

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

Application of Mewbourne Oil Company for a  
non-standard spacing and proration unit and  
compulsory pooling, Lea County, New Mexico.

ORIGINAL

Case No. 14527

AUGUST 19, 2010  
9:15 A.M.  
Santa Fe, New Mexico

HEARING EXAMINER: DAVID BROOKS  
TECHNICAL ADVISOR: TERRY WORNELL

For The Applicant:

HOLLAND & HART, LLP  
110 N. Guadalupe St. #1  
Santa Fe, New Mexico 87501  
BY: WILLIAM F. CARR  
505-988-4421

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2010 AUG 31 P 4:20

REPORTED BY: JAN GIBSON, CCR, RPR, CRR  
Paul Baca Court Reporters  
500 Fourth Street, NW - Suite 105  
Albuquerque, New Mexico 87102

1 (Note: In session at 9:15.)

2 HEARING EXAMINER BROOKS: This is Case  
3 14527, Application of Mewbourne Oil Company for a  
4 non-standard spacing and proration unit and  
5 compulsory pooling, Lea County, New Mexico. Call  
6 for appearances.

7 MR. CARR: May it please the hearing  
8 examiner, my name is William F. Carr for the Santa  
9 Fe Office of Holland & Hart. We represent Mewbourne  
10 Oil Company in this matter, and I request permission  
11 to present the case by affidavit.

12 HEARING EXAMINER BROOKS: Very good.

13 MR. CARR: Mr. Examiner, Mewbourne Exhibit  
14 1 is an affidavit of Corey Mitchell, the landman  
15 employed by Mewbourne responsible for the  
16 consolidation of the lands in the south half of the  
17 north half of Section 17, Township 17 South, Range  
18 33 East in Lea County, New Mexico.

19 Mewbourne seeks the creation of a  
20 nonstandard spacing of proration unit comprised of  
21 this acreage to form a 160-acre horizontal well  
22 project area in the Bone Spring formation, Bone  
23 Spring Pool. Mewbourne owns working interest in  
24 each of the four 40-acre oil spacing and proration  
25 units that will be combined to form this project

1 area and it proposes to dedicate this project area  
2 to its Spy Glass 17 Federal Well No. 1H. It's going  
3 to be drilled at a standard surface location and the  
4 horizontal well bore will be completely within the  
5 producing area inside the proposed project area for  
6 the well.

7 Exhibit A to the affidavit is a plat.  
8 It's attachment A. It shows the subject lands and  
9 the location of the proposed nonstandard spacing  
10 unit and well location.

11 Exhibit B is an ownership breakdown  
12 showing all working interest in the spacing unit.  
13 This is one State of New Mexico lease, and Mewbourne  
14 was able, by going through the county records, to  
15 identify all interest owners in the spacing unit.

16 Mewbourne, the affidavit states, has made  
17 a good faith effort to reach voluntary agreement  
18 with each of these interest owners, and Attachment C  
19 to the affidavit is first a summary of the contacts  
20 made with each of these parties. Behind that, you  
21 will find letters and return receipts showing that  
22 each party was notified back in June of this  
23 proposal. And behind that you will see attached the  
24 number of E-mails to each of these interest owners.

25 I think it's important if you look at

1     those attachments and those E-mails, you will see  
2     that there are E-mails indicating that they were  
3     going to go forward with the well or with the  
4     pooling hearing because they needed to drill the  
5     well by the end of the year. Those E-mails also to  
6     Yates Energy Corporation and the Yates company crew  
7     indicate that they are continuing to finalize  
8     documents so those interests may be voluntarily  
9     committed to the well.

10            I called yesterday to tell you that Yates  
11     Energy Corporation has decided to join and they are  
12     today finalizing documents in the Harvey E. Yates  
13     groups which includes Spiral Inc., Explorers  
14     Petroleum Corporation, and Nadel Guzman, they are at  
15     the present time finalizing a term assignment to  
16     Mewbourne.

17            So once that is done, and we will notify  
18     you as soon as those interest owners are in, 84  
19     percent of the well will be voluntarily committed  
20     and we will only be pooling the other interest  
21     owners indicated on Exhibit B.

22            HEARING EXAMINER BROOKS: From Exhibit B.

23            MR. CARR: Yes, sir. There are asterisks  
24     on here showing the interests subject to pooling,  
25     but we are anticipating Yates Energy, Harvey E.

1 Yates Company and then on the next page Spiral,  
2 Inc., Explorers Petroleum and Nadel Guzman to be  
3 voluntarily committed to the well within the next  
4 few days.

5 HEARING EXAMINER BROOKS: So that would  
6 leave James H. Yates, Inc. and Coklelan.

7 MR. CARR: Yes. James H. Yates and  
8 Colkelan also. Although the Hudson interest has  
9 been committed, the interest of Mary T. Ard has not,  
10 and she has not responded so that interest will be  
11 subject to pooling, as will the interest of Moore  
12 and Shelton. Letters and E-mails to each of the  
13 interest owners are included in the attachments.

14 HEARING EXAMINER BROOKS: You will never  
15 get Hudson and Ard.

16 MR. CARR: We would anticipate one or the  
17 other would join.

18 HEARING EXAMINER BROOKS: Who else then at  
19 this point would you want to be pooling?

20 MR. CARR: We would be pooling Moore &  
21 Shelton; Edward R. Hudson Trust No. 4, which is Mary  
22 T. Ard's interest; James H. Yates and Colkelan  
23 Corporation. We would like the leave the others in  
24 the case until we get the document signed.

25 HEARING EXAMINER BROOKS: Well, of course,

1 the way we write our orders, they continue in the  
2 case as long as they have been properly noticed.

3 MR. CARR: Attached as Exhibit E is my  
4 letter to each of these interest owners advising  
5 them of today's hearing. You will also see E-mails  
6 advising them of the hearing.

7 We request that these interest owners be  
8 pooled and that Mewbourne Oil Company be designated  
9 operator of the well in this nonstandard unit. They  
10 propose overhead and administrative charges combined  
11 fix rates of \$7,000 a month well drilling, \$700 a  
12 month well producing and state that these are in  
13 line with what they are charging the other interest  
14 owners in the well. They would request a provision  
15 adjusting the rates in accordance with COPAS  
16 provisions.

17 HEARING EXAMINER BROOKS: \$7,000 and \$700.

18 MR. CARR: Yes, sir. They request a 200  
19 percent charge for risk. The affidavit attached to  
20 it as Attachment D is the AFE for the well, which  
21 estimates cost to case in point at \$2,207,500 and a  
22 completed well cost of \$3,359,800. They plan to  
23 drill the well before the end of this year. The  
24 affidavit provides that formation of this unit,  
25 pooling of the interests will prevent waste, protect

1 rights and they request that this application be  
2 granted. I would move the admission.

3 HEARING EXAMINER BROOKS: Mewbourne  
4 Exhibit 1 is admitted. I'm sorry, are you through?

5 MR. CARR: I have finished, yes, sir.

6 HEARING EXAMINER BROOKS: Were all of the  
7 parties -- did all of the parties receive actual  
8 notice?

9 MR. CARR: Yes, sir. And copies of the  
10 green cards are attached.

11 (Note: Exhibit 1 admitted.)

12 HEARING EXAMINER BROOKS: Now, do you have  
13 the estimated footages of the penetration.

14 MR. CARR: Yesterday I contacted Mewbourne  
15 with the penetration point on a number of wells  
16 including this one, which I will be providing you as  
17 soon as I get them. The after has the surface  
18 location and the terms of the horizontal well but  
19 not the actual penetration point, but surface and  
20 terminus are all within the producing area on this  
21 well, but I will have the penetration point.

22 HEARING EXAMINER BROOKS: Whenever we  
23 circulate an order, somebody always wants to put the  
24 penetration point in there so we need to fill in the  
25 blanks there. Okay. I think that's all I have.

1 MR. WORNELL: Did you say, Mr. Carr, they  
2 are going to drill the well this year?

3 MR. CARR: Yes, they plan to drill the  
4 well before -- they would like to have drilled the  
5 well and completed it by January 1, 2011. That's  
6 why they were moving forward. If it's 30 days for  
7 an order and 30 days to provide notice, with the rig  
8 scheduling and all, they decided they needed to  
9 proceed at this time.

10 HEARING EXAMINER BROOKS: Okay. If  
11 there's nothing further, then Case 14527 will be  
12 taken under advisement.

13 (Note: The proceedings were concluded.)

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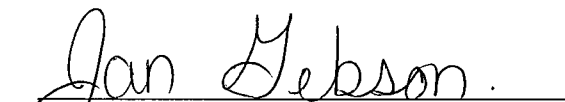
I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14527,  
heard by me on Aug 19 ~~2009~~ 2010  
David K. Brooks  
Oil Conservation Division



## REPORTER'S CERTIFICATE

I, JAN GIBSON, Certified Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

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

  
JAN GIBSON, CCR-RPR-CRR  
New Mexico CCR No. 194  
License Expires: 12/31/10