

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

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IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

ORIGINAL

CASE 15298

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

May 28, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

RECEIVED OGD
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This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner, and Gabriel Wade, Legal Examiner, on May
28, 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: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

1 A P P E A R A N C E S

2 FOR APPLICANT MEWBOURNE OIL COMPANY

3 JAMES G. BRUCE, ESQ.
4 P.O. Box 1056
5 Santa Fe, New Mexico 87504
6 (505)982-2043
7 jamesbruc@aol.com

8 ALSO PRESENT: Ocean Munds-Dry,
9 COG Operating LLC

10 I N D E X

11 CASE NUMBER 15298 CALLED

12 MEWBOURNE OIL COMPANY
13 CASE-IN-CHIEF
14 (No witnesses; Case
15 Submitted through Affidavit)

16 Reporter's Certificate

PAGE
8

17 E X H I B I T I N D E X

18 Mewbourne Oil Company Exhibits Offered for Admission

19		PAGE
20	Mewbourne Oil Company Exhibit 1	7
	Mewbourne Oil Company Exhibit 2	7
21	Mewbourne Oil Company Exhibit 3	7
	Mewbourne Oil Company Exhibit 4	7

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1 (Time noted 11:22 a.m.)

2 EXAMINER JONES: Let's go back on the record
3 and call case No. 15298, Application of Mewbourne Oil
4 Company for a non-standard oil spacing and proration
5 unit and compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

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

10 EXAMINER JONES: Any other appearances?

11 MS. OCEAN MUNDS-DRY: Ocean Munds-Dry of COG
12 Operating LLC. And I have no witnesses.

13 EXAMINER JONES: Okay. Are you opposing
14 this case?

15 MS. OCEAN MUNDS-DRY: No, sir. We are just
16 interested.

17 EXAMINER WADE: Will you be asking any
18 questions in cross-examination?

19 MS. OCEAN MUNDS-DRY: I will not.

20 EXAMINER JONES: Well, it's affidavit.

21 EXAMINER WADE: Right, it's affidavit.

22 MR. BRUCE: Mr. Examiner, I'm submitting
23 this case by affidavit. Ten days ago I did submit the
24 same exhibits to the Division as requested in that one
25 notice, but resubmitting everything today.

1 Exhibit 1 is the verified statement of Corey
2 Mitchell, the Mewbourne landman. If you turn to
3 attachment A, the land plat, what Mewbourne is doing in
4 this case is it's drilling a two-mile lateral comprised
5 of the west half, west half of section 27 and the west
6 half, west half of section 22 in 226 south, 27 east to
7 the Bone Spring formation.

8 The well is the Owl Draw 27/22 B2MD Fed. Com
9 Well No 1H. The surface location is 170 feet from the
10 south line and 330 feet from the west line and the
11 terminus is -- of section 27; and it heads north into
12 section 22, with the terminus 330 feet from the north
13 and west lines of section 22.

14 The surface location is unorthodox, but the
15 first taking point will be 330 feet from the south line,
16 so the producing interval is orthodox.

17 The only two interest owners being forced
18 pooled are Petrorep, Inc., and Corexcal. And those are
19 set forth in Exhibit 1. They are both unlocatable.

20 Mewbourne has drilled or force pooled a
21 number of wells in this area over the last three years.
22 And I think a half a dozen -- at least a half a dozen
23 pooling cases. And so they have been looking for these
24 people for three, three-and-a-half years and they can't
25 find them. They are federal lessees. Their interests

1 were acquired over 40 years ago and nothing appears in
2 the records since then.

3 Mewbourne is requesting overhead rates of
4 \$7,500 per month for a drilling well and \$750 a month
5 for a producing well and is requesting a 200 -- and that
6 those rates would be adjusted under the Copas accounting
7 procedure, and then asking for a 200 percent risk
8 charge.

9 There is information on all of the working
10 interest owners in the well unit. The only two
11 interests being force pooled are about point 8 percent
12 of the well unit. All of the other working interest
13 owners are participating.

14 And attachment E is the AFE for the well.
15 It's about a \$6.7 million well. It seems to me costs
16 have come down a little, especially for a two-mile
17 lateral. And attachment C just lists the offset owners
18 to the well.

19 Exhibit 2 is a verified statement of Jason
20 Lodge, the geologist. And he has attached as attachment
21 A a combo structure, an isopach map. The structure just
22 dips slightly as you head to the east, and the thickness
23 of the Second Bone Spring Sand across the wellbore is
24 fairly uniform. They've also attached, as attachment E,
25 a cross section.

1 And based on these, the project area is
2 justified from a geologic standpoint. And each quarter,
3 quarter section will contribute to production and there
4 is no faulting or other geologic impediment which would
5 affect the drilling of the well.

6 And if you look at the land plat on the
7 landman's affidavit, Mr. Examiner, you can see that
8 wells have been drilled here, both stand-up and
9 lay-down. Mewbourne has been drilling its wells as
10 stand-ups as has Chevron.

11 Attachment C is a listing of some production
12 from the area. And, apparently, it really doesn't
13 matter if you're doing stand-up or lay-downs. If you'll
14 notice up to the northwest in section 16, COG has
15 drilled some pretty good lay-down wells on a 160-acre
16 unit basis.

17 But Mewbourne has also drilled some stand-up
18 wells. And they are getting good results on those two.
19 So I don't think there's a preferred orientation in this
20 area.

21 And then attachment B is simply the
22 directional drilling and planning report.

23 Because the interest owners were
24 unlocatable, proper notification was published in the
25 Carlsbad newspaper about a month ago, so in a timely

1 fashion. And all of the offsets were notified. And
2 that's submitted as Exhibit 3.

3 And Exhibit 4 is simply my affidavit of
4 notice to offsets. And all of the offsets did receive
5 actual notice of the application.

6 So with that, I move the admission of
7 Exhibits 1 through 4.

8 EXAMINER JONES: Exhibits 1 through 4 are
9 admitted.

10 (Whereupon, Mewbourne Oil Company Exhibits 1
11 through 4 were offered and admitted.)

12 MR. BRUCE: And I have nothing further in
13 this matter.

14 EXAMINER JONES: Okay. Thank you very much.
15 With that we will take case 15298 under advisement.

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18 (Time noted 11:28 a.m.)

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I do hereby certify that the foregoing is
a true and correct record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____.

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_____, Examiner
Oil Conservation Division

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1 STATE OF NEW MEXICO)
 2) ss.
 3 COUNTY OF BERNALILLO)
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7 REPORTER'S CERTIFICATE

8
 9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
 10 No. 100, DO HEREBY CERTIFY that on Thursday, May 28,
 11 2015, the proceedings in the above-captioned matter were
 12 taken before me, that I did report in stenographic
 13 shorthand the proceedings set forth herein, and the
 14 foregoing pages are a true and correct transcription to
 15 the best of my ability and control.

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

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ELLEN H. ALLANIC, CSR
 NM Certified Court Reporter No. 100
 License Expires: 12/31/15