -- represent the  
6     actual costs, and the last three are still -- just  
7     reflective of our estimated costs.

8           Q.     In your opinion, are the actual well costs on  
9     the first four AFEs fair and reasonable and in line with  
10    the costs of other wells drilled to this depth in this  
11    area of New Mexico?

12          A.     Yes, sir.

13          Q.     And as to the ones that you do not have actual  
14    costs for -- and these are dated in 2014, 2015 and 2016.  
15    At the time that these wells were drilled, were those  
16    AFEs -- were the well costs reflected in those AFEs fair  
17    and reasonable?

18          A.     Yes, sir.

19          Q.     The overhead rates were fixed by the prior  
20    orders for the first six wells, but as to Case 15562,  
21    what overhead rates do you request?

22          A.     We are requesting 7,500 a month for drilling  
23    and \$700 a month for producing, which is the same as the  
24    rates in the prior orders.

25          Q.     Okay. And are those fair and reasonable, in

1 your opinion?

2 A. Yes, sir.

3 Q. And do you request that those rates be adjusted  
4 as provided in the COPAS accounting procedure, as was  
5 provided in the others?

6 A. Yes, sir.

7 Q. As to Case 15562 -- well, as to all the cases,  
8 do you request -- do you request the maximum cost plus  
9 200 percent risk charge for the wells?

10 A. Yes, sir.

11 Q. As against Mr. Crooke?

12 A. Yes, sir.

13 Q. Now, that having been said, these wells have  
14 all been drilled, correct?

15 A. That's correct.

16 Q. And there is public data available on  
17 production from these wells?

18 A. Correct.

19 Q. And so the parties will have a good idea of  
20 what their -- of whether or not their wells are decent  
21 and whether or not they want to join in; is that  
22 correct?

23 A. Correct. Yes, sir.

24 Q. And was notice given to all of the locatable  
25 interest owners of these applications?

1           A.    Yes, sir.

2           Q.    And is that reflected in my Exhibit 5?

3           A.    Yes, sir.

4                   MR. BRUCE:  Mr. Examiner, if you'll look,  
5   you'll see there are a couple of letters here.  Notice  
6   went out in September as to seven cases, and actual  
7   notice was received by everybody.  Of course, maybe  
8   giving me nine months to get the green cards back was --  
9   every now and then.

10                   But in that first letter dated September  
11   8th, 2016, Case Number 15490, the parties were given  
12   notice of that application.  Because of the Division's  
13   continuance policy, that case was dismissed without  
14   prejudice, and Case Number 15562 was filed in place of  
15   that dismissed application.  And so you see on October  
16   6th, there is a second letter attached where notice went  
17   out to everyone regarding the replacement case, and  
18   notice was received by everyone.

19                   And if you'll look, there are nine of what  
20   people call the Welch heirs.  And Mr. Hall's clients, of  
21   those heirs, have an operating entity.

22                   Is that correct, Mr. Hall?

23                   MR. HALL:  Correct.

24                   MR. BRUCE:  And only Mr. Blair Crooke is  
25   sought to be pooled.  His contingent interest is sought

1 to be pooled in all seven cases.

2 And then Exhibit 5A, Mr. Examiner, is just  
3 the Affidavit of Publication as to Petrorep and  
4 Corexcal, showing that they were given notice. And this  
5 pertains particularly to Case 15562.

6 Q. (BY MR. BRUCE) And does Exhibit 6 reflect the  
7 offsets to all of the seven wells --

8 A. Yes, sir.

9 Q. -- offset operators or working interest owners?

10 And were they given notice, as shown by  
11 Exhibit 7?

12 A. Yes, sir.

13 MR. BRUCE: And all of the parties did  
14 receive -- all offsets received actual notice of the  
15 applications. And, again, nobody objected to the  
16 nonstandard units in the first six cases, and nobody has  
17 objected, after nine months, to these cases. So that is  
18 the reason for requesting that we only put on  
19 nonstandard and proration unit information by the  
20 geologist as to Case 15562.

21 EXAMINER DAWSON: Okay.

22 Q. (BY MR. BRUCE) Mr. Mitchell, were Exhibits 1  
23 through 7 either prepared by you or compiled from  
24 company business records?

25 A. Yes, sir.

1           Q.    And in your opinion, is the granting of the  
2   pooling in these seven cases in the interest of  
3   conservation and the prevention of waste?

4           A.    Yes, sir.

5                   MR. BRUCE:  I move the admission of  
6   Exhibits 1 through 7.

7                   EXAMINER DAWSON:  Any objections to the  
8   movement of Exhibits 1 through 7?

9                   MR. HALL:  No objection.

10                  MR. PADILLA:  No objection.

11                  MR. MORGAN:  No objection.

12                  EXAMINER DAWSON:  Exhibits 1 through 7 will  
13   be admitted into the record.

14                   (Mewbourne Oil Company Exhibit Numbers 1  
15   through 7 are offered and admitted into  
16   evidence.)

17                  MR. BRUCE:  Pass the witness.

18                  EXAMINER DAWSON:  Mr. Padilla first.

19                  MR. PADILLA:  I don't have any questions.

20                               CROSS-EXAMINATION

21   BY MR. HALL:

22           Q.    Mr. Mitchell, were the competing claims to the  
23   title letter now in the litigation apparent from an  
24   examination of instruments of record at the time these  
25   wells were drilled?

1           A.    I'm not sure I follow your question.

2           Q.    There were defects to title that led to the  
3 litigation; is that correct?

4           A.    Correct.  Yes, sir.

5           Q.    And were those discovered by Mewbourne?

6           A.    Yes, sir.

7           Q.    And they were from instruments of record that  
8 were filed prior to the time these wells were drilled?

9           A.    Yes, sir.

10          Q.    In view of those competing claims, did  
11 Mewbourne offer elections to the competing claimants to  
12 participate in the well?

13          A.    We took a protection lease that we thought  
14 covered our bases, which now we know is not the case.

15          Q.    And did you receive a permit of --  
16 participation of elections from some of the competing  
17 claimants?

18          A.    As in Premier?

19          Q.    Premier --

20          A.    Is that what you're getting at?

21          Q.    -- among others.

22                    Yes.

23          A.    Yes.

24          Q.    As well as the Welch heirs?

25          A.    No.  Well, yes.  Yes, yes.  Now we have.  Yes,



1     sir. I thought you were talking -- yes, sir, we have.

2           Q.     And Mewbourne received tenders of estimated  
3     well costs for the participation of election; is that  
4     right?

5           A.     Yes, sir.

6           Q.     And are these revenues being maintained in  
7     accounts separate from the joint account because of the  
8     litigation?

9           A.     Yes, sir. That is my understanding. Yes, sir.

10          Q.     Are you able to testify about the payout status  
11     of all of these wells?

12          A.     I am not.

13          Q.     Can your geologist answer that for us?

14          A.     I do not believe so.

15          Q.     All right. Have some of them indeed paid out?

16          A.     I'm not 100 percent sure on that. I'd have to  
17     check into it further.

18          Q.     That's all I have. Thank you.

19                   MR. BRUCE: If I may interject, I believe,  
20     Mr. Hall, that Mewbourne's attorneys have been in touch  
21     with Kelly, Hart & Hallman regarding payout status on  
22     some of them, but I do not know.

23                   MR. HALL: Okay. I'm always the last to  
24     know.

25                   EXAMINER DAWSON: Mr. Morgan, do you have

1 any questions?

2 MR. MORGAN: I do just have a couple.

3 CROSS-EXAMINATION

4 BY MR. MORGAN:

5 Q. Just to follow up on Mr. Hall's question about  
6 the records prior -- the defects being apparent prior to  
7 the time the wells were drilled, do you know if  
8 Mewbourne had received a title opinion prior to the  
9 drilling of those wells?

10 A. We did.

11 Q. And was it apparent in that title opinion that  
12 there were defects?

13 A. There was.

14 Q. Okay. Okay. And when were those drills -- I  
15 know it's in the record. When were those drills -- when  
16 were they spud?

17 A. At various dates.

18 Q. Do you recall the earliest year?

19 A. I do not. It was -- I'm not sure. I'd  
20 probably have to say 2012 -- I'm not sure.

21 Q. Okay. That's fine. So around 2012. Okay.

22 And in Exhibit -- sorry -- back to Exhibit  
23 3, the summary of communications, do you recall if there  
24 were -- if there was correspondence or communications  
25 with Mr. Crooke prior to this letter?

1           A.    Prior to this -- I believe so.  I'm not  
2   positive, but I believe there were.  We offered to lease  
3   Mr. Crooke, and I think we had a lease in place at one  
4   point.

5           Q.    Do you recall when that might have been?

6           A.    No, sir.

7           Q.    Okay.  I think really the last question I have  
8   is if Mr. Crooke elects to go ahead and sign the AFE and  
9   participate, would he be put in pay status at this time?

10          A.    I believe he'll be treated as the others and a  
11   portion may be put in pay, but I know some, if not all,  
12   would be in suspense.

13          Q.    Okay.  Okay.  That's all my questions.

14                   MR. BRUCE:  Just a couple of follow-up  
15   questions.

16                   EXAMINER DAWSON:  Okay.

17                   REDIRECT EXAMINATION

18   BY MR. BRUCE:

19          Q.    When the wells are [sic] drilled, the first  
20   six, Premier was adamant that it owned those interests,  
21   that it had leases covering those interests, the  
22   interests of Mr. Hall's and Mr. Morgan's clients?

23          A.    Correct.

24          Q.    And I assume there are some other unrepresented  
25   persons in this case?

1           A.    Between Premier's leases and our protection  
2   lease.

3           Q.    And so at that point, since things were influx  
4   and were for a number of years, you did not seek to  
5   force pool these contingent interests?

6           A.    That's correct.

7           Q.    And Mr. Morgan asked you about the prior  
8   contacts with his client or with Mr. Hall's clients. A  
9   lot of that contact was through various -- Mewbourne's  
10   attorneys and the attorneys of the other parties; is  
11   that correct?

12          A.    That is correct. Yes, sir.

13          Q.    And you mentioned you had a contingent -- or  
14   you had a release from Mr. Crooke. Mewbourne released  
15   that lease; is that correct?

16          A.    That's correct.

17                   MR. BRUCE: That's all I have.

18                   EXAMINER DAWSON: Okay. Mr. Padilla, do  
19   you have any questions?

20                   MR. PADILLA: No.

21                   EXAMINER DAWSON: Mr. Goetze?

22                   EXAMINER GOETZE: I have no questions.

23   Thank you.

24                   EXAMINER DAWSON: Mr. Brooks?

25                   EXAMINER BROOKS: Let's see. Everyone else

1 is -- all the lawyers have questioned the witness,  
2 except Mr. Padilla who has declined the opportunity.  
3 Okay.

4 CROSS-EXAMINATION

5 BY EXAMINER BROOKS:

6 Q. Going back to Exhibit 2, the people that do not  
7 have either an asterisk or a double asterisk by them,  
8 does that mean they are participating -- they are  
9 participating parties in the wells?

10 A. That is correct. Yes, sir. They are under a  
11 JOA and have participated in the wells.

12 Q. Okay. The single asterisk is by the people who  
13 were -- by Corexcas and Petrorep, both of which are  
14 unknown, right?

15 A. Yes, sir.

16 Q. And those are the only parties that were  
17 previously pooled in the earlier proceedings?

18 A. That's correct. Yes, sir.

19 Q. Okay. Now, the interest credited to Premier  
20 Oil Company on this list is the disputed interest?

21 A. Yes, sir.

22 Q. Well, that's on Exhibit -- on the first -- on  
23 page 1 of Exhibit 2. Now, on page 2 -- page 1 --  
24 well --

25 A. Yes, sir. Yeah. The --

1           Q.    It's hard to know how to refer to it because  
2 they're not successively numbered.

3           A.    Yes, sir. Yes.

4                   Premier is with the double asterisk in the  
5 Wolfcamp wells. Premier did a trade with Concho as to  
6 the Bone Spring rights. So the Bone Spring wells,  
7 Concho actually owns that interest. So that's why they  
8 have Concho -- or COG has the double asterisk.

9           Q.    Okay. None of the other interests other than  
10 those shown, Premier and Concho, are involved in the  
11 title dispute; is that correct?

12          A.    That's correct. The only other exception is on  
13 the Owl Draw 23 DM. The double asterisk is next to  
14 Mewbourne's name due to Premier farmed out its interest  
15 in this well.

16          Q.    And which case is that?

17          A.    That is -- would be Case 15007.

18                   MR. BRUCE: Today -- it's Case 15550 today.

19                   EXAMINER DAWSON: Okay.

20                   EXAMINER BROOKS: Okay.

21          Q.    (BY EXAMINER BROOKS) Now, the parties that were  
22 Premier and Concho, were they -- was the -- was the  
23 pooled -- was the disputed interest pooled in the prior  
24 proceedings as to those parties that claimed to own it  
25 at that time?

1 A. No, sir.

2 Q. Oh. So it was excepted from the pooling order?

3 A. Yes, sir.

4 Q. Now, Mr. Crooke -- or is it -- Blair, is that a  
5 man or a woman?

6 MR. MORGAN: A man. Blair is a man.

7 EXAMINER BROOKS: One of the reasons I was  
8 so anxious to clarify was that -- when you mentioned  
9 Blair Crooke, I have a -- I had a cousin. She's  
10 deceased now. But her name was Blair Brooks, which  
11 sounds very similar, but she was a woman (laughter).

12 Q. (BY EXAMINER BROOKS) So anyway, Mr. Crooke,  
13 does he own or claim the entire interests of the --  
14 entire disputed interest?

15 A. No, sir. He claims a portion of it.

16 Q. He claims a portion of it.

17 Now, what about the other potential  
18 claimants to that interest?

19 A. They all -- the respective claimants, they are  
20 just claiming portions of it.

21 Q. Okay. Are there any -- are they identified in  
22 here anywhere or --

23 A. No, sir. I did not list them out. I did not  
24 break them out.

25 Q. Okay. Have they all been noticed? All the

1 potential claimants that you know about, have they all  
2 been noticed?

3 A. Yes, sir.

4 MR. BRUCE: Mr. Examiner, if you look at  
5 Exhibit 5, all of the various Welch heirs are  
6 identified.

7 REDIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. And, Mr. Mitchell, all of these people, whether  
10 it's Premier or Concho or Mewbourne or these nine  
11 people, their interests vary per well unit; is that  
12 correct?

13 A. That's correct.

14 MR. BRUCE: But there were nine -- nine --  
15 nine heirs, and Mewbourne has come to terms with eight  
16 of them but only on a contingent basis because of the  
17 Premier and COG claims.

18 EXAMINER BROOKS: So they have come to --  
19 explain that again to me. I was trying to find the  
20 exhibit.

21 MR. BRUCE: I'll ask the question of  
22 Mr. Mitchell.

23 Q. (BY MR. BRUCE) Have they joined or ratified in  
24 a contingent fashion the JOAs to the various wells?

25 A. Yes, sir.



1 CONTINUED CROSS-EXAMINATION

2 BY EXAMINER BROOKS:

3 Q. That is all the heirs -- all the Welch heirs  
4 with the exception of Mr. Crooke?

5 A. That's correct.

6 Q. For Mr. Crooke is the only one whose interest  
7 is -- is the only uncommitted interest among the heirs?

8 A. Correct.

9 Q. But, now, was the counterinterest to that  
10 interest committed?

11 REDIRECT EXAMINATION

12 BY MR. BRUCE:

13 Q. Have either --

14 A. Yes.

15 Q. -- Premier or COG signed the JOAs?

16 A. Yes, sir.

17 CONTINUED CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Both of them?

20 A. Yes, sir.

21 Q. As to their respective interests?

22 A. Correct.

23 Q. So you will be holding that interest for the  
24 account of Premier or COG as participants in the well if  
25 they will prevail in the lawsuit, and it will be between

1 Mr. Crooke and Mewbourne as to what the status is? Or  
2 is there any participation agreement regarding  
3 Mr. Crooke? What is going to be the status of his  
4 interest?

5 A. We've proposed the well. So if he was to elect  
6 to participate, I think he would go in suspense until a  
7 final judgment is rendered.

8 Q. Okay. That is what I was trying to figure out.  
9 So he has not committed to anticipate?

10 A. No, sir, he has not.

11 Q. Whether or not his interest -- of course, if he  
12 doesn't have an interest, then he won't be able to  
13 participant. But if he has an interest, he will have an  
14 opportunity to elect as to that interest, but he won't  
15 get paid anything?

16 A. Correct. That's my understanding.

17 Q. Yeah. But he'll still have to pay his --

18 A. Well, I think his -- if they're paying the  
19 initial cost or share, the AFE, I think, we're  
20 reimbursing that, but everything in addition to that is  
21 put into suspense.

22 Q. Okay. But if he elects not to participate,  
23 then anything that comes to his interest will be held in  
24 suspense?

25 A. Yes, sir.

1           Q.    Now, is this -- this interest that's in  
2   dispute, is this a leased interest or an unleased  
3   interest?

4           A.    It's a mineral interest.  So depending on which  
5   way it goes, it would be leased or unleased.

6           Q.    Okay.  So Premier and Concho own lease  
7   interests --

8           A.    Yes, sir.

9           Q.    -- from one side of the title dispute.  The  
10  other side being unleased?

11          A.    Correct.  Yes, sir.

12                   MR. BRUCE:  Or claim they're unleased.

13                   EXAMINER BROOKS:  I'm sorry?

14                   MR. BRUCE:  The various heirs claim they're  
15  unleased.  Whereas, Concho and Premier claim they're  
16  leased.

17                   EXAMINER BROOKS:  Well, the interest of --  
18  COG and Premier hold from people who claim the title to  
19  that interest.

20                   MR. BRUCE:  That's correct.

21                   EXAMINER BROOKS:  But they hold leases for  
22  those people.  So the people that actually own the  
23  underlying interest, it's leased if they -- it's leased  
24  if one side owns it.  If the other side owns it, it's  
25  unleased.

1 MR. BRUCE: That's correct.

2 EXAMINER BROOKS: In other words,  
3 if Mr. Crooke owns it, it's -- if Mr. Crooke owns it,  
4 he's unleased.

5 MR. BRUCE: That is correct.

6 EXAMINER DAWSON: And the other parties,  
7 you said you had agreements with other than Mr. Crooke.

8 THE WITNESS: Yes, sir.

9 EXAMINER BROOKS: And they participating?

10 THE WITNESS: Yes, sir.

11 EXAMINER BROOKS: I think I understand.  
12 Everybody has notice, though? Everybody  
13 has been --

14 THE WITNESS: Yes, sir.

15 EXAMINER BROOKS: -- has actual notice,  
16 except these unknown corporations?

17 THE WITNESS: That's correct. Yes, sir.

18 EXAMINER BROOKS: Okay. I think I  
19 understand it.

20 MR. MORGAN: Can I ask one follow-up  
21 question.

22 EXAMINER BROOKS: Yes.

23 RECROSS EXAMINATION

24 BY MR. MORGAN:

25 Q. Mr. Mitchell, you said that were Mr. Crooke to

1 participate, that he would receive what he paid right  
2 now and then everything above that would be held in  
3 suspense, or everything would be held in suspense and  
4 then he would be reimbursed?

5 A. My understanding is that he would pay his  
6 portion of the cost to drill, and that would be paid  
7 back through revenues. But once that money is recouped,  
8 everything in addition to that would be put in suspense  
9 until a final judgment.

10 Q. So even if -- if he were to elect and there is  
11 no final judgment, he would still be reimbursed right  
12 now even without his --

13 A. That is my understanding.

14 Q. Okay.

15 MR. BRUCE: Mr. Brooks, they're looking for  
16 a judge to hear the final --

17 (Laughter.)

18 MR. MORGAN: I mean, they've been looking  
19 for a year. I think we're on judge number six now.

20 EXAMINER DAWSON: So does that conclude the  
21 questions for this witness?

22 MR. HALL: Yes.

23 EXAMINER DAWSON: We'll pass to the next  
24 witness.

25 Thank you very much.

1                   Mr. Bruce, you can call your next witness.

2                   CHARLES CROSBY,

3           after having been previously sworn under oath, was  
4           questioned and testified as follows:

5                   DIRECT EXAMINATION

6   BY MR. BRUCE:

7           Q.    Please state your name for the record.

8           A.    Charles Crosby.

9           Q.    And are you familiar with the Wolfcamp geology  
10   involved in Case 15562?

11          A.    Yes, sir.

12          Q.    And have you also reviewed -- there are several  
13   Bone Spring wells. Have you reviewed the Bone Spring  
14   geology out here?

15          A.    Yes.

16          Q.    Okay. Could you identify Exhibit 8 and discuss  
17   it for the Examiner?

18          A.    Exhibit 8 is just a base map of the area, with  
19   a structure contour map on top of the Wolfcamp showing  
20   continuous and consistent structure dipping to the east.  
21   The proration unit for the Owl Draw 27/22, W2NC is  
22   highlighted by the dashed black box, and the wellbore  
23   path is highlighted by the solid red arrow.

24                   The Wolfcamp Shale wells are highlighted by  
25   the -- the Wolfcamp Shale wells are highlighted by the

1 navy blue horizontals, with their subsequent production  
2 data and cross-section references is the reddish-brown  
3 line going A to A prime.

4 Q. Now, again, on this, I notice the Wolfcamp  
5 wells in this particular area are all stand-ups. Is  
6 there any preferential drilling orientation?

7 A. Not to my knowledge, no.

8 Q. Okay. It's just resulted in this way from land  
9 ownership, maybe?

10 A. Right.

11 Q. Would you identify Exhibit 9?

12 A. Exhibit 9 is the cross section referenced A to  
13 A prime in the previous exhibit. This just shows the  
14 full Wolfcamp section in the area of interest, with our  
15 delineated Wolfcamp zones highlighted on the left and  
16 right of the cross section. This just shows the  
17 Wolfcamp zone targeted. The Lower Wolfcamp D is  
18 consistent through the area of interest.

19 Q. Will every quarter-quarter section in the well  
20 unit for the Owl Draw 27/22 W2NC #2H well -- will each  
21 quarter section contribute, more or less, equally with  
22 production?

23 A. Yes.

24 Q. Has Mewbourne been drilling most of its wells  
25 in this immediate area down to the Wolfcamp Shale zone?

1           A.    Yes, besides the Owl Draw 22 W1AP.  It targeted  
2   a higher zone noted on this cross section as the  
3   Wolfcamp A.

4           Q.    And what is Exhibit 10?

5           A.    Exhibit 10 is just a detail breakout, location  
6   data and production data, of the highlighted Wolfcamp  
7   wells in the area.

8           Q.    And in response to Mr. Morgan's question, this  
9   does give well completion data for a couple of the Owl  
10   Draw wells; is that correct?

11          A.    Yes, sir.

12          Q.    So they were drilled mainly three to four years  
13   ago, most of them?

14          A.    Yes.

15          Q.    But not all?

16          A.    No.

17          Q.    And what is Exhibit 11?

18          A.    Exhibit 11 is our survey report from the Owl  
19   Draw 27/22 W2NC.  This just highlights survey data of  
20   the well while drilled.  And on the back page, there is  
21   an areal and cross-sectional view schematic of the  
22   wellbore.

23          Q.    And the wellbore will be -- the first and last  
24   take points will be at orthodox locations?

25          A.    Yes.



1                   MR. BRUCE: And, Mr. Examiner, in Case  
2   15562, we originally asked for an unorthodox gas well  
3   location, but that's no longer necessary because of the  
4   Purple Sage; Wolfbone Gas Pool.

5           Q.    (BY MR. BRUCE) One final question: In this  
6   area, is there any faulting in either the Bone Spring or  
7   the Wolfcamp?

8           A.    No.

9           Q.    Were Exhibits 8, 9 and 10 prepared by you or  
10  compiled from company business records?

11          A.    Yes.

12          Q.    And in your opinion, is the granting of this  
13  application in the interest of conservation and the  
14  prevention of waste?

15          A.    Yes.

16                   MR. BRUCE: Mr. Examiner, I move the  
17  admission of Exhibits 8 through 11.

18                   EXAMINER DAWSON: Any objections to the  
19  movement of Exhibits 8 through 11 into the record?

20                   MR. HALL: No objection.

21                   MR. MORGAN: No objection.

22                   MR. PADILLA: No objection.

23                   EXAMINER DAWSON: Exhibits 8 through 11  
24  will be admitted into the record.

25                               (Mewbourne Oil Company Exhibit Numbers 8

1 through 11 are offered and admitted into  
2 evidence.)

3 MR. BRUCE: Pass the witness.

4 EXAMINER DAWSON: Any questions,  
5 Mr. Padilla?

6 MR. PADILLA: No questions.

7 EXAMINER DAWSON: Mr. Morgan?

8 MR. MORGAN: No questions.

9 EXAMINER DAWSON: Mr. Hall?

10 CROSS-EXAMINATION

11 BY MR. HALL:

12 Q. Just to check, are you able to testify about  
13 the payout status of any of these wells?

14 A. I am not.

15 Q. Thank you.

16 EXAMINER DAWSON: Mr. Goetze?

17 EXAMINER GOETZE: I think we've beaten the  
18 Purple Sage to death today so no further questions.  
19 Thank you very much for your geology presentation.

20 EXAMINER BROOKS: No questions.

21 EXAMINER DAWSON: I have no further  
22 questions. So thank you very much.

23 And that concludes this case -- or these  
24 cases.

25 MR. PADILLA: Mr. Examiner, before you

1 close the case, I would -- Premier Oil & Gas would  
2 request that an order with the Division state that -- an  
3 order that is approved would state that approval of the  
4 applications would not be an adjudication of the title.

5 EXAMINER BROOKS: Yeah. I think I know  
6 what you said, but I couldn't hear a lot of it. You  
7 requested that the order specifically state that it's  
8 not an adjudication of title?

9 MR. PADILLA: Correct.

10 EXAMINER BROOKS: I don't think there would  
11 be any problem with that since we don't have any  
12 jurisdiction to adjudicate titles.

13 MR. PADILLA: I agree with that. I'm just  
14 making sure.

15 (Laughter.)

16 EXAMINER GOETZE: Mr. Yates would  
17 appreciate it.

18 EXAMINER DAWSON: Noted.

19 With that, that will conclude Cases 15547,  
20 15548, 15549, 15550, 15551, 15552 and 15562, 62 being  
21 the main one on this caseload. And that concludes those  
22 cases. They will all be taken under advisement. Thank  
23 you.

24 (Case Numbers 15547, 15548, 15549, 15550,  
25 15551, 15552 and 15562 conclude, 11:44

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a.m.)

(Recess, 11:55 a.m. to 1:17 p.m.)

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 shorthand  
9 and that the foregoing pages are a true and correct  
10 transcript of those proceedings that were reduced to  
11 printed form by me to the best of my ability.

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

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

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