

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. 20149
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 10, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 LEONARD LOWE, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Kathleen Murphy and Leonard Lowe, Technical Examiners; and David K. Brooks, Legal Examiner, on Thursday, January 10, 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
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

GARY W. LARSON, ESQ.
HINKLE SHANOR, LLP
218 Montezuma Avenue
Santa Fe, New Mexico 87501
(505) 982-4554
glarson@hinklelawfirm.com

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EXHIBITS OFFERED AND ADMITTED

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1 (11:01 a.m.)

2 EXAMINER JONES: This is Case Number 20149,
3 the application of Mewbourne Oil Company.

4 Call for appearances.

5 MR. LARSON: Good morning, Mr. Examiner.
6 Gary Larson, with the Santa Fe office of Hinkle Shanor,
7 for the Applicant, Mewbourne Oil Company. And I'm
8 presenting my case by affidavit.

9 EXAMINER JONES: Is there a brief summary
10 of the case?

11 Any other appearances in this case?

12 MR. LARSON: May I proceed?

13 EXAMINER JONES: Yes, sir.

14 MR. LARSON: Mewbourne's application seeks
15 the pooling of all uncommitted interests in the Bone
16 Spring Formation and a standard 240-acre horizontal
17 spacing unit comprised of the west half-west half of
18 Section 26 and the west half-southwest quarter of
19 Section 23, Township 21 South, Range 34 East in Lea
20 County. And the horizontal spacing unit will be
21 dedicated to two proposed wells, one in the Lower 2nd
22 Bone Spring Sand and the other one in the Lower 3rd Bone
23 Spring Sand.

24 Mewbourne Exhibit 1 is the self-affirmed
25 statement of Landman Ray Winklejohn. The attachments to

1 his affidavit are a Midland Map highlighting the
2 horizontal spacing unit, C-102s for the two proposed
3 well, a chart of tract ownership and a sample of
4 Mr. Winklejohn's well-proposal letter and a log
5 identifying his communications with the uncommitted
6 interest owners, proof of notice of today's hearing and
7 AFEs for the wells.

8 And I need to update Mr. Winklejohn's chart
9 of the tract ownership. Yesterday afternoon one of the
10 uncommitted interests, CM Resources, LLC, executed JOAs
11 for both wells, and the result of that is the percentage
12 of interests committed to the wells increased to 87.25
13 percent.

14 And as Mr. Winklejohn notes in his
15 affidavit, there are no depth severances in the Bone
16 Spring Formation. Mewbourne is requesting overhead and
17 administrative rates of \$8,000 a month while drilling
18 and \$800 a month while the well is producing, which are
19 the same rates in the JOA for the two wells. And
20 finally, Mewbourne also requests a 200 percent risk
21 penalty.

22 Exhibit Number 2 is the self-affirming
23 statement of the geologist, Jordan Carrell. And
24 attached to Mr. Carrell's affidavit are gross thickness
25 isopach maps for the 2nd and 3rd Bone Spring Sand, a

1 carbonate structure contour map of the 3rd Bone Spring
2 Formation, a north-to-south cross section that
3 identifies the target intervals for both wells, a
4 production table identifying other Bone Spring wells
5 drilled in the vicinity, and well planning reports for
6 each of the two proposed wells.

7 And as stated in Mr. Carrell's affidavit,
8 the horizontal spacing unit is justified from a geologic
9 standpoint. A north-to-south orientation is preferred.
10 There is no faulting or geologic impediment that might
11 adversely affect the drilling of the two proposed wells,
12 and each quarter section of the proposed unit will
13 contribute more or less equally to production.

14 With that, I move the admission of Exhibits
15 1 and 2.

16 EXAMINER JONES: Exhibits 1 and 2 are
17 admitted.

18 (Mewbourne Oil Company Exhibit Numbers 1
19 and 2 are offered and admitted into
20 evidence.)

21 EXAMINER BROOKS: I want to congratulate
22 you, Mr. Larson, on not reading the affidavits. We have
23 had many lawyers come up here and give very detailed
24 recitations of what's in the affidavits, and that takes
25 time and defeats the purpose of proceeding by affidavit.

1 But you gave a model performance of how, in my opinion,
2 it ought to be done.

3 MR. LARSON: Thank you.

4 EXAMINER BROOKS: You hit the high points,
5 but you didn't detain us with a lot of needless detail.

6 MR. LARSON: I appreciate that.

7 Anything further?

8 EXAMINER JONES: That's it.

9 MR. LARSON: I'd ask that the cases be
10 taken under advisement.

11 EXAMINER JONES: Case Number 20149 is taken
12 under advisement.

13 (Case Number 20149 concludes, 11:05 a.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 31st day of January 2019.

21

22

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

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