

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:

ORIGINAL

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

CASE NO. 16389

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, September 6, 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 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

APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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

INDEX

	PAGE
Case Number 16389 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	7
Certificate of Court Reporter	8

EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 4	6
---	---

1 (11:15 a.m.)

2 EXAMINER McMILLAN: Okay. Case Number  
3 16389, application of Mewbourne Oil Company for  
4 compulsory pooling, Lea County, New Mexico call for  
5 appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of  
7 Santa Fe representing the Applicant. I am submitting  
8 this case by affidavit.

9 EXAMINER McMILLAN: Please proceed.

10 MR. BRUCE: Mr. Examiner, I've handed you  
11 four exhibits. Exhibit 1 is the verified statement of  
12 Mitch Robb, a Mewbourne landman, who has been qualified  
13 by the Division as an expert petroleum landman.

14 In this case, if you'll turn past the  
15 affidavit to the land plat in this case, Mewbourne seeks  
16 to force pool the west half-west half of Section 10, 23  
17 South, 34 East for purposes of drilling the Ibex 10 B3MD  
18 Fed Com #1H, which is a 3rd Bone Spring well. The  
19 location is actually in Section 15, and it's drilling  
20 north to -- through Section 10.

21 As part of Attachment A to the exhibit is  
22 the acreage dedication plat, giving the API number, pool  
23 code and pool name. This is a proposed well.

24 Attachment B lists all of the interest  
25 owners and the parties being pooled.

1                   Exhibit C is a summary of contacts with the  
2 parties being pooled, as well as the proposal letters  
3 and follow-up contacts via email. They are -- I know  
4 the parties are trying to work out a JOA, except for VPD  
5 New Mexico, LLC. It says it will participate under a  
6 pooling order. Negotiations are ongoing, but Mewbourne  
7 would like to get the well drilled.

8                   Attachment D is the AFE for the well. The  
9 approximate well cost is \$7.06 million, and that cost is  
10 stated to be fair and reasonable. The overhead rates  
11 requested are 8,000 and 800 a month, and that is the  
12 rates set forth in the JOA. And Mewbourne requests that  
13 these overhead rates be adjusted as provided by the  
14 COPAS accounting procedure. The Applicant requests the  
15 maximum cost plus 200 percent risk charge, and  
16 Mewbourne -- or the working interest owners have the  
17 right to pool the overriding royalty owners.

18                   Exhibit 2 is my Affidavit of Notice. The  
19 parties were all locatable, but I did not receive a  
20 green card back from VPD New Mexico, LLC. The Affidavit  
21 of Notice is Exhibit 2, so notice was published as  
22 against the interest owners in the Hobbs newspaper.

23                   Exhibit 3 is the Affidavit of Publication.  
24 And VPD was noticed constructively by the Affidavit of  
25 Publication, so everyone has received notice.

1                   Exhibit 4 is the affidavit of Jordan  
2     Carrell, one of the geologists for Mewbourne. The usual  
3     attachments are part of Exhibit 4.

4                   Attachment A is a structure map; Attachment  
5     B, an isopach; Attachment C, a cross section showing the  
6     3rd Bone Spring Sand and the horizontal target, which is  
7     near the base of the 3rd Bone Spring Sand.

8                   Attachment D is the listing of production  
9     from nearby Bone Spring wells. Virtually all of the  
10    wells are north-south in this area, and I suppose there  
11    are a lot of available -- a lot of data is not  
12    available, but of the wells that have produced, they are  
13    substantial producers. The three wells at the top of  
14    Attachment D show pretty good production. The remaining  
15    wells are almost all 2018 wells, and there is no  
16    production data available on them. But as you look at  
17    the geologic plats, you can see everybody has drilled  
18    north to south -- or north-south, south-north, either  
19    way.

20                  And Attachment E is just the Standard  
21    Planning Report showing that the well will be at  
22    orthodox locations. The well will use the current  
23    approved setbacks of 100 feet for first and last take  
24    points, although on the C-102, it shows 330-foot  
25    setbacks north and south. That will be changed to the

1 current rule, 100-foot setbacks.

2 With that, I'd ask that Exhibits 1 through  
3 4 be taken under advisement -- I mean admitted to the  
4 record.

5 EXAMINER McMILLAN: Exhibits 1 through 4  
6 may now be accepted as part of the record.

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

10 EXAMINER McMILLAN: Okay. The question I'm  
11 getting -- in looking at Exhibit D, are you aware -- are  
12 there -- are you aware of any -- any of these wells that  
13 are subject to compulsory pooling outside of Mewbourne?

14 MR. BRUCE: Yeah, there is. I should have  
15 looked that up, Mr. Examiner. But I think the east-half  
16 of the west-half well was subject to forced pooling  
17 maybe early this year.

18 EXAMINER McMILLAN: Okay. Was that the  
19 Cosmo?

20 MR. BRUCE: What's that?

21 EXAMINER McMILLAN: What well?

22 MR. BRUCE: It would be the Ibex -- the  
23 Ibex 10 B3NC Fed Com #1H.

24 EXAMINER McMILLAN: What were the overhead  
25 and producing rates that were requested there?

1 MR. BRUCE: They were 8,000 and 800.

2 Mewbourne has been requesting 8,000 and 800 for the  
3 entire year.

4 EXAMINER McMILLAN: And you'll find that  
5 out?

6 MR. BRUCE: I will find that out for sure.

7 EXAMINER McMILLAN: Go ahead if you have  
8 questions, David.

9 EXAMINER BROOKS: No questions.

10 EXAMINER McMILLAN: I have a question. Any  
11 depth severances?

12 MR. BRUCE: No.

13 EXAMINER McMILLAN: Pool code is 2207,  
14 right?

15 MR. BRUCE: Yes.

16 EXAMINER McMILLAN: Okay. Thanks.

17 MR. BRUCE: And I request the matter be  
18 taken under advisement.

19 EXAMINER McMILLAN: Case Number 16389 shall  
20 be taken under advisement.

21 (Case Number 16389 concludes, 11:25 a.m.)

22

23

24

25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

4

CERTIFICATE OF COURT REPORTER

5

I, MARY C. HANKINS, Certified Court

6

Reporter, New Mexico Certified Court Reporter No. 20,

7

and Registered Professional Reporter, do hereby certify

8

that I reported the foregoing proceedings in

9

stenographic shorthand and that the foregoing pages are

10

a true and correct transcript of those proceedings that

11

were reduced to printed form by me to the best of my

12

ability.

13

I FURTHER CERTIFY that the Reporter's

14

Record of the proceedings truly and accurately reflects

15

the exhibits, if any, offered by the respective parties.

16

I FURTHER CERTIFY that I am neither

17

employed by nor related to any of the parties or

18

attorneys in this case and that I have no interest in

19

the final disposition of this case.

20

DATED THIS 28th day of September 2018.

21

22



23

MARY C. HANKINS, CCR, RPR

Certified Court Reporter

New Mexico CCR No. 20

24

Date of CCR Expiration: 12/31/2018

25

Paul Baca Professional Court Reporters