

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:

Application of Mewbourne Oil Company
for Compulsory Pooling,
Eddy County, New Mexico
(Motion to Amend Order NO. R-21044)

Case No. 21896

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, SEPTEMBER 23, 2021

EXAMINER HEARING

This matter came on for hearing before the
New Mexico Oil Conservation Division, William
Brancard, Esq. Hearing Examiner, Leonard Lowe,
Technical Examiner, on Thursday, September 23, 2021,
via Webex Virtual Conferencing Platform hosted
by the New Mexico Department of Energy, Minerals and
Natural Resources

Reported by: Mary Therese Macfarlane
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A P P E A R A N C E S

FOR MEWBOURNE OIL COMPANY: James Bruce, Esq.
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C O N T E N T

CASES NOS. 21986, 21987	PAGE
CASES CALLED:	3
TAKEN UNDER ADVISEMENT:	14

I N D E X O F E X H I B I T S.

MEWBOURNE OIL COMPANY EXHIBITS:	ADMITTED
1 Application and Proposed Notice	14
2 Landman's Affidavit	14
3 Geologist's Affidavit	14
4 Affidavits of Publication	14
5 Pooling Checklist	14

1 (Time noted 9:55 a.m.)

2 EXAMINER BRANCARD: All right. We are back on
3 the record in the hearing of the New Mexico Oil
4 Conservation Division, September 23, 2021, and we are on
5 the last two items of today's agenda, Items 27 and 28.

6 We will call Item 27, case 21896, Mewbourne
7 Oil Company.

8 MR. BRUCE: Mr. Examiner, Jim Bruce representing
9 Mewbourne Oil Company.

10 EXAMINER BRANCARD: All right we have a couple
11 of Entries of Appearances here. And I know I'm going to
12 murder some names here.

13 There appears to be the Milavec Revocable
14 Trust. Do we have an appearance?

15 Mr. Williams, Anthony Williams?

16 MR. BRUCE: Mr. Examiner, if I may, Mewbourne
17 and Mr. Williams' clients reached voluntary agreement, and
18 so they are not being pooled today, so that's why I think
19 Mr. Williams didn't show up.

20 EXAMINER BRANCARD: Okay. Thank you. That's
21 helpful.

22 Then we have Hernandez, Gallegos Law Firm.

23 (Note: Pause.)

24 MR. BRUCE: Mr. Examiner, if I may --

25 EXAMINER BRANCARD: Yes, please.

1 MR. BRUCE: Mr. Gallegos represented three
2 members of the Hernandez family, and Mewbourne has sent
3 them a lease offer which I know they are considering, and
4 I will verify the status of that with Mr. Gallegos and
5 with my clients, and if they have leased their interest to
6 Mewbourne they will not be force pooled either, and I
7 would subsequently follow up with a filing with the
8 Division.

9 EXAMINER BRANCARD: Thank you.

10 So are there any other interested persons
11 for Case 21896? (Note: Pause.)

12 Hearing none, you may proceed, Mr. Bruce.

13 MR. BRUCE: Okay, Mr. Examiner. This one might
14 upset you a little bit, too.

15 There was -- there is an existing Order,
16 Order R-21044 pooling this acreage. That was filed by
17 Marathon Oil Permian, LLC and that Order was issued,
18 although the Order does state the wrong County, Lea rather
19 than Eddy, and Mewbournes subsequently took over operation
20 of this half section of land, which is the west half of
21 Section 28, 23 South, 28 East, as to the Wolfcamp
22 Formation. And also the original Order pooled four wells.
23 Mewbourne has drilled two of the wells but they renamed
24 them, and I'll go into that in a minute.

25 So on this one I really was a little -- I

1 wanted to make sure Mewbourne's name was on the Pooling
2 Order and I wanted to get the -- some other features done
3 away with.

4 Marathon did force pool. I tried to count
5 how many in the original hearing, but this is near the
6 townsite of Loving, and there are really hundreds of
7 interest owners of these little, small town lots in Loving
8 who are involved. Marathon pooled a bunch of them; that
9 Order was dated -- issued January 27, 2020. And then in
10 the intervening time Mewbourne took over and did
11 additional title work and came with up with the people
12 they seek to pool here today.

13 With that, if you have any questions;
14 otherwise, I'll go through the exhibits.

15 I guess maybe this is just a -- asking to
16 pool additional people under Order R-21044, but different
17 parties involved and different operators involved, so I'm
18 not quite sure what to do about that.

19 EXAMINER BRANCARD: Okay.

20 So the original pooling by Marathon is the
21 exact same unit we are talking about here?

22 MR. BRUCE: Yes.

23 EXAMINER BRANCARD: So was there a whole change
24 of operator?

25 MR. BRUCE: Yeah. And let me see something

1 here. Let me check something out here.

2 Mr. Examiner, Mewbourne did take over
3 operations in the summer -- about six months after, I
4 believe, the Marathon Pooling Order was issued, and also
5 the wells that -- although the Application filed by both
6 Marathon and Mewbourne pertained to four wells, I'm really
7 only asking to force pool it as to two wells, and those
8 wells have had changed names and slightly different
9 locations than Marathon originally proposed.

10 So there are some differences. A little
11 bit, anyway.

12 EXAMINER BRANCARD: So let's sort this out.

13 Did Marathon drill any of these wells?

14 MR. BRUCE: No. Mewbourne -- what I seek to
15 force pool today, Mewbourne did drill. And there's
16 probably a bunch of money in suspense waiting for all the
17 parties to be properly pooled.

18 EXAMINER BRANCARD: Okay. So I see the change
19 of name filing, the C-103. That's in your exhibits.

20 MR. BRUCE: Yeah. And those C-102s, they also
21 changed bottomhole locations for the wells.

22 EXAMINER BRANCARD: Okay. But we are still in
23 the same formation, right?

24 MR. BRUCE: Correct. Wolfcamp. Purple Sage
25 Wolfcamp Pool.

1 EXAMINER BRANCARD: So we are basically looking
2 to amend R-21044 for the purpose of dropping two wells; is
3 that correct?

4 MR. BRUCE: Dropping two wells, changing the
5 well names, getting the correct county name on the Pooling
6 Order, and pooling additional parties.

7 EXAMINER BRANCARD: Okay. Well, why don't you
8 go through your presentation, Mr. Bruce.

9 MR. BRUCE: Okay. Again, Mr. Examiner,
10 Exhibit A is the Application and Proposed Ad. I mean
11 Exhibit 1 is the proposed ad.

12 Exhibit 2 is the landman's statement and
13 seeking to pool the Wolfcamp Formation in the west half of
14 Section 28 for the Thor 28 W0MD Fee No. 1, which was
15 formerly named by Marathon the Thor 28 WXY Fee No. 5H.

16 And then also to pool the Thor 28 W0NC Fee
17 NO. 1H, which was formerly the Thor 28 WXY Fee Well No.
18 1H.

19 Skipping ahead somewhat, the Pooling
20 Checklist -- the original Order was before the Pooling
21 Checklist came into use, so the new Pooling Checklist --
22 to tell you the truth, I can't find the new Pooling
23 Checklist right off the top of my hat, but I did make one.

24 The new Pooling Checklist does list the
25 current well names, and it does give the current well

1 location. I don't know why -- I think I know why, but
2 nonetheless.

3 Let me run down...

4 The landman's affidavit contains --

5 EXAMINER BRANCARD: Mr. Bruce, your Pooling
6 Checklist is all the way at the end of your exhibits.

7 MR. BRUCE: That's what I thought, but I must
8 have set it aside when I was paperclipping my packages
9 together on Tuesday. That's where I normally put it, and
10 it's not in -- uh, there it is. Yeah, I misplaced it.

11 Yes, the Pooling -- I did the Pooling
12 Checklist because the old Order just had that old form
13 Exhibit A. It asks for the pooling of four wells not two,
14 and it contains different well names and well locations.

15 So that is where I am now.

16 And -- but that landman's affidavit seems
17 the usual information: The land plat, the -- I've stolen
18 a couple of Marathon exhibits here -- the C-102s, list of
19 the interest owners and their interests. You can see that
20 there are two and a half pages of single-spaced interest
21 owners. You are seeing repetitive numbers for the
22 percentage interest because these are all little town
23 lots, or perhaps even heirs of the original town lot
24 owners, who are owning them equally through heirship or
25 being devised the interest.

1 A copy of the Proposal Letter that was sent
2 out, or a Sample Proposal Letter, to all of the interest
3 owners along with AFEs for the wells.

4 Exhibit 3 is a geologist affidavit, and it
5 contains the usual information on the structure map,
6 target zone, cross sections.

7 This is the Wolfcamp Sand, the Upper
8 Wolfcamp Sand being tested by these wells. And, again,
9 they have been drilled.

10 There is as part of the geologic exhibit a
11 list of the nearby wells and their production information,
12 and there are some pretty darn-good wells out here.

13 Exhibit 4 is my Certified Letter.

14 And a lot of the mailings we got back or
15 did not get any green card back.

16 Exhibit 5 is -- there are two Notice
17 Affidavits. The original one I sent out, and then another
18 one to pick up some additional interest owners.

19 Exhibit 5 is the Affidavit of Publication.
20 The second part of Exhibit 5 is I did not have the
21 Affidavit of Publication so I attached the proof of the
22 Notice which I got back from the Carlsbad newspaper.
23 Yesterday I did receive the actual second Publication
24 Notice, so I will be doing a supplemental filing with that
25 one, also, just so both actual Affidavits of Publication

1 are in the exhibits filed with the Division.

2 And then Exhibit 6 again is the Pooling
3 Checklist.

4 And I think the exhibit package contains
5 all the information necessary, and I'd ask that the
6 matter -- the exhibits be admitted into the record.

7 EXAMINER BRANCARD: Thank you. Let's start with
8 Mr. Lowe. Yes, sir.

9 EXAMINER LOWE: I've got a few questions.

10 Good morning, Mr. Bruce.

11 MR. BRUCE: Good morning.

12 EXAMINER LOWE: A question on your page 9, your
13 C-103. I would name that well name but I'm confused on
14 the name right now.

15 MR. BRUCE: Yeah, the Thor 28 WXY Fee, that was
16 the name given to it by Marathon. And then down below
17 you'll see that Mewbourne wants to change the name, which
18 the Division did, and then they also requested permission
19 to change that bottomhole location.

20 EXAMINER LOWE: Do you know what the bottomhole
21 location was prior to the change?

22 MR. BRUCE: It was -- give me a second. I've
23 got it right in front of me here.

24 The original bottomhole location was 303
25 feet from the north line and 330 feet from the west line,

1 and Mewbourne changed that to 330 from the north and 660
2 from the west.

3 EXAMINER LOWE: Is there another well -- I don't
4 know if that's -- do they know that they are allowed 330
5 feet from the unit boundary line? I was just curious.

6 MR. BRUCE: They never asked me.

7 EXAMINER LOWE: I was just wondering about that,
8 because I usually see items where they're requesting --

9 MR. BRUCE: Yeah.

10 EXAMINER LOWE: But in this case they are
11 going -- I didn't get a chance to look at the whole layout
12 of what was going on here, but I was just curious to know.

13 Also, on the next page after that on your
14 C-102, page 10 --

15 MR. BRUCE: Yes.

16 EXAMINER LOWE: -- it appears that the property
17 code is X'd out with red x's, and then there's blue
18 numbering on the right-hand side of the well name. Is
19 that indicating to us that that blue number is replacing
20 the property number that was X'd out on the left side? Is
21 that what that means?

22 MR. BRUCE: I believe that's correct. Yes.

23 EXAMINER LOWE: Okay.

24 MR. BRUCE: Yeah, and the same thing with the
25 second C-102.

1 EXAMINER LOWE: Okay. Those are all the
2 questions I have. Thank you.

3 EXAMINER BRANCARD: Thank you. So let me ask
4 once again whether the other parties here, the Milavec
5 Revocable Trust, or Hernandez. (Note: Pause.)

6 Hearing none, let's try to summarize here,
7 Mr. Bruce.

8 Well, once again you just submitted an
9 Application for Compulsory Pooling. What you're actually
10 requesting, if I understand it, is to amend Order R-21044.

11 Did I get that number right?

12 MR. BRUCE: Correct.

13 EXAMINER BRANCARD: And I have four items here

14 One is the change of operator.

15 MR. BRUCE: Yes.

16 EXAMINER BRANCARD: Change of well names.

17 MR. BRUCE: Yes.

18 EXAMINER BRANCARD: Add interest owners.

19 MR. BRUCE: Yes.

20 EXAMINER BRANCARD: And go from four wells to
21 two wells.

22 MR. BRUCE: Yes. And to change the heading on
23 the former Lea County to Eddy County.

24 EXAMINER BRANCARD: Yes. That would be our
25 mistake.

1 So I don't know whether there would have
2 been, what, the C-145 Change of Operator?

3 MR. BRUCE: There was.

4 EXAMINER BRANCARD: Was there?

5 MR. BRUCE: I think I have got those in my file,
6 and I will -- when I file the additional Publication
7 Notice, I will just file those so that they can be part of
8 the record.

9 EXAMINER BRANCARD: That would be great. Thank
10 you. Because I think we have the information for all the
11 other items you requested.

12 MR. BRUCE: Yes, I think so.

13 EXAMINER BRANCARD: So once again, are there any
14 other interested parties Case 21896? (Note: Pause.)

15 I'm hearing none. We will admit the
16 exhibits that have been offered today. We will take the
17 case under advisement, but the record will be left open
18 for an additional submittal for an Affidavit of
19 Publication and for Transfer of Operator forms.

20 I think that's it. Is that it, Mr. Bruce?

21 MR. BRUCE: Correct.

22 (Note: Reporter inquiry.)

23 MR. BRUCE: Just the heading in the matter of
24 the Application of Company X for Compulsory Pooling, it
25 needs to be changed from Lea County to Eddy County.

1 EXAMINER BRANCARD: And it's the change in the
2 heading that's on Order R-21044.

3 All right. Thank you.

4 (Time noted 10:18 a.m.)

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3 COUNTY OF TAOS)

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,
8 September 23, 2021, the proceedings in the above-captioned
9 matter were taken before me; that I did report in
10 stenographic shorthand the proceedings set forth herein,
11 and the foregoing pages are a true and correct
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13 I FURTHER CERTIFY that I am neither employed by
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16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

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 /s/ Mary Macfarlane

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