

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

ORIGINAL

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

APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 14375
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

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BEFORE: DAVID K. BROOKS, Presiding Examiner

October 1, 2009

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, DAVID K. BROOKS,
Presiding Examiner, on Thursday, October 1, 2009, at the
New Mexico Energy, Minerals and Natural Resources
Department, 1220 South St. Francis Drive, Room 102, Santa
Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
 Paul Baca Professional Court Reporters
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 Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, ATTORNEY AT LAW
P.O. Box 1056
Santa Fe, New Mexico 87504-1056

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EXHIBITS 1 THROUGH 4 WERE ADMITTED

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REPORTER'S CERTIFICATE

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1 MR. BROOKS: Call Case Number 14375,
2 application of Mewbourne Oil Company for compulsory
3 pooling, Eddy County.

4 MR. BRUCE: Mr. Examiner, I'm Jim Bruce of
5 Santa Fe representing the applicant. I'm submitting this
6 by affidavit.

7 MR. BROOKS: Was this case previously
8 heard?

9 MR. BRUCE: Here's the deal, Mr. Examiner.
10 Let me make sure I've got the -- this case was heard
11 several months ago, and a pooling order was issued, Order
12 R-13098. And then I set this for hearing four weeks ago,
13 and you suggested some additional notice, which I have
14 taken care of. The next two cases are virtually
15 identical to this one, so let me talk about this case.

16 MR. BROOKS: Okay.

17 MR. BRUCE: In the prior case Mewbourne
18 force pooled a number of unleased mineral owners into the
19 well unit for the Quick Draw "15" I Well No. 1, as to all
20 depths from the surface to the base of the Yeso formation
21 underlying the northeast quarter southeast quarter of
22 Section 15 in Township 20 South, Range 25 East.

23 At that time -- before that hearing it had
24 obtained an oil and gas lease from Larry Edward Fanning.
25 However, that lease was subject to a mortgage owned by an

1 entity called Rossrock, LLC. Mewbourne attempted to
2 obtain a mortgage subordination from Rossrock, but could
3 not do so. Therefore, it released the lease and is now
4 seeking to force pool Mr. Fanning's interest in these
5 three wells.

6 Exhibit 1 is the affidavit of the landman,
7 Corey Mitchell, showing that Mr. Fanning owns a little
8 over a 1 percent undivided interest. This is a fee
9 tract. This 40 acres has common ownerships as to all
10 depths. A land plat is attached as Attachment 1.

11 Attachment B shows the course of proceedings
12 regarding Mr. Fanning. You can see that negotiations
13 started a year and a half ago, and they obtained a lease.
14 A subsequent title examination showed there were two
15 liens. Mewbourne contacted the lienholder and attempted
16 to get an insubordination and, therefore, since they
17 could not obtain it, they released the lease and, as a
18 result, they, then, proposed the well to Mr. Fanning and
19 sent him an AFE. Exhibit C is the AFE for this well.

20 Exhibit 2 is the affidavit of notice to Mr.
21 Fanning, and he received actual notice. I wasn't sure if
22 that was the correct address at the time, so I submitted
23 a notice to the newspaper, and that was published. That
24 is shown in Exhibit 3, although that's not necessary
25 since he received actual notice.

1 And then, by letter dated September 9th, I
2 mailed by certified mail notice to Rossrock of the
3 pendency of the pooling proceedings.

4 MR. BROOKS: Okay.

5 MR. BRUCE: And, again, that's Exhibit 4.
6 I have heard nothing from Rossrock. As a result, I'd ask
7 that an amended order be entered to pool Mr. Fanning's
8 interest in the well. I don't think I have ever done
9 this before, Mr. Examiner.

10 MR. BROOKS: Pooled a mortgagee?

11 MR. BRUCE: Yeah. And I guess the legal
12 principle I'd go to is that the owner of any contract is
13 subject to the laws of the state and, therefore, is
14 subject to the New Mexico Oil and Gas Act and the pooling
15 procedures provided therein and, therefore, I would
16 believe Mewbourne would be entitled to its cost plus
17 penalty until payout on its interest not subject to any
18 mortgage lien.

19 MR. BROOKS: That would seem like a
20 reasonable position. Does that conclude your
21 presentation on 14375?

22 MR. BRUCE: Yes, it does.

23 MR. BROOKS: Okay. Exhibits 1 through 4
24 will be admitted. Case Number 14375 will be taken under
25 advisement.

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(Exhibits 1 through 4 were admitted.)

* * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14375
heard by me on 10-1-09
David K. Burtin, Examiner
Oil Conservation Division

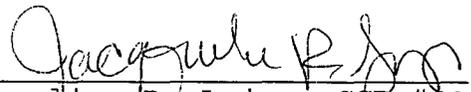
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on October 1, 2009, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 12th day of October, 2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009