

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. 16020  
TO RE-OPEN CASE NO. 16020 FOR      (Re-opened)  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 29, 2018

Santa Fe, New Mexico

BEFORE:   SCOTT DAWSON, CHIEF EXAMINER  
             TERRY WARNELL, TECHNICAL EXAMINER  
             DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Terry Warnell, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, November 29, 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

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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

FOR INTERESTED PARTIES EOG ENTITIES:

JORDAN L. KESSLER, ESQ.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jlkessler@hollandhart.com

INDEX

PAGE

Case Number 16020 Called	3
Case Presented by Affidavit	3
Proceedings Conclude	9
Certificate of Court Reporter	10

EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 4	7
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1 (9:19 a.m.)

2 EXAMINER DAWSON: So now we'll move on to  
3 number one on the list, which is Case Number 16020,  
4 re-opened. It's continued from the October 18th, 2018  
5 examiner hearing. It's the application on Mewbourne Oil  
6 Company to re-open Case Number 16020 for compulsory  
7 pooling, Eddy County, New Mexico.

8 Please call for appearances.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of  
10 Santa Fe representing the Applicant. I am presenting  
11 this case by affidavit.

12 EXAMINER DAWSON: Okay.

13 MS. KESSLER: Mr. Examiners, Jordan Kessler  
14 from the Santa Fe office of Holland & Hart representing  
15 the EOG entities.

16 EXAMINER DAWSON: When you're ready,  
17 Mr. Bruce.

18 MR. BRUCE: Mr. Examiner, I think they're  
19 all a little odd nowadays, but this case was previously  
20 heard in March, and Order Number R-14687 was issued.  
21 But that case -- at that time, the depth severance  
22 wasn't known. The depth severance arose under a JOA or  
23 something like that, so it wasn't as a result of some  
24 instrument. So the depth severance wasn't known. And  
25 the entire Bone Spring, it was force pooled. Part of

1 the reason for this application is to correct that, to  
2 limit it to the top of the 2nd Bone Spring down.

3 EXAMINER DAWSON: So the top of the 2nd  
4 Bone Spring to the base of the 2nd Bone Spring, correct?

5 MR. BRUCE: Base, correct. And it's the  
6 same reasons stated in the last --

7 EXAMINER BROOKS: Well, what you said and  
8 what Mr. Dawson said are not exactly the same thing, so  
9 I need to clarify.

10 MR. BRUCE: Okay.

11 EXAMINER BROOKS: It's the top of the Bone  
12 Spring to where?

13 MR. BRUCE: To the base of the Bone Spring.

14 EXAMINER BROOKS: From the top of the 2nd  
15 Bone Spring to the base of the 2nd Bone Spring or of the  
16 Bone Spring Formation?

17 MR. BRUCE: Base of the Bone Spring  
18 Formation.

19 EXAMINER BROOKS: That's what I thought you  
20 said, so I wanted to clarify.

21 EXAMINER DAWSON: Good point.

22 MR. BRUCE: So anyway, this well has been  
23 drilled, but Mewbourne wants to amend the prior order to  
24 pool a 320-acre horizontal spacing unit, again, from the  
25 top of the 2nd Bone Spring to the base of the Bone

1 Spring Formation. And that's the same definition I  
2 mentioned in the prior case. And it's for the Virgo  
3 24/23 B2AD Fed Com Well #1, which is in the north  
4 half-north half of both Sections 23 and 24. We also  
5 seek to force pool some record title interests for  
6 communitization agreement purposes.

7 Exhibit 1 is the statement of Paul Haden.

8 If you go to the attachments again,  
9 Attachment A is simply a Midland Map Company plat  
10 showing the location of the well.

11 Attachment B is the as-drilled C-102 for  
12 the well. And it's in the North Shugart; Bone Spring  
13 Pool. The pool code and API number are included.

14 If you'll turn to Attachment C, it's a copy  
15 of a portion of a title opinion to Mewbourne Oil  
16 Company. If you turn to the second page, you'll see  
17 that in four tracts, the record title owner is Ray E.  
18 Hubbard, Jr., Harold G. Hubbard and Morgan R. Hubbard,  
19 as Testamentary Trustees under the Will of Ray E.  
20 Hubbard and as Trustees for John M. Creek and the  
21 unknown heirs of S. Dorothy Gray. They are all  
22 unlocatable, and the affidavit of the landman tells the  
23 steps they took to find these people. They sent a  
24 letter to the last known address, which was returned.

25 In this case, the prior order did set

1     overhead rates, and those overhead rates are to remain  
2     unchanged, which, for whatever reason, in this case is  
3     750 -- 7,500 and 750. An AFE is not being submitted  
4     because these are not cost-bearing interests. There are  
5     no overriding royalties that need to be pooled.

6                   EXAMINER BROOKS: There are also no working  
7     interests that need to be pooled?

8                   MR. BRUCE: No. They were forced pooled,  
9     and most of them have participated under the pooling  
10    order or went nonconsent.

11                   Now, Exhibit 2, I did notify all the  
12    working interest owners just so that they know of the  
13    correction of the depths covered by the pooling order.

14                   EXAMINER BROOKS: That would be all working  
15    interest owners in the entire Bone Spring Formation --

16                   MR. BRUCE: Correct. Correct.

17                   EXAMINER BROOKS: -- in the spacing unit  
18    (laughter)? It would have been an enormous task, to do  
19    what I literally -- what I said.

20                   (Laughter.)

21                   MR. BRUCE: And notice was given to all of  
22    them. There was one returned, and that was covered by  
23    Exhibit 4, the Affidavit of Publication in the Carlsbad  
24    newspaper.

25                   The only offsets other than Mewbourne in

1     this well is a gentleman named Jack Knox in Dallas. We  
2     did give notice to him. Again, since this case -- when  
3     it was re-opened, it was re-opened during the old rules,  
4     so we gave notice, as shown on Exhibit 3, to the only  
5     other offset.

6                     So, once again, I don't know how I did it,  
7     but notice is complete as to everyone and --

8                     Don't laugh over there, Jordan.

9                     MS. KESSLER: Hallelujah.

10                    MR. BRUCE: But with that, I'd move the  
11    admission of Exhibits 1 through 4.

12                    EXAMINER DAWSON: Any objection?

13                    MS. KESSLER: No objection.

14                    EXAMINER DAWSON: Exhibits 1 through 4 will  
15    be admitted at this time.

16                    (Mewbourne Oil Company Exhibit Numbers 1  
17    through 4 are offered and admitted into  
18    evidence.)

19                    EXAMINER DAWSON: Ms. Kessler, do you have  
20    any questions?

21                    MS. KESSLER: No.

22                    EXAMINER DAWSON: Mr. Brooks?

23                    EXAMINER BROOKS: No questions. I already  
24    asked.

25                    EXAMINER DAWSON: Mr. Warnell?

1 EXAMINER WARNELL: No questions.

2 EXAMINER DAWSON: I have one question. Are  
3 they going to have a com agreement in place prior to  
4 first day of production?

5 MR. BRUCE: Oh. Yes. Yes. Yes.

6 EXAMINER DAWSON: That's the only question  
7 I have.

8 EXAMINER BROOKS: Oh, I guess I should ask  
9 this for the record. Is the marker you're using to  
10 define the depth severance the same in this case as it  
11 was in the prior case?

12 MR. BRUCE: Identical.

13 EXAMINER BROOKS: Thank you.

14 EXAMINER DAWSON: Which is the top of the  
15 2nd Bone Spring to the base of the Bone Spring?

16 MR. BRUCE: Yeah.

17 EXAMINER DAWSON: Okay. No further  
18 questions?

19 At this time Case Number 16020 will be  
20 taken under advisement.

21 Thank you very much.

22 MR. BRUCE: See you next year.

23 EXAMINER DAWSON: Have a great day. See  
24 you next year. It's going to be a busy one.

25 Thank you.



1 (Case Number 16020 concludes, 9:26 a.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 21st day of December 2018.

21

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23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters

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