

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:

APPLICATION OF MEWBOURNE OIL COMPANY                      CASE NO. 20091  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 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, November 15, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Third Floor Meeting Room, 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

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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FOR INTERESTED PARTY ZANE KIEHNE:

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EXHIBITS OFFERED AND ADMITTED

|   |   |
|---|---|
| Mewbourne Oil Company Exhibit Numbers 1 and 2 | 5 |
|---|---|

1 (3:20 p.m.)

2 EXAMINER McMILLAN: I'd like to call Case  
3 Number 20091, application of Mewbourne Oil Company for  
4 compulsory pooling, Lea County, New Mexico.

5 Call for appearances.

6 MR. LARSON: Good afternoon, Mr. Examiner.  
7 Gary Larson, with the Santa Fe office of Hinkle Shanor,  
8 for the Applicant, Mewbourne Oil Company.

9 MR. McMILLAN: Good afternoon,  
10 Mr. Examiners. Seth McMillan, Montgomery & Andrews.  
11 I'm here on behalf of a gentleman named Zane Kiehne.

12 We are not opposing to the applications,  
13 but Mr. Kiehne is an interested party. He was a noticed  
14 party as a royalty owner.

15 MR. LARSON: And I will be presenting my  
16 case by affidavit. May I proceed?

17 EXAMINER McMILLAN: Please do.

18 MR. LARSON: Mr. Examiner, Mewbourne's  
19 application seeks the pooling of all uncommitted  
20 interests in the Wolfcamp Formation in a standard  
21 160-acre horizontal spacing unit, and the horizontal  
22 spacing unit will be dedicated to the proposed Red Hills  
23 West 21 W0CN Fed Com #1H and the Red Hills 21 W1CN Fed  
24 Com #2H, which will hereafter be referred to as the Red  
25 Hills wells.

1                   Exhibit 1 is the self-affirmed statement of  
2 the landman, Lee Scarborough. The attachments to his  
3 affidavit are the Midland Map highlighting the  
4 horizontal spacing unit, the C-102s for the two Red  
5 Hills wells, a sample of his well-proposal letter, logs  
6 identifying his communications with the uncommitted  
7 interests, and proof of notice of today's hearing, along  
8 with the AFEs that he submitted with the well-proposal  
9 letters.

10                   As Mr. Scarborough notes in his affidavit,  
11 there are no depth severances in the Wolfcamp Formation.  
12 Mewbourne is requesting overhead and administrative  
13 rates of \$8,000 a month while drilling and \$800 a month  
14 while the well is producing. And Mr. Scarbrough affirms  
15 that these rates are comparable to the rates charged by  
16 other operators for similar wells of this area of Eddy  
17 County and are the same rates as those included in  
18 Mewbourne's JOA. And finally, he notes that Mewbourne  
19 is requesting a 200 percent risk penalty for the well.

20                   Exhibit 2 is the self-affirmed statement of  
21 Mewbourne geologist, Jordan Carrell. That's  
22 C-A-R-R-E-L-L. Attached to Mr. Carrell's self-affirmed  
23 statement are Exhibit A, which is the structure contour  
24 map at the top of Wolfcamp; B, which is a cross section  
25 running west to east that identifies the targets for

1 both Red Hills wells; C is a production table  
2 identifying other Wolfcamp wells drilled in the  
3 vicinity; and D and E are Mewbourne's well planning  
4 reports for the two proposed Red Hills wells.

5 And as stated in his affidavit, the  
6 horizontal spacing unit is justified from a geologic  
7 standpoint. There is no faulting or other geologic  
8 impediment that might adversely affect the drilling of  
9 the proposed wells and, finally, that each quarter  
10 section in the proposed unit will contribute more or  
11 less equally to production.

12 And with that, I move the admission of  
13 Exhibits 1 and 2.

14 MR. McMILLAN: No objection.

15 EXAMINER McMILLAN: Okay. Exhibits 1 and 2  
16 may now be accepted as part of the record.

17 (Mewbourne Oil Company Exhibit Numbers 1  
18 and 2 are offered and admitted into  
19 evidence.)

20 MR. McMILLAN: Are you asking if I have any  
21 questions?

22 EXAMINER McMILLAN: Yeah.

23 MR. McMILLAN: I have no questions.

24 I do, however, have a quick correction to  
25 the record. It's been a long day for me, too. My

1 client, Mr. Kiehne, is not a royalty interest owner. He  
2 actually is a mineral with a working interest. That's  
3 the correction I wanted to make. But I have no  
4 questions.

5 MR. LARSON: Can I add one thing for the  
6 record, Mr. Examiner?

7 EXAMINER McMILLAN: Yes.

8 MR. LARSON: And Mr. Kiehne and Mewbourne  
9 have been engaged in ongoing discussions.

10 MR. McMILLAN: Mr. Larson is correct.  
11 Negotiations are ongoing.

12 EXAMINER McMILLAN: Okay. So you are  
13 pooling working interest owners --

14 MR. LARSON: Correct.

15 EXAMINER McMILLAN: -- only.

16 MR. LARSON: Yes.

17 EXAMINER BROOKS: Well, the authorization  
18 for proceeding by affidavit in the rule only applies to  
19 uncontested cases. So is this --

20 MR. McMILLAN: We are not contesting. My  
21 client is not contesting the case.

22 MR. LARSON: We agreed on Friday that I  
23 could present the case by affidavit.

24 EXAMINER BROOKS: Okay. Very good. Well,  
25 you can present a case by affidavit if no one objects

1 and no one appeals. It has to be if no one appeals  
2 because then you run into the -- run into the legal  
3 residual rule, and that's something you don't want to  
4 bump into. It's almost as bad as a depth severance.

5 (Laughter.)

6 MR. LARSON: I don't want to hear that.

7 EXAMINER McMILLAN: What about any  
8 unlocatable interests.

9 MR. LARSON: No.

10 EXAMINER McMILLAN: And is the pool code  
11 98065? If you can't answer that, then you'll have to  
12 state clearly for the record the exact name of the pool.

13 MR. LARSON: I will have to email you that.

14 EXAMINER McMILLAN: Okay. Because I think  
15 I looked -- I must have looked at some offsetting wells,  
16 and I got pool code 98065.

17 MR. LARSON: 98065. What's the name of the  
18 pool? I hate to ask.

19 (Laughter.)

20 EXAMINER McMILLAN: WC-025 G08 S263205N;  
21 Upper Wolfcamp.

22 MR. LARSON: Watch what you ask for. I  
23 will confirm that.

24 (Laughter.)

25 MR. LARSON: With that, I'd ask the case be

1 taken under advisement.

2 MR. McMILLAN: No objection to that.

3 EXAMINER McMILLAN: Case Number 20091 shall  
4 be taken under advisement.

5 MR. LARSON: Thank you.

6 MR. McMILLAN: Great.

7 (Case Number 20091 concludes, 3:27 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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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 18th day of December 2018.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

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