

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

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

CASE NO. 16392

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 6, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief 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
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
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Santa Fe, New Mexico 87504
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EXHIBITS OFFERED AND ADMITTED

Mewbourne Exhibit Numbers 1 through 3	--
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1 (11:40 a.m.)

2 EXAMINER McMILLAN: Call Case 16392,
3 application of Mewbourne Oil Company for compulsory
4 pooling, Lea County, New Mexico.

5 Call for appearances.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of
7 Santa Fe representing Mewbourne Oil Company. Again, I'm
8 submitting this case by affidavit.

9 And the well in this case is immediately to
10 the south of the well that was in the prior case. So if
11 you look at Exhibit 1, the affidavit of the landman, the
12 acreage in this case is the west half-southeast of
13 Section 9 and the west half-east half of Section 16 for
14 the Sand Chute 9/16 B2JO Fed Com Well #1, with its first
15 take point in Unit J of Section 9 and the final take
16 point in Unit O of Section 16. The land plat is
17 attached. I will get you the C-102.

18 Attachment B shows the interest owners in
19 the well unit and their proposed interests.

20 And Attachment C shows the contacts between
21 the clients and the well-proposal letters.

22 And Attachment D is the AFE. The
23 approximate cost is \$9.4 million. I think both the
24 prior well and this well are using a common surface
25 location. There are no depth severances in the Bone

1 Spring. Again, they're requesting 8,000 and 800 a month
2 for this well for the drilling rates, and a 200 percent
3 risk charge, cost plus 200 percent.

4 Attachment 2 is the notice affidavit
5 showing that notice was given to the interest owners,
6 and they received the actual notice. At the time -- one
7 thing, Mr. Examiner, at the time this application was
8 filed, notice was given, Mewbourne's information was
9 that Devon Energy owned an interest that they have
10 subsequently assigned to Caza Petroleum, and Mewbourne
11 has been in touch with Caza Petroleum about obtaining
12 their consent.

13 EXAMINER McMILLAN: Is Caza subject to
14 compulsory pooling?

15 MR. BRUCE: Yes.

16 EXAMINER McMILLAN: Where's their notice?

17 MR. BRUCE: Well, I did not give notice to
18 them because I gave notice to their predecessor in
19 interest.

20 EXAMINER McMILLAN: That's how -- okay.

21 MR. BRUCE: We gave notice to the people we
22 knew at the time.

23 EXAMINER McMILLAN: Okay. Well, I'll tell
24 you what you're going to do with that question. I'm
25 going to make sure I'm covered.

1 MR. BRUCE: Okay. That's fine.

2 EXAMINER McMILLAN: We'll just have a
3 discussion with him (indicating) when he comes back. I
4 have a question about it. That's how we'll proceed.

5 MR. BRUCE: That's fine.

6 Attachment 3 -- or Exhibit 3 is just the
7 geology for this well, identical to the last case, same
8 geologic information. The Lower 2nd Bone Spring is the
9 target zone, and stand-up units are favored. And, of
10 course, I will get you the C-102 and update a
11 directional drilling prognosis.

12 EXAMINER McMILLAN: Okay.

13 MR. BRUCE: But when we come back from
14 lunch, Mr. --

15 EXAMINER McMILLAN: That'll be discussed
16 with him.

17 MR. BRUCE: Yeah.

18 EXAMINER McMILLAN: We'll see if his
19 opinion is exactly the same as mine.

20 Okay. So all quarter-quarter sections
21 equally contribute to production?

22 MR. BRUCE: Yes. That's stated in the
23 landman's affidavit.

24 EXAMINER McMILLAN: Any unlocatable
25 interest?

1 MR. BRUCE: No.

2 EXAMINER McMILLAN: Pool code?

3 MR. BRUCE: I'll find that out for you.

4 EXAMINER McMILLAN: Yeah. You've got to
5 find that out, too.

6 Okay. All right. I'll say it for the
7 record. Don't ever bring -- don't come to hearing
8 without a C-102. I'll just continue the case, no
9 questions asked.

10 MR. BRUCE: Okay.

11 EXAMINER McMILLAN: 16392 shall be taken
12 under advisement with the required information.

13 MR. BRUCE: Yes, sir.

14 EXAMINER McMILLAN: Let's break for lunch
15 until 1:30.

16 (Recess, 11:46 a.m. to 1:32 p.m.; Examiner
17 Brooks present at this time.)

18 EXAMINER McMILLAN: I'd like to call the
19 hearing back to order.

20 I have a legal question from -- for David
21 Brooks to answer real quickly that I felt I couldn't
22 make the decision.

23 MR. BRUCE: I understand.

24 Mr. Brooks, in the last Mewbourne case,
25 16392, one of the parties I notified was Devon. After I

1 mailed notice to Devon, Mewbourne was notified that they
2 were selling or had sold their interest to Caza
3 Petroleum, and Caza is listed as the working interest
4 owner, but Mewbourne has never located a recorded copy
5 of that assignment. And I did not send written notice
6 to Caza.

7 EXAMINER BROOKS: Well, you know, if I was
8 you, I would send written notice to Caza because
9 although you maybe don't have knowledge of the
10 assignment, only hearsay, you do know where to contact
11 Caza, I'm sure.

12 MR. BRUCE: Since I have a case for them
13 today, yeah.

14 (Laughter.)

15 MR. BRUCE: Well, let's continue it for two
16 weeks to see if I can --

17 EXAMINER BROOKS: I think that's a good
18 idea.

19 EXAMINER McMILLAN: Okay. Hold on. 16392,
20 which is 22.

21 EXAMINER BROOKS: But if it was an
22 assignment to anybody else -- to anybody who is not an
23 operator in New Mexico, I'd probably have said, you
24 know --

25 MR. BRUCE: That's okay.

1 EXAMINER BROOKS: -- you wouldn't need to
2 do that.

3 EXAMINER McMILLAN: So Case Number 16392
4 shall be continued until September --

5 MR. BRUCE: Let's do September 20th and see
6 if I can, you know, get acknowledgment of everything,
7 but if necessary, it may need to be continued another
8 two weeks.

9 EXAMINER BROOKS: Okay. That won't hurt,
10 not to us anyway.

11 (Case Number 16392 concludes, 1:34 p.m.)
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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 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters