

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
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

CASE NO. 14530

TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 2, 2010 8:29 a.m.

Santa Fe, New Mexico

BEFORE: TERRY WARNELL, Hearing Examiner
DAVID K. BROOKS, Legal Advisor

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This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Hearing Examiner, and DAVID K. BROOKS, Legal Advisor, on Thursday, September 2, 2010, at the New Mexico Energy, Minerals and Natural resources Department, 1220 South St. Francis drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Paul Baca
Paul Baca Court Reporters
500 Fourth Street, NW - Suite 105
Albuquerque, New Mexico 87102

APPEARANCES

For Apache Corporation:

HOLLAND & HART
 110 North Guadalupe, Suite 14
 Santa Fe, New Mexico 87501
 505-988-4421
 BY: WILLIAM F. CARR, ESQ.
 carr@hollandhart.com

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Reporter's Certificate

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EXHIBITS

EXHIBIT

DESCRIPTION

PAGE

1 Affidavit of Corey Mitchell with
 attachments
 2 Affidavit of Jason Lodge with
 attachments

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1 THE EXAMINER: Case No. 14530, Application
2 of Mewbourne Oil Company for a nonstandard spacing
3 and proration unit and compulsory pooling, Eddy
4 County, New Mexico.

5 I call for appearances please.

6 MR. CARR: May it please the Examiner?

7 My name is William F. Carr, of the
8 Santa Fe office of Holland & Hart, LLP. We
9 represent Mewbourne Oil Company in this matter and
10 request permission to present the case by affidavit.

11 THE EXAMINER: Thank you, Mr. Carr.

12 MR. CARR: May it please the Examiner?

13 In this case, Mewbourne seeks the creation
14 of a nonstandard spacing and proration unit and
15 compulsory pooling.

16 And the area to be dedicated to the
17 proposed project area for this well is comprised of
18 a nonstandard spacing unit being the west half of
19 the southwest quarter of Section 24 and the west
20 half of the northwest quarter of Section 25 in
21 Township 19 South, Range 25 East. And Mewbourne
22 also seeks to pool certain interests within this
23 horizontal well project area.

24 Mewbourne owns a working interest in both
25 the west half of the southwest quarter of Section 24

1 and the west half of the northwest quarter of
2 Section 25, which are the tracts proposed to be
3 dedicated to the subject well, which is the Wyatt
4 Draw 24/25 LE Well No. 1H.

5 It's a horizontal well to be drilled from
6 a standard surface location in Section 24 to a
7 standard bottom hole location in Section 25.

8 Exhibit A is a plat of the subject lands
9 showing the proposed project area and the well
10 location.

11 The proposed project area consists of
12 approximately 25 fee leases. Exhibit B lists the
13 nature and percentage of the ownership interest in
14 the subject project area.

15 This pooling and this application has been
16 instituted to pool the interest of Nearburg
17 Exploration Company, LLC, a working interest owner
18 in these tracts and a working interest owner who
19 does not oppose this application.

20 The affidavit provides that Mr. Corey
21 Mitchell, the land man responsible for the
22 development of the project, made a good-faith effort
23 to reach voluntary agreement for the development of
24 these lands with Nearburg.

25 A copy of the well proposal letter and

1 relevant correspondence between Mewbourne and
2 Nearberg is attached as Exhibit C.

3 Mewbourne requests that Nearberg
4 Exploration Company be pooled and that Mewbourne be
5 designated operator of this well and the project
6 area.

7 Mewbourne proposes overhead charges
8 (combined fix rates) of 6,000 a month while drill
9 and 600 a month while producing the well.

10 Attachment D to Mr. Mitchell's affidavit
11 is a copy of the AFE for the well.

12 The offset operators surrounding the
13 project area are now only Nearberg Exploration
14 Company that offsets this tract to the north, the
15 east and the west.

16 And Marshall & Winston, Inc., as indicated
17 on Exhibit B, is participating in the well.

18 Approval of the application will avoid the
19 drilling of unnecessary wells that will prevent
20 waste and protect correlative rights.

21 And that concludes the affidavit of Corey
22 Mitchell, the land person.

23 Now, Exhibit 2 is an affidavit of Jason
24 Lodge. Mr. Lodge is a petroleum geologist. And
25 this affidavit is presented to show that the

1 combining of the spacing units into a nonstandard
2 proration unit is reasonable and prudent and is an
3 appropriate way to develop these lands.

4 And Mr. Lodge's testimony also shows that
5 all spacing units will contribute significant
6 production to this well from the Yeso formation.

7 As stated in the affidavit, Mr. Lodge is a
8 geologist with Mewbourne. He's familiar with the
9 geology in the area.

10 Attached to his affidavit is a structure
11 map of the top of the Yeso formation. It shows that
12 the formation dips gently to the east. This
13 attachment also contains production data for all
14 existing wells in the pool.

15 Attachment B is a cross-section that shows
16 the productive interval and the stratigraphic target
17 for Yeso wells in the area.

18 Attachment C is the horizontal drilling
19 plan for the subject well. It shows that the
20 horizontal well will test a greater reservoir length
21 and will increase the chances for an economic
22 completion.

23 All four quarter sections in the well are
24 prospective in the Yeso formation, and Mewbourne
25 anticipates producing reserves from each of these

1 quarter sections.

2 With that, I would move the admission of
3 Mewbourne Exhibits 1 and 2, and request that the
4 case be taken under advisement.

5 THE EXAMINER: Exhibits 1 and 2 are
6 admitted.

7 (Exhibits 1 and 2 were admitted.)

8 Questions, Mr. Brooks?

9 MR. BROOKS: Yes, thank you.

10 Well, I see you made the geologic exhibits
11 big enough to satisfy Mr. Warnell.

12 MR. CARR: Yes, we did. We also included
13 them this time.

14 MR. BROOKS: I appreciate that. This is
15 the Yeso prospect, you said?

16 MR. CARR: Yes, sir.

17 MR. BROOKS: And so I suppose it's on
18 40 acre spacing?

19 MR. CARR: Yes, it is.

20 MR. BROOKS: And you're combining four
21 spacing units in two different sections?

22 MR. CARR: Correct.

23 MR. BROOKS: And you referred to the
24 ownership by the half sections. Is the ownership
25 within the half sections uniform?

1 MR. CARR: I don't know.

2 MR. BROOKS: Okay.

3 MR. CARR: It is shown. The ownership, I
4 believe, is shown. But the only interest owners in
5 both of the half sections are voluntarily committed
6 to the well.

7 MR. BROOKS: The only interest owner
8 that's not voluntarily committed is Nearberg?

9 MR. CARR: That is correct.

10 MR. BROOKS: Okay. And I suppose they had
11 actual notice?

12 MR. CARR: Yes, they did.

13 MR. BROOKS: Okay, that's good.

14 And you're not asking for any pooling of
15 any formation other than the Yeso, so we don't have
16 to estimate that?

17 MR. CARR: Correct.

18 MR. BROOKS: Okay. I think that's all I
19 have. Thank you.

20 THE EXAMINER: Okay. So it's just the
21 Yeso formation? You're not going from the surface
22 to the bottom?

23 MR. CARR: No.

24 THE EXAMINER: All right. With that, then
25 Case No. 14530 will be taken under advisement.

(The hearing concluded at 8:36 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 SANTA FE

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REPORTER'S CERTIFICATE

6

I, Paul Baca, New Mexico Certified Court

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Reporter No. 112, do hereby certify that I reported

8

the foregoing proceedings in stenographic shorthand,

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that I did administer the oath to the witness, and

10

that the foregoing pages are a true and correct

11

transcript of those proceedings and was reduced to

12

printed form under my direct supervision.

13

I FURTHER CERTIFY that I am neither

14

employed by nor related to any of the parties or

15

attorneys in this case and that I have no interest

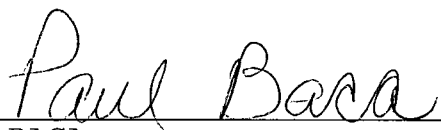
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in the final disposition of this case.

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PAUL BACA

Certified Court Reporter No. 112

License Expires: 12/31/2010

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