

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:

CASE NOS: 20268, 20269

Application of Mewbourne Oil  
Company for Compulsory Pooling,  
Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 7, 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: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
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A P P E A R A N C E S

For the Applicant: Gary Larson  
Hinkle Shanor LLP  
P.O. Box 268  
Santa Fe, NM 87504

I N D E X

CASE NO. 20268 CALLED	
PAUL HADEN (By Affidavit)	03
CHARLES CROSBY (By Affidavit)	04
TAKEN UNDER ADVISEMENT:	06
CASE NO. 20269 CALLED	
PAUL HADEN (By Affidavit)	07
CHARLES CROSBY (By Affidavit)	07
TAKEN UNDER ADVISEMENT:	08

E X H I B I T I N D E X

Admitted

Case 20268	
Exhibit 1, Attachments A-D	05
Exhibit 2, Attachments A-E	05
Case 20269	
Exhibit 1, Attachments A-D	05
Exhibit 2, Attachments A-E	05

1 HEARING EXAMINER: We will call Case Number  
2 20268, Mewbourne Oil Company for compulsory pooling.

3 MR. JONES: Will these be combined? Do you want  
4 to combine these two?

5 MR. LARSON: I guess I could if you like.

6 HEARING EXAMINER: We will also combine this case  
7 with Case Number 20269. Call for appearances.

8 MR. LARSON: Good morning, Mr. Examiner. Gary  
9 Larson of Santa Fe Hinkle Shanor as applicant in both cases  
10 which is Mewbourne Oil Company.

11 HEARING EXAMINER: Any other appearances?

12 (No response.)

13 MR. LARSON: Mr. Examiner, in Case Number 20268,  
14 Mewbourne requests the pooling of all uncommitted mineral  
15 interests in the Third Bone Spring Sand in a standard  
16 240-acre horizontal spacing unit. And there is one  
17 remaining uncommitted mineral interest owner, which is  
18 Marathon.

19 And the horizontal spacing unit will be dedicated  
20 to the Sapphire 11 slash 12 B3LK State Com Number 2H Well.

21 And Exhibit 1 in this case is the self-affirmed  
22 statement of Mewbourne landman, Paul Haden.

23 The attachments to Mr. Haden's affidavit are the  
24 C-102 for the proposed well, Mr. Haden's well proposal  
25 letter to Marathon and a log identifying his follow up

1 communications, proof of notice to Marathon of today's  
2 hearing and the AFE for the proposed well.

3 As Mr. Haden notes in his affidavit, there are no  
4 depth severances in the Third Bone Spring Sand.

5 Mewbourne is requesting overheard and  
6 administrative rates of \$8,000 a month while drilling and  
7 \$800 a month while producing. And Mr. Haden states that  
8 these rates are comparable to those charged by other  
9 operators for similar wells in the area, and are the same  
10 rates as those included in Mewbourne's JOA. And finally,  
11 Mr. Haden notes that Mewbourne requests a 200 percent risk  
12 factor.

13 Exhibit 2 is the self-affirmed statement of  
14 Mewbourne geologist Charles Crosby. And attached to  
15 Mr. Crosby's affidavit are a structure map of the Bone  
16 Spring Formation on the top of the Third Bone Spring Sand, a  
17 gross sand isopach map of the Third Bone Spring Sand, a west  
18 to east cross-section, a production table containing  
19 information from other wells drilled in the vicinity, and,  
20 finally, Mewbourne's well planning report for the proposed  
21 well which will be orthodox.

22 As Mr. Crosby states in his affidavit, the  
23 horizontal spacing unit is justified from a geologic  
24 standpoint. There is no faulting or other geologic  
25 impediment that could adversely affect the drilling of the

1 proposed well, and each quarter section in the horizontal  
2 spacing will contribute more-or-less equally to production.

3 And with that I will move the admission of  
4 Exhibits 1 and 2 in case 20268.

5 HEARING EXAMINER: Exhibits 1 and 2 are admitted.

6 MR. LARSON: Okay. If you like, I will move  
7 on to 20269 unless there are questions.

8 MR. BROOKS: Well, this may apply to all of them.  
9 You said something about there is no depth severance to the  
10 Third Bone Spring.

11 MR. LARSON: Correct.

12 MR. BROOKS: Now, are you limiting this pooling  
13 to the Third Bone Spring?

14 MR. LARSON: Yes.

15 MR. BROOKS: Okay. So there is a depth severance  
16 within the Bone Spring.

17 MR. LARSON: Yes. Actually, as you may recall,  
18 Mewbourne's pooled the Second Bone Spring in this area, so  
19 there have been orders issued pooling interests in the  
20 Second Bone Spring.

21 MR. BROOKS: This is the backcast of one that's  
22 already like what Percussion is doing. They were pooling  
23 and saying, we pooled this -- we want to pool to this  
24 depth, and then we are going to pool below that in  
25 another -- in another proceeding. You are pooling -- you

1 are starting at -- you have already pooled the counter --

2 MR. LARSON: The Second Bone Spring.

3 MR. BROOKS: You have already pooled up there,  
4 you are going to find the lower part.

5 MR. LARSON: Basically, yes, yes.

6 MR. BROOKS: Okay. I understand. Thank you.

7 MR. LARSON: Actually, if you'll recall in one of  
8 the Mewbourne cases there was a depth severance within the  
9 Second Bone Spring. There was a contractual arrangement --

10 MR. BROOKS: I forgot. There are so many of  
11 these cases I forget them pretty quickly. Thank you.

12 MR. LARSON: Sure. I would ask that case 20268  
13 will be taken under advisement.

14 HEARING EXAMINER: Case 20268 will be taken under  
15 advisement.

16 Call case 20269. Call for appearances.

17 MR. LARSON: Gary Larson, the Santa Fe Office of  
18 Hinkle Shanor for the applicant, Mewbourne Oil Company.

19 As Mr. Jones has noted, this case is very similar  
20 to the application in 20268. Mewbourne is seeking pooling  
21 of all uncommitted mineral interests in the Third Bone  
22 Spring Sand, and a standard 240-acre horizontal spacing  
23 unit. Again the one remaining uncommitted mineral interest  
24 owner is Marathon. The horizontal spacing unit will be  
25 dedicated to the Sapphire 11 slash 12 B3MN State Com Number

1 2H well.

2 Exhibit 1 is a self-affirmed statement of  
3 Mewbourne Landman, Paul Haden. The attachments to his  
4 affidavit are the C-102 for the proposed well, Mr. Haden's  
5 well proposal letter to Marathon, and a log identifying his  
6 follow-up communications, proof of notice to Marathon of  
7 today's hearing, and the AFE for the proposed well.

8 As Mr. Haden notes in his affidavit, there are no  
9 depth severances in the Third Bone Spring Sand. Mewbourne  
10 is again requesting overhead administrative rates of \$8,000  
11 a month while drilling and \$800 a month while the well is  
12 producing. And these rates are comparable to those charged  
13 by other operators in the area and are the rates specified  
14 in Mewbourne's JOA for the well. And finally, Mr. Haden  
15 notes Mewbourne requests a 200 percent risk factor.

16 Exhibit 2 is a self-affirmed statement of  
17 Mewbourne geologist, Charles Crosby. And attached to  
18 Mr. Crosby's affidavit are a structure map of the Bone  
19 Spring Formation on top of the Third Bone Spring Sand, a  
20 gross sand isopach map of the Third Bone Spring Sand, a west  
21 to east cross-section, a production table containing  
22 information from other wells drilled in the vicinity, and  
23 Mewbourne's well plan report for the proposed well.

24 As Mr. Crosby states in his affidavit, the  
25 spacing unit is justified from a geologic standpoint. There

1 is no faulting or other geologic impediment that could  
2 adversely affect the drilling of the proposed well, and each  
3 quarter section in the horizontal spacing unit will  
4 contribute more-or-less equally to production.

5 And with that I move the admission of Exhibits 1  
6 and 2.

7 HEARING EXAMINER: Exhibits 1 and 2 are admitted.

8 MR. LARSON: I have nothing further.

9 MR. BROOKS: I don't think I have anything in  
10 this case.

11 HEARING EXAMINER: Case Number 20269 will be  
12 taken under advisement.

13 MR. LARSON: Thank you, Mr. Examiner.

14 HEARING EXAMINER: At this time we will take a  
15 15-minute break.

16 (Adjourned.)

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