

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

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

Case No. 16184

AMENDED PRE-HEARING STATEMENT

Jalapeno Corporation ("Jalapeno") provides this Amended Pre-Hearing Statement for the Division hearing as required by Rule 19.15.4.13B NMAC.

APPEARANCES

APPLICANT

Mewbourne Oil Co.

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OPPONENTS

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STATEMENT OF THE CASE

Mewbourne Oil Company ("Mewbourne") applies for an order from the Division pooling all mineral interests across separate existing 40 acre oil spacing units into a 320 acre project area or spacing unit being the N2S2 of Section 24 and the N2S2 of Section 23 Township 18 South, Range 30 East, NMPM, in Eddy County, New Mexico. The applicant proposes to drill the Virgo 24/23 B2IL Fed Com. Well #1H to test the Bone Spring formation. It will be a horizontal well with surface location in Section 24 and a terminus in Section 23.

Jalapeno's Pre-Hearing Statement is provided based on the Amended Application filed by Mewbourne on August 18, 2018, and the relief requested therein. Jalapeno reserves the right to supplement its response to the Amended Application if Mewbourne seeks relief at the hearing beyond that requested in the application.

JALAPENO'S POSITION ON THE FORCE POOLING APPLICATION

Jalapeno has agreed to participate in the Virgo well at issue in this application. Jalapeno and Mewbourne have reached agreement on Jalapeno's participation in the

well. Mewbourne has represented it does not intend to force pool Jalapeno in this case and that it will dismiss Jalapeno from this proceeding.

In the event of any unforeseen circumstance which would require Jalapeno to defend this force pooling application on the merits, Jalapeno adopts by reference its original Pre-Hearing Statement filed May 24, 2018 in Case No. 16183.

JALAPENO'S POSITION ON THE COMPETING APPLICATIONS

Mewbourne's application in this case is in direct competition with the application of EOG Resources, Inc. in Case No. 16221. Both Mewbourne and EOG seek a force pooling order and designation as operator of a 320 acre spacing and proration unit comprising the N2S2 of Sections 23 and 24.

Jalapeno supports Mewbourne as the operator of any spacing unit in the N2S2 of Sections 23 and 24.

PROPOSED EVIDENCE

Jalapeno will present evidence that it has agreed to participate to the extent of its working interest share in the cost of drilling the proposed Mewbourne Bone Spring well. It cannot be ordered force pooled. Jalapeno will also present evidence concerning its preference that Mewbourne be designated the operator of any spacing unit in the N2S2 of Sections 23 and 24 based on Mewbourne's experience drilling successful Bone Spring wells in close proximity to the well at issue in this application.

WITNESSES

EST. TIME

EXHIBITS

Emmons Yates (practical oil man/landman)

15 minutes

2 approx.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By /s/ J. E. Gallegos
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail this 11TH day of October, 2018:

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/s/ J. E. Gallegos _____
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