

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:

ORIGINAL

APPLICATION OF MEWBOURNE OIL COMPANY
FOR A NONSTANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 15259

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 8, 2015

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, January 8, 2015, 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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EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 4	6
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1 (10:25 a.m.)

2 EXAMINER McMILLAN: Okay. I would like to
3 call Case 15259, application of Mewbourne Oil Company
4 for a nonstandard oil spacing and proration unit and
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I am submitting
9 this case by affidavit.

10 EXAMINER McMILLAN: Any other appearances?

11 MR. BRUCE: Mr. Examiner, I have submitted
12 you several exhibits.

13 Exhibit 1 is the statement of Corey
14 Mitchell, the landman for Mewbourne in this case.
15 Mewbourne is seeking to force pool a two-mile lateral
16 320-acre nonstandard unit in the Bone Spring Formation
17 consisting of the west half-east half of Section 22 and
18 the adjoining west half-east half of Section 27, 26
19 South, 27 East for its Owl Draw 22/27 B2B0 Fed Com #2H.

20 The only parties being pooled are two
21 unlocatable parties, Petrorep Inc. and Corexcal, which
22 combined own about four-tenths of 1 percent of an
23 interest in the proposed well. Mewbourne has tried to
24 locate these people for several years. They showed up
25 and acquired their interest 42 years ago and have not

1 shown up in the records since. They've tried to locate
2 them. I think Mewbourne's probably force pooled those
3 two parties at least half a dozen times over the last
4 couple of years. They've checked all the records, and
5 they just haven't been able to locate them. Because
6 they're unlocatable, there are no proposal letters sent
7 to the parties.

8 Mewbourne does request a 200 percent risk
9 charge and requests \$7,500 a month for drilling costs
10 and \$750 a month for a producing well.

11 The assessment attached to the well has a
12 total well cost of approximately \$8.7 million. It's
13 more expensive than Mewbourne's normal wells, but it's
14 just due to the length of the wellbore, a two-mile
15 lateral. A one-mile lateral usually costs a couple
16 million. That's the reason for that.

17 EXAMINER McMILLAN: And has this well been
18 drilled?

19 MR. BRUCE: No, to the best of my
20 knowledge. I will double check, and I'll e-mail you,
21 but it has not been drilled at this point.

22 Exhibit 2 is the statement of Jason Lodge,
23 the geologist. Attached are the usual exhibits, a net
24 isopach, which shows kind of a similar thickness of the
25 Bone Spring -- 2nd Bone Spring throughout the well unit

1 and a cross section showing that the well was
2 continuous, that the Bone Spring zone should be
3 continuous across the entire length of the wellbore.

4 And, Mr. Wade, there is a statement in here
5 that there is no impediment to drilling this well.

6 EXAMINER WADE: Very good (laughter).

7 MR. BRUCE: And each quarter-quarter
8 section will contribute more or less equally to
9 production.

10 Attachment C to the geologist's affidavit
11 is production data from other wells, Concho and
12 Mewbourne wells in this area, showing that these wells
13 in this area have been -- the horizontal wells just
14 drilled within the past couple of years have been good
15 wells, and most of them have been stand-ups, which is
16 why they are conducting stand-up -- or using a stand-up
17 well unit for this well.

18 And the drilling report is a drilling -- a
19 horizontal drilling plan is attached, and the well
20 location -- the beginning of the producing interval and
21 the terminus are at standard locations.

22 Since the only persons being notified of
23 the pooling are unlocatable, notice was published in the
24 Carlsbad paper. The notice sent to the Carlsbad paper
25 is marked Exhibit 3. Unfortunately, I have not received

1 the Affidavit of Publication back from the Carlsbad
2 newspaper, so for notice purposes, I'd simply request
3 that the case be continued for two weeks so I can submit
4 the Affidavit of Publication when I receive it.

5 The landman does give offset -- Attachment
6 C to his affidavit identifies the offset operators.
7 Other than the parties to the well, the only offset is
8 Chevron U.S.A. Inc., and they were notified of the
9 nonstandard unit, and that's reflected in my Exhibit 4
10 of the Affidavit of Notice. And they did receive actual
11 notice.

12 So I'd move the admission of Exhibits 1, 2,
13 3 and 4 and ask that the hearing be continued for two
14 weeks for completion of notification.

15 EXAMINER McMILLAN: Exhibits 1 through 4
16 may now be accepted as part of the record.

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

20 MR. BRUCE: I have nothing further.

21 EXAMINER McMILLAN: The question I've got
22 is any idea of Chevron's plans in 34, because --

23 MR. BRUCE: No, I don't. Let me look at
24 the land plat. Chevron -- I'm not sure about Section
25 34. If you'll look at Attachment A to the landman's

1 exhibit -- it's a Midland Map Company plat -- there are
2 two things. The acreage that is out here, which says
3 Chesapeake, is now Chevron, and you'll notice that over
4 in Sections 28 and 33, Chevron or Chesapeake has drilled
5 wells. I'm not sure of Chevron's plan in Section 34,
6 but they were given notice of this application.

7 If you'll notice over to the east, there
8 are horizontal wells drilled in laydown units both by
9 COG and by Yates.

10 EXAMINER McMILLAN: There are quite a
11 few -- as a general rule, I've seen quite a few
12 applications in here, and they generally drill to the
13 state line.

14 MR. BRUCE: Right. Right. I understand
15 that. But if you'll look over in the eastern -- what
16 would that be -- 26-28 over to the east, you will see --
17 a number of laydown wells, Bone Spring wells, have been
18 drilled, and they're drilling them both ways.

19 EXAMINER McMILLAN: Right. But you can say
20 one section to the west you're seeing north-south.

21 MR. BRUCE: Right. Yeah. But also up to
22 the northwest, COG has drilled laydown wells. And I
23 think, if you'll -- those wells in Section 16 to the
24 northwest of the COG wells, if you look at the
25 production data attached to the geologist's, those are

1 the wells that are mentioned there, and they all have
2 cums at this point of roughly over 100,000 barrels.

3 EXAMINER McMILLAN: Okay.

4 MR. BRUCE: So apparently it's feasible to
5 do that, stand-ups. Mewbourne has generally had a
6 preference, at least in this area, for stand-ups.

7 EXAMINER McMILLAN: I really don't have any
8 other further questions.

9 At this time this case will be continued
10 for two weeks for notification purposes.

11 MR. BRUCE: Thank you.

12 EXAMINER McMILLAN: And the hearing is
13 now -- so the hearings on January 2015 are now complete.
14 Thank you.

15 MR. BRUCE: See you guys later.

16 (Case Number 15259 concludes, 10:34 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the examiner hearing of Case No. _____,
heard by me on _____.

_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

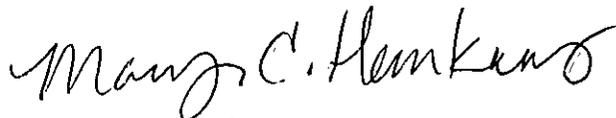
5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2015

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