

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  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE NO. 20248

APPLICATION OF PERCUSSION PETROLEUM  
OPERATING, LLC FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO

CASE NO. 20190

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

THURSDAY, SEPTEMBER 24, 2020

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Felicia Orth,  
Hearing Examiner, Kathleen Murphy and Scott Cox,  
Technical Examiners, via the Cisco Webex Video  
Conferencing Platform

Reported by: Mary T. Macfarlane, CCR  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 4TH STREET NW, SUITE 105  
Albuquerque, NM 87102  
(505) 843-9241

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A P P E A R A N C E S

FOR MEWBOURNE OIL COMPANY:

James Bruce, Esq.  
Post Office Box 1056  
Santa Fe, NM 87504  
(505) 982-2043  
jamesbruc@aol.com

FOR SPUR ENERGY PARTNERS:

Ernest L. Padilla, Esq  
P.O. Box 2523  
Santa Fe, NM 87104  
(505) 988-7577  
padillalaw@questoffice.net

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1 (Time noted 8:20 a.m.)

2 HEARING EXAMINER ORTH: Let's move then to  
3 matters 20248 and 20190.

4 20248 the Applicant is Mewbourne Oil, it's  
5 a Compulsory Pooling Application. The well name is  
6 Lakewood, the Applicant's counsel is James Bruce.

7 Mr. Bruce, are you on the line?

8 Uh, Mr. Bruce? Let me see. I'm going to  
9 unmute all the callers.

10 Mr. Bruce? Oh. Thank you. So you're  
11 Call-in User No. 3.

12 Okay. And let's see. The other party  
13 entering an appearance here is Spur Energy Partners  
14 represented by Mr. Padilla.

15 Mr. Padilla, I saw you earlier. Let me  
16 unmute you.

17 MR. PADILLA: Can you hear me?

18 HEARING EXAMINER ORTH: I'm sorry. Yes, now I  
19 can.

20 MR. PADILLA: I am still here for Spur Energy in  
21 Case 20190.

22 It's my understanding that Mewbourne and  
23 Spur energy have settled and that the Mewbourne case is  
24 going to be dismissed.

25 Mr. Bruce requested that Mewbourne be

1 dismissed from the compulsory pooling case of Spur Energy.  
2 My clients haven't done that yet; they are going to as  
3 soon as the closing of the transaction. And I can't speak  
4 to the transaction itself. I understand it's some kind of  
5 a trade, but as soon as that happens Mewbourne will be  
6 dismissed from Spur Energy's case.

7 MR. BRUCE: Madam Chair, I agree with what  
8 Mr. Padilla said, and you can dismiss Case 20248.

9 HEARING EXAMINER ORTH: All right. Thank you  
10 for that. That is what I saw on the documents.

11 So then 20190, the Applicant is Spur Energy  
12 formerly Percussion Petroleum, Compulsory Pooling  
13 Application. The well is still Lakewood. Mr. Padilla  
14 represents the applicant, Mr. Bruce represents Mewbourne.

15 Let me pause for a moment to see if there  
16 are any other appearances.

17 No? All right.

18 Will you be presenting the matter by  
19 affidavit this morning, Mr. Padilla?

20 MR. PADILLA: Yes.

21 HEARING EXAMINER ORTH: If you would, please.

22 MR. PADILLA: This case 20190 was originally  
23 started a long time ago with Percussion Energy. At some  
24 point Spur Energy purchased the interests of Percussion.

25 The compulsory pooling case was originally

1 filed by Holland & Hart. They did a very good job of  
2 notifying parties both horizontally and vertically,  
3 because there is a depth severance in this case. Then it  
4 went to Ms. Shaheen, and to me.

5 But, nonetheless, the Application seeks to  
6 pool interests from a depth of 2803 to 3700, which is the  
7 Yeso Formation and its underlying east half/east half of  
8 Section 34, Township 19 South, Range 25 East in Eddy  
9 County, New Mexico.

10 As I explained earlier on Exhibit C, the  
11 Notice requirements, Holland & Hart notified all the  
12 parties, both vertically and horizontally, in terms of  
13 offsets and interest owners who did not comply or did not  
14 respond.

15 Now, in terms of trying to find what the  
16 unlocatable interest owners were, Spur Energy was sort of  
17 at a loss, and we finally determined that the first four  
18 interest owners notified in the Notice of Public -- or  
19 identified in the Notice of Publication are the four that  
20 were not locatable and could not be reached through Notice  
21 Letters or otherwise. The matter was published and named  
22 all parties who are subject to the compulsory pooling  
23 interest.

24 We did not do a recapitulation, as we  
25 should have, but in the Compulsory Pooling Checklist we

1 did identify sort of a last-minute kind of thing.

2                   There are three tracts in this spacing unit  
3 and it lists interests of Spur Energy totaling, I think,  
4 close to 90 percent on tract 2. Tract 3 is 100 percent  
5 Spur Energy.

6                   The affidavits of -- Exhibits A and B are  
7 first the affidavit of the land is Exhibit A. It was  
8 signed by a Nash Bell, who has been a petroleum engineer  
9 and qualified before the Oil Conservation Division in  
10 other matters before today's hearing.

11                   The geologist is C.J. Lipinski, and he,  
12 too, has been qualified as an expert geologist before the  
13 Division.

14                   Mr. Lipinski's affidavit states that all  
15 four 40-acre tracts will contribute to the well more or  
16 less equally.

17                   The interval -- going back to land, the  
18 interval that is -- well, I've already testified as to the  
19 2800 to 3700 and that's the Yeso Formation, but the pool  
20 limits or the vertical limits extend beyond that  
21 limitation.

22                   So there are -- not trying to pool anything  
23 other than that depth location.

24                   And it's identified -- there's -- in  
25 Exhibit A there's a JOA, and at page 51 we have the

1 interest that's being force pooled. It complies with the  
2 Application. Otherwise the Application is pretty  
3 straightforward, and there's -- in terms of both geology  
4 and land.

5 The interests that are being force pooled  
6 here are very small, and they are identified in the Land  
7 Affidavit at, I believe, page 4 and 5. And also the  
8 overriding royalty interests have been identified and  
9 notified in this case.

10 Other than that, we ask that Exhibits A, B  
11 and C be admitted into evidence and the matter be taken  
12 under advisement.

13 HEARING EXAMINER ORTH: Thank you, Mr. Padilla.

14 Mr. Bruce, do you have any questions of  
15 Mr. Padilla?

16 MR. BRUCE: No, I do not. Thank you.

17 HEARING EXAMINER ORTH: Thank you.

18 Ms. Murphy, do you have any questions?

19 Ms. Murphy?

20 TECHNICAL EXAMINER MURPHY: I do have a  
21 question.

22 Mr. Padilla, I think you pointed this out  
23 to me. Exhibit A, which is 53 for me, I believe, the  
24 working interests of the party.

25 MR. PADILLA: Yes. Let me make sure I gave you



1 the right page.

2 Yes. It's page 51 of the JOA. That's  
3 Exhibit A. There is an item Roman Numeral II labeled  
4 Restrictions as to Depth, and it identifies the log  
5 showing the interval being developed.

6 HEARING EXAMINER MURPHY: So that would be the  
7 depth severance?

8 MR. PADILLA: Yes. The depth severance is the  
9 shallow portion of the -- of the, uh, North Seven Rivers  
10 -- let me give you the right...

11 The North Seven Rivers, Glorieta, I guess,  
12 Pool, and the Pool Code is 97565.

13 HEARING EXAMINER MURPHY: And then one page  
14 down, the next page, it's the working interest of the  
15 party from the top of the Yeso Formation to 3700 feet?

16 MR. PADILLA: Yes.

17 HEARING EXAMINER MURPHY: So who is St. Devote?  
18 I'm sure I said that wrong. They own 43 percent.

19 MR. PADILLA: At that time -- at that time -- I  
20 think that interest has been purchased since or somehow  
21 include "Now owned by Spur Energy."

22 HEARING EXAMINER MURPHY: Okay.

23 MR. PADILLA: Because they go from -- the  
24 numbers on the Compulsory Pooling Checklist as to the  
25 interests on each tract, the tract is shown on page 4 of

1 Exhibit A. And I rounded off to two decimal places, but  
2 the interests are longer than the round-off.

3 HEARING EXAMINER MURPHY: Okay. I see. And  
4 there weren't any unknowns.

5 MR. PADILLA: Well, there were -- as far as I  
6 could determine and as far as Spur Energy was trying to  
7 decipher their records as to the unknowns, we finally  
8 determined that the first four interests identified in the  
9 Notice of Publication, which is I believe the last two  
10 pages of Exhibit C, are the people who did not respond and  
11 could not be identified otherwise.

12 And let me point to that.

13 HEARING EXAMINER MURPHY: Very small amounts,  
14 right?

15 MR. PADILLA: Right, they are very small  
16 amounts.

17 HEARING EXAMINER MURPHY: .05 or --

18 MR. PADILLA: And I'll show you. On Exhibit C.,  
19 page 33 and -- yeah, 33, there's TM 83B Oil & Gas, LTD,  
20 Partners; Sullivan Oil & Gas, LLC; Malland Oil & Gas  
21 Investments, LLC, and willischild Oil & Gas Corporation.

22 And those are the four that were not  
23 locatable. But their interest are very small.

24 HEARING EXAMINER MURPHY: Very small.

25 Okay. Thank you. I have no more

1 questions.

2 HEARING EXAMINER ORTH: All right. Thank you  
3 Ms. Murphy and Mr. Padilla.

4 Mr. Padilla, Exhibits A through C are  
5 admitted and the matters will be taken under advisement.

6 MR. PADILLA: Thank you.

7 (Time noted 8:27 a.m.)

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1 STATE OF NEW MEXICO )  
 2 : SS  
 3 COUNTY OF TAOS )

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter  
 7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,  
 8 September 24, 2020, the proceedings in the above-captioned  
 9 matter were taken before me; that I did report in  
 10 stenographic shorthand the proceedings set forth herein,  
 11 and the foregoing pages are a true and correct  
 12 transcription to the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by  
 14 nor related to nor contracted with (unless excepted by the  
 15 rules) any of the parties or attorneys in this case, and  
 16 that I have no interest whatsoever in the final  
 17 disposition of this case in any court.

18

/s/ Mary Macfarlane

19

20 MARY THERESE MACFARLANE, CCR  
 21 NM Certified Court Reporter No. 122  
 License Expires: 12/31/2020

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