

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. 16236

Mewbourne Oil Company for a non-standard
gas spacing and proration unit and
compulsory pooling in Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JULY 26, 2018

SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, William B. Jones,
Examiner, and David Brooks, Esq. Legal Examiner, on
Thursday, July 26, 2018, 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 Therese Macfarlane
New Mexico CCR 122
PAUL BACA COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexico 87102

1 A P P E A R A N C E S.

2 For the Applicant:

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I N D E X

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CASE NUMBER 16236 CALLED	PAGE
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8 APPLICANT WITNESSES

9 COLE McCURDY (BY AFFIDAVIT)	3
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10 CHARLES CROSBY (BY AFFIDAVIT)	6
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12 E X H I B I T I N D E X

13 APPLICANT MEWBOURNE OIL COMPANY EXHIBITS	ADMITTED
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14 MEWBOURNE OIL COMPANY EXHIBIT 1	8
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15 MEWBOURNE OIL COMPANY EXHIBIT 2	8
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16 MEWBOURNE OIL COMPANY EXHIBIT 3	8
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17 MEWBOURNE OIL COMPANY EXHIBIT 4	8
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1 (Time noted: 2:25 p.m.)

2 MR. JONES: Okay. Let's call case 16236.

3 MR. BRUCE: Mr. Examiner, Jim Bruce representing
4 the applicant. I'm submitting this by affidavit.

5 MR. JONES: Any other appearances?

6 (Note: No response.)

7 MR. JONES: Case No. 16236, which is the
8 application of Mewbourne Oil Company for a non-standard
9 gas spacing and proration unit and compulsory pooling in
10 Eddy County, New Mexico.

11 Do you want to take a break or something?

12 MR. BROOKS: Yeah, let's take a short break.

13 (Note: In recess.)

14 (Note: Time noted 2:40 p.m.)

15 MR. JONES: Okay. Let's go back on the record.

16 Call Case No. 16236 like we just did
17 already.

18 Mr. Bruce, go ahead.

19 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
20 representing the Applicant, submitting this by affidavit.

21 Exhibit 1 submitted to you is the Affidavit
22 of Cole McCurdy, Mewbourne's Landman. They are seeking
23 force pooling of a 640-acre horizontal spacing unit in the
24 Wolfcamp formation, consisting of the south half of 9 and
25 the south half of 8, 24 South, 28 East. The unit will be

1 dedicated to the Chicago 9/8 WOI Fee Well No. 1 H.

2 MR. BROOKS: Excuse me. Do I have an interest
3 in that well?

4 MR. BRUCE: No.

5 MR. JONES: You just wish.

6 MR. BROOKS: I don't know. It's just because
7 it's called Chicago.

8 MR. BRUCE: Let me check, but I know you don't.

9 MR. BROOKS: Okay. Good.

10 MR. BRUCE: You probably wish you did.

11 MR. BROOKS: I wouldn't want to sit in judgment
12 if I have any interest in it. There's an adage from way
13 back that no man may judge his own case.

14 MR. BRUCE: Attachment A to Exhibit 1 is the
15 Midland Map Company plat and APD showing the
16 well's location.

17 Attachment B is Listing of Interest Owners
18 being force pooled. There's a collective 5 percent
19 interest being force pooled.

20 MR. JONES: You're force pooling a cemetery
21 association?

22 MR. BRUCE: Yeah, we're hounding the dead.

23 MR. JONES: It's getting to a low spot here.

24 MR. BRUCE: That's straight where I go.

25 MR. JONES: That was my line.

1 MR. BRUCE: Attachment C is just a summary of
2 the contacts with each of the parties being pooled,
3 including the Malaga Cemetery Association. I think -- if
4 I recall, that cemetery, there's lot of tracts in there
5 that are about 8 by 4 feet, you know.

6 MR. JONES: Keeps the land people employed, I
7 guess.

8 MR. BRUCE: Oh, yeah.

9 And a summary with all the backup
10 information, Proposal Letters, everything else.

11 There are a couple of overrides. Mewbourne
12 has the right to force pool them.

13 They are seeking \$8,800 a month for
14 overhead rates.

15 This is a two-mile lateral. Estimated well
16 cost is \$11 million, which is fair and reasonable.

17 And Mewbourne requests the maximum cost plus 200
18 percent risk charge.

19 There are a number of parties being pooled.
20 My Affidavit of Notice is Exhibit 2, and most people
21 received actual notice but there are a few who didn't, and
22 so Exhibit 3 is the Affidavit of Publication from the
23 Carlsbad newspaper. And so whether by receiving actual
24 notice or constructive notice everyone has been notified.

25 Exhibit 4 is the affidavit of Charlie

1 Crosby, Mewbourne's geologist on this prospect, and it
2 contains the usual information.

3 There is a structure map showing the line
4 of cross section. You can see on the structure map that
5 wells in this area are drilled both standup and laydown,
6 and there's no no preferred orientation.

7 This is a Purple Sage Wolfcamp gas pool and
8 the orientation doesn't matter whether it's Wolfcamp sands
9 or Wolfcamp shale.

10 Exhibit B is the cross section showing
11 the -- where the well will test, and the zone is uniform
12 formula across the well unit.

13 Attachment C is the listing of nearby wells
14 showing the well names and locations, dates of completion,
15 and the production from the wells, again showing that
16 there's no favorable orientation. These are really good
17 wells in this area. Some of them have only been on for a
18 little more than a year and they have produced a couple
19 hundred thousand barrels of oil.

20 Finally, the final attachment is just the
21 drilling plan showing that the location will be orthodox.
22 And of course under the new horizontal drilling rules it
23 does excuse the Purple Sage Wolfcamp gas pools from the
24 250-foot setback from the end line of the section.

25 Insofar as the Affidavit of Notice, there

1 are certain parties who since Notice was mailed have
2 joined in the well, and those parties are the McKay Living
3 Trust, Ray L. McKay, Darrell Roberts, and EOG Resources, I
4 think. Go figure.

5 So this is one Mewbourne case where they do
6 not have to force pool EOG Resources. But -- it seems to
7 be my life, Mr. Examiner.

8 I would move the admission -- everybody has
9 been given notice. I would move admission of Exhibits 1
10 through 4 and ask that the case be taken under advisement,
11 and I would note for the record that I have three cases
12 today where notice was fully complete. Don't fall out of
13 your chair.

14 MR. JONES: Okay. It's a huge thing that
15 happened today.

16 MR. BROOKS: Where is this in relation to the
17 Chevron Ogden lease? I thought that was the same
18 township, and just to the next section over or something?
19 I'm not...

20 MR. JONES: Ogden's with the BTA.

21 MR. BRUCE: I think that's --

22 MR. BROOKS: Well, there's a Chevron lease, too.

23 MR. BRUCE: Most of the wells along here are
24 Matador or Mewbourne wells.

25 MR. BROOKS: I saw that. I was looking for it

1 but I don't have any computer with me.

2 MR. BRUCE: I do not, either.

3 MR. BRUCE: Well, I can look that up. Besides,
4 you said this was good.

5 MR. BRUCE: I think those are more -- this is
6 24/28, I think those are all 23/29.

7 MR. BROOKS: That is probably where I'm getting
8 wrong. I'm probably shifted over.

9 MR. JONES: This one is already permitted. Is
10 there a real rush on it?

11 MR. BRUCE: Not that I know of.

12 MR. JONES: Well, it's already permitted to
13 drill.

14 Exhibits 1 through 4 are taken under
15 advisement, and Case 16236 is -- Exhibits 1 through 4 are
16 admitted and Case No. 16236 is taken under advisement.

17 (Time noted: 2:46 p.m.)

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1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF TAOS)

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, July 26,
8 2018, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

18

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20 _____
21 MARY THERESE MACFARLANE, CCR
22 NM Certified Court Reporter No. 122
23 License Expires: 12/31/2018
24
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