

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. 20504
FOR COMPULSORY POOLING EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 13, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 13, 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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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

GARY W. LARSON, ESQ.
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1 (8:37 a.m.)

2 EXAMINER DAWSON: Okay. The next case will
3 be Case Number 20504, application of Mewbourne Oil
4 Company for compulsory pooling, 3rd Bone Spring Sand,
5 Eddy County, New Mexico.

6 Please call for appearances.

7 MR. LARSON: Good morning, Mr. Examiner.
8 Gary Larson, of the Santa Fe office of Hinkle Shanor,
9 for the Applicant, Mewbourne Oil Company. I do not have
10 any witnesses and intend to present my case by
11 affidavit.

12 EXAMINER DAWSON: Okay.

13 Any other appearances? No others?

14 When you're ready, Mr. Larson.

15 MR. LARSON: Thank you.

16 Mewbourne's application in this case seeks
17 the pooling of all uncommitted interests in the 3rd Bone
18 Spring Sand and a standard 320-acre horizontal spacing
19 unit comprised of the north half-north half of Section
20 16 and the north half-north half of Section 17, Township
21 20 South, Range 29 East in Eddy County. The spacing
22 unit will be dedicated to the Glock 17/16 B3DA Fed Com
23 #2H well.

24 The first exhibit is a self-affirmed
25 statement of Mewbourne landman Lee Scarborough. The

1 attachments to his affidavit include exhibits
2 identifying the horizontal spacing unit, a chart of
3 tract ownership, documents addressing Mr. Scarborough's
4 well proposals, proof of certified mail and a
5 publication notice of today's hearing and the AFE for
6 the proposed well. And in his affidavit, Mr. Scarbrough
7 notes that there are no depth severances in the Bone
8 Spring Formation. There is a contractual separation of
9 the formation which is created by a joint agreement that
10 covers the top of the 3rd Bone Spring to the base of the
11 Wolfcamp. He further states that Mewbourne is
12 requesting overhead and administrative rates of 8,000
13 and 800, which are the same rates that appear in the
14 JOA. And finally, Mewbourne's requesting a 200 percent
15 risk penalty.

16 Exhibit 2 is a self-affirmed statement of
17 the Mewbourne geologist Charles Crosby. And attached to
18 Mr. Crosby's affidavit are a structure map, a gross sand
19 isopach map of the 3rd Bone Spring Sand, a west-to-east
20 cross section, a table containing data from other 3rd
21 Bone Spring Sand wells drilled in the vicinity and a
22 well-planning report for the proposed well. As stated
23 in Mr. Crosby's affidavit, the horizontal spacing unit
24 is justified from a geologic standpoint. Lay-down wells
25 are the preferred orientation in this area. There is no

1 faulting or other geologic impediment in the target
2 interval, and each quarter section in the proposed unit
3 will contribute more or less equally to production.

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

6 EXAMINER DAWSON: Okay. At this point
7 Exhibits 1 and 2 will be admitted to the record.

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

11 MR. LARSON: And in anticipating a
12 potential question from Mr. Brooks about overriding
13 royalty interests, I will provide that information.

14 EXAMINER DAWSON: Okay.

15 EXAMINER BROOKS: Well, the name Glock is
16 very familiar. Do I own any character of interest in
17 this?

18 MR. LARSON: I believe you've committed.

19 EXAMINER BROOKS: Pardon me?

20 MR. LARSON: I believe you've committed
21 your interest.

22 EXAMINER BROOKS: Okay. Well, I probably
23 even so shouldn't participate in this hearing, so
24 I'll --

25 MR. LARSON: I understand.

1 EXAMINER DAWSON: Can you explain the
2 contractual separation on the top of the Bone Spring to
3 the base of the Wolfcamp, top of the 3rd Bone Spring to
4 the base of the Wolfcamp?

5 MR. LARSON: There are two joint operating
6 agreements in the Bone Spring, one from the top to the
7 base of the 2nd Bone Spring Sand, and then the one
8 that's implicated here is from the top of the 3rd Bone
9 Spring to the bottom of the Wolfcamp.

10 EXAMINER DAWSON: Okay. So the drilling of
11 this well will not affect the other contractual
12 separation zone?

13 MR. LARSON: Yes. The 1st and 2nd Bone
14 Spring Sand, it will not affect those.

15 EXAMINER DAWSON: Okay. All right. That's
16 all the questions I have.

17 So at this point, I suppose you're going to
18 ask me to take this case under advisement?

19 MR. LARSON: You anticipated my next
20 statement.

21 EXAMINER DAWSON: Okay. We will take this
22 case, 20504, under advisement at this time.

23 Thank you very much, Mr. Larson.

24 (Case Number 20504 concludes, 8:43 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 30th day of June 2019.

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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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