

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                      CASE NO. 20744  
FOR COMPULSORY POOLING, EDDY AND LEA  
COUNTIES, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

September 5, 2019

Santa Fe, New Mexico

BEFORE:   WILLIAM V. JONES, CHIEF EXAMINER  
          KATHLEEN MURPHY, TECHNICAL EXAMINER  
          DYLAN ROSE-COSS, TECHNICAL EXAMINER  
          DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Kathleen Murphy and Dylan Rose-Coss, Technical Examiners; and Dana Z. David, Legal Examiner, on Thursday, September 5, 2019, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY:   Mary C. Hankins, CCR, RPR  
                  New Mexico CCR #20  
                  Paul Baca Professional Court Reporters  
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                  (505) 843-9241

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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FOR INTERESTED PARTIES MRC EXPLORERS RESOURCES, MRC  
SPIRAL RESOURCES AND MRC DELAWARE RESOURCES:

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EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 and 2	5
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1 (3:02 p.m.)

2 EXAMINER JONES: Okay. Let's go back on  
3 the record and call Case Number 20744, application of  
4 Mewbourne Oil Company for compulsory pooling in Eddy/Lea  
5 Counties. My note says that.

6 Call for appearances.

7 MS. HARDY: Dana Hardy, with Hinkle Shanor  
8 firm in Santa Fe, on behalf of Mewbourne.

9 EXAMINER JONES: Other appearances?

10 MR. FELDEWERT: May it please the examiner,  
11 Michael Feldewert, with the Santa Fe office of Holland &  
12 Hart, appearing on behalf of MRC Explorers Resources,  
13 MRC Spiral Resources and MRC Delaware Resources.

14 EXAMINER JONES: Any other appearances?

15 Okay. So an affidavit -- do you agree to  
16 go by affidavit?

17 MR. FELDEWERT: Yes, sir.

18 MS. HARDY: Thank you.

19 Mewbourne's application seeks the pooling  
20 of all uncommitted interests in the Bone Spring  
21 Formation with a standard 280.95-acre horizontal spacing  
22 unit comprised of the south half of the northwest  
23 quarter and southwest quarter of the northeast quarter  
24 of Section 6, Township 18 South, Range 32 East in Lea  
25 County, and the south half of the north half of Section

1 1, Township 18 South, Range 31 East, Eddy County. The  
2 horizontal spacing unit will be dedicated to the Castle  
3 Black 6/1 B2GE Fed Com 1H well.

4 Exhibit 1 that you have before you is the  
5 self-affirmed statement of the landman, Mitch Robb. The  
6 attachments to his affidavit include a Midland Map  
7 identifying the horizontal spacing unit, a chart of  
8 tract ownership, the C-102 for the well, documents  
9 addressing Mr. Robb's well proposals, documents related  
10 to notice of today's hearing, and an AFE for the well.

11 As Mr. Robb notes in his affidavit, there  
12 are no depth exceptions in the Bone Spring Formation.  
13 Mewbourne is requesting overhead and administrative  
14 rates of 8,000 a month and 800 a month, which are the  
15 same as the rates in Mewbourne's JOA for the well. And  
16 also Mewbourne is requesting a 200 percent risk penalty.

17 Exhibit Number 2 is the self-affirmed  
18 statement of geologist Charles Crosby. Attached to  
19 Mr. Crosby's affidavit are a structure map of the base  
20 of the 2nd Bone Spring Sand, a gross sand isopach map, a  
21 west-to-east cross section, a table containing  
22 information from other wells drilled in the vicinity and  
23 a planning report for the proposed well. As stated in  
24 Mr. Crosby's affidavit, the horizontal spacing unit is  
25 justified from a geologic standpoint. There is no

1     faulting or other geologic impediment that might  
2     adversely affect the drilling of the proposed well.  And  
3     each quarter section of the proposed unit will  
4     contribute more or less equally to production.

5                     With that, I would move the admission of  
6     Exhibits 1 and 2.

7                     EXAMINER JONES:  Exhibits 1 and 2 are  
8     admitted.

9                     (Mewbourne Oil Company Exhibit Numbers 1  
10     and 2 are offered and admitted into  
11     evidence.)

12                    MS. HARDY:  I have nothing further.

13                    EXAMINER JONES:  Dana, do you think notice  
14     is okay?

15                    EXAMINER DAVID:  I'm trying to figure that  
16     out.

17                    EXAMINER JONES:  Did you have any trouble  
18     with notice?

19                    MS. HARDY:  We did not.  We didn't have any  
20     unidentified interests, and we received the mailing  
21     cards back.

22                    EXAMINER JONES:  So no newspaper notice?

23                    MS. HARDY:  No newspaper notice, that's  
24     right.

25                    EXAMINER DAVID:  So you got all the mailing

1 cards back?

2 MS. HARDY: We did, yes.

3 EXAMINER DAVID: Okay. And how did you  
4 determine who to send the notices to?

5 MS. HARDY: Mr. Robb identified the  
6 interested parties.

7 EXAMINER JONES: The parties being pooled?

8 MS. HARDY: Yes.

9 EXAMINER JONES: And we don't have an API  
10 yet or a pool to go by. And actually this well goes  
11 across county lines.

12 MS. HARDY: It does.

13 EXAMINER JONES: Nothing in the rules  
14 against that.

15 EXAMINER DAVID: So, Counsel, the  
16 horizontal interests, I mean -- the target zone is just  
17 one sand -- is just one unit or --

18 MS. HARDY: Yes. I believe that's correct.

19 EXAMINER MURPHY: On Exhibit B, who is  
20 not -- who are you seeking to pool there? Everybody  
21 else?

22 MS. HARDY: No. Those are the parties  
23 we're seeking to pool, the parties listed on Exhibit B.

24 EXAMINER MURPHY: Right. But who -- those  
25 are working interests?

1 MS. HARDY: That's correct.

2 EXAMINER MURPHY: And so who is not going  
3 along?

4 MS. HARDY: Those -- the parties that are  
5 listed there -- other than, well, Mewbourne, the  
6 ownership percentages are there. So the total interest  
7 being force pooled that's listed, 53.66, that relates to  
8 the parties other than Mewbourne -- Mewbourne's  
9 interest.

10 EXAMINER MURPHY: So all the others below  
11 Mewbourne, you're seeking to pool?

12 MS. HARDY: That's correct.

13 EXAMINER MURPHY: And have you had  
14 conversations with them?

15 MS. HARDY: Yes. And Mr. Robb has a  
16 summary of contacts with the parties. Let's see which  
17 exhibit that is. I believe it's Exhibit --

18 EXAMINER MURPHY: D.

19 MS. HARDY: -- D. He has his well-proposal  
20 letter, and then after that letter, there is a summary  
21 of his communications with the parties.

22 EXAMINER JONES: I thought Mr. Feldewert  
23 represented about half of the pooled interests.

24 MS. HARDY: Correct.

25 EXAMINER JONES: I didn't ask him if he

1 objected to those exhibits.

2 MS. LUCK: I can speak for the MRC  
3 entities, that we don't have any objection to the  
4 pooling proceedings. We're just entering an appearance  
5 to collect the exhibits. And I'm not sure about the  
6 status of discussions, but we're not objecting to the  
7 pooling proceedings.

8 EXAMINER JONES: Okay. Thank you.

9 Okay. With that, let's take Case 20744  
10 under advisement.

11 Thank you very much.

12 MS. HARDY: Thank you.

13 (Case Number 20744 concludes, 3:09 p.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

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

20 DATED THIS 1st day of October 2019.

21

22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
25 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters