1 STATE OF NEW MEXICO 2 ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT 3 OIL CONSERVATION DIVISION 4 5 IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING: б 7 CASE NOS: 22953, 22954 8 APPLICATIONS OF MEWBOURNE OIL COMPANY 9 FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO. 10 11 12 13 14 15 16 REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS 17 EXAMINER HEARING AUGUST 4, 2022 SANTA FE, NEW MEXICO 18 19 20 This matter came on for virtual hearing before the New Mexico Oil Conservation Division, HEARING OFFICER 21 WILLIAM BRANCARD and TECHNICAL EXAMINER JOHN GARCIA on Thursday, August 4, 2022, through the Webex Platform. 22 PAUL BACA PROFESSIONAL COURT REPORTERS 23 Reported by: 500 Fourth Street, NW, Suite 105 24 Albuquerque, NM 87102 505-843-9241 25 Page 1

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2	For the Applicant:	
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l	Paul Baca Professional Court Reporters	505.843.9241

HEARING EXAMINER BRANCARD: I believe we are on 1 2 Items 44 and 45, cases 22953, 22954, Mewbourne Oil Company. MR. RANKIN: Good morning, Mr. Examiner. Adam 3 Rankin appearing on behalf the applicant in these cases, 4 5 Mewbourne Oil Company, from the Santa Fe office of Holland & б Hart. 7 HEARING EXAMINER BRANCARD: Are there any, do I 8 have an entry of appearance from MRC Permian? 9 (No audible response.) 10 MR. RANKIN: Mr. Examiner, Mr. Bruce entered an appearance on behalf of MRC Permian. I can confirm that. 11 12 MR. BRUCE: Can you hear me? 13 HEARING EXAMINER BRANCARD: We can now. MR. BRUCE: Yes, Jim Bruce on behalf of MRC 14 15 Permian Company and MRC does not object to the cases proceeding by affidavit. 16 17 HEARING EXAMINER BRANCARD: Thank you. Any other interested parties entering an appearance in 22953 and 18 19 22954? 20 (No audible response.) 21 HEARING EXAMINER BRANCARD: Hearing none, Mr. Rankin? 2.2 23 MR. RANKIN: Thank you, Mr. Examiner. In these two cases Mewbourne is seeking to pool all uncommitted 24 25 interest owners in the Bone Spring formation underlying a Page 3

1 standard 320 acre horizontal spacing unit. 2 In case 22953, the spacing unit is proposed to be comprised of the W/2 E/2 of Sections 15 and 19, Township 18 3 South, Range 33 East in Lea County. That spacing unit will 4 5 be dedicated to Bravos 15-10 B2OB Fed Com 1H well. In case 22954, Mewbourne is seeking to pool all б 7 uncommitted interest owners in the Bone Spring underlying the 320 acre spacing unit in E/2 E/2 of Sections 15 and 10 8 in the same township and range in Lea County. That spacing 9 10 unit will be dedicated to Bravos 15-10 B2PA 1H Well. We filed on Tuesday an exhibit packet comprised 11 12 of Exhibits A through E. 13 Exhibit A is a copy of the compulsory pooling checklists for each of the two cases identifying spacing 14 15 units, the pool, pool code formation, and so forth that's required as part of the compulsory pooling. 16 17 Exhibit B are the applications that were filed in each of the cases. 18 19 Exhibit C is a copy of the self-affirmed 20 statement of Tyler Jolly, the landman for Mewbourne, and in this case he's previously testified before the Division and 21 had his credentials accepted. He identifies the spacing 2.2 23 unit and the pool that Mewbourne is seeking to pool for each In this case it's the Mescalero Escarpe A Bone Spring 2.4 case. 25 pool, code number 45792 in both cases.

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1 His Exhibit C-1 is the C-102s that were drafted 2 for each of the two wells identifying the spacing units, first and last take points and so forth that comply with 3 statewide rules for setbacks. 4 5 C-2 is the tracts of land identifying -- the tracts of land that will comprise the spacing units in each б case, and that the spacing units will be comprised of state 7 and federal land. 8 9 C-3 is the working interest owner in each tract 10 and on a spacing unit basis as well. And the parties Mewbourne is seeking to pool are reflected in red in the 11 12 exhibit. 13 Exhibit C-4 is a sample of the well proposal letter and AFEs sent to each of the working interest owners. 14 15 The costs reflected are consistent with what Mewbourne has incurred for drilling similar wells in the acreage. 16 17 C-5 is a chronology of the contacts for each of 18 the parties that Mewbourne is seeking to pool. And 19 Mewbourne seeks overhead rates of 8,000 per month for 20 drilling and 800 for producing. 21 Exhibit D is a copy of the self-affirmed statement of Jordan Carrell, the geologist in the case. 2.2 He 23 has previously testified before the Division and has 24 conducted a study of the geology in the area. 25 His Exhibit D-1 is copy of the regional map of Page 5

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1 the area showing the location of the proposed spacing and 2 wells. D-2 is a copy of the structure map identifying 3 the Second Bone Spring Sand, which is the target interval. 4 5 It also depicts the line of cross section for the wells (unclear audio). б 7 Exhibit D-3 shows the target interval for the In this case it reflects there are no impediments in 8 wells. drilling horizontal wells to the acreage. 9 10 Exhibit E is the affidavit prepared by me in this case reflecting that we provided notice to each of the 11 12 parties identified by Mewbourne, along with the letter that 13 was sent out on July 17, status of the certified mail letters that were sent for each of the cases. 14 15 Mr. Examiner, in this case we had the same issue as we had for other cases in Lea County where the affidavit 16 of publication was not returned to us until late last night. 17 However, in the intervening time since we last discussed 18 this, I confirmed with -- and I will confirm that each of 19 20 the notices was published timely on July 19, so we will be submitting a supplemental exhibit reflecting the affidavit 21 of publication was submitted timely. 2.2 As far as the parties, Mewbourne has identified 23 all parties and the addresses, but did not hear back from 24 all the parties, so as a result we have provided an 25 Page 6

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1 affidavit of publication and all parties have received 2 constructive notice. Mr. Jolly reviews in his testimony that they have 3 undertaken diligent efforts to locate all parties, computer 4 5 databases, online searches and so forth. So with that, Mr. Examiner, I move the admission б 7 of Exhibits A through E into the record and ask this case be taken under advisement (unclear audio) the affidavits of 8 publication for each of the cases. 9 10 HEARING EXAMINER BRANCARD: I think we lost your 11 last sentence, Mr. Rankin. 12 MR. RANKIN: I just said that we ask, that with the proviso we will be submitting a supplemental exhibit 13 14 reflecting that notice was provided in the newspaper in the 15 county. 16 HEARING EXAMINER BRANCARD: Thank you. Mr. 17 Bruce, any questions or comments? No, sir. 18 MR. BRUCE: 19 HEARING EXAMINER BRANCARD: Mr. Garcia? 20 TECHNICAL EXAMINER GARCIA: No questions. 21 HEARING EXAMINER BRANCARD: All right. Thank 2.2 So you're, you're sure these were published on July you. 23 19? 24 I haven't put my eyes on them MR. RANKIN: Yeah. 25 yet, but I mean, I just got that from our assistant. I Page 7

1 don't see them yet, so I will have to confirm. She's 2 telling me they were published on July 19, so I take her 3 word for it. 4 HEARING EXAMINER BRANCARD: Okay. So maybe you 5 can just educate me here for a second, Mr. Rankin. If vou go to the latter part of your exhibits where you have these б 7 postal service reports. 8 MR. RANKIN: Uh-huh. 9 HEARING EXAMINER BRANCARD: A number of these 10 items say -- this is true of all of these reports you get --11 it says, "Your item has arrived at the Santa Fe post office 12 and is ready for pick up." What does that mean? 13 MR. RANKIN: I think they haven't updated the status of delivery, and I don't know why, but we run these 14 15 reports as late as possible so that we can capture the most updated information from the postal service. 16 17 And I don't know, beyond that I can't account 18 for -- I'm just saying, Mr. Examiner, you may be aware we 19 have had a challenge with the postal service and certified 20 mail, so we are appreciative of the Division's proposal to allow for further options for delivering and confirming 21 notification of the parties. It has become more difficult 2.2 23 to rely on certified mailing. 2.4 HEARING EXAMINER BRANCARD: I just don't 25 understand what, what that particular thing means. What is Page 8

1 ready to pick up? Mr. Examiner? 2 MR. BRUCE: HEARING EXAMINER BRANCARD: Yes, Mr. Bruce. 3 Every time I get one, print one of 4 MR. BRUCE: 5 those out, it means that the letter, the certified letter was either not accepted or was returned and the letter has б been returned to Santa Fe showing it was undelivered. 7 8 HEARING EXAMINER BRANCARD: Okay. Why doesn't it specifically say that it was rejected? I get confused by 9 10 these various notifications from the post office. You are not the only one. 11 MR. BRUCE: 12 HEARING EXAMINER BRANCARD: Okay. Thank you. 13 Anything else, Mr. Rankin? No, Mr. Examiner, that is it. 14 MR. RANKIN: We 15 will file a supplemental exhibit for each case reflecting the affidavit of publication was timely published and 16 parties received constructive notice by publication. 17 18 HEARING EXAMINER BRANCARD: Thank you. Are there any other persons here for cases 22953 and 22954? 19 20 (No audible response.) 21 HEARING EXAMINER BRANCARD: Hearing none, the exhibits will be admitted into the record, the cases will be 2.2 23 taken under advisement, the record will be left open for the submission of affidavits of publication. 24 Thank you. 25 (Exhibits admitted. Taken under advisement.) Page 9

1	STATE OF NEW MEXICO		
2	COUNTY OF BERNALILLO		
3	REPORTER'S CERTIFICATE		
4	I do hereby certify that I reported the		
5	foregoing virtual proceedings in stenographic shorthand and		
6	that the foregoing pages are a true and correct transcript		
7	of those proceedings to the best of my ability.		
8	I FURTHER CERTIFY that I am neither employed by		
9	nor related to any of the parties or attorneys in this case		
10	and that I have no interest in the final disposition of this		
11	case.		
12	I FURTHER CERTIFY that the Virtual Proceeding was		
13	of poor to good quality.		
14	Dated this 4th day of August 2022.		
15			
16	Irene Delgado		
	Court Reporter		
17	License Expires: 12-31-22		
18			
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