

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 NOS. 20495,  
FOR COMPULSORY POOLING, EDDY COUNTY,      20496  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 25, 2019

Santa Fe, New Mexico

BEFORE:    WILLIAM V. JONES, CHIEF EXAMINER  
              KATHLEEN MURPHY, 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, Technical Examiner; and David K. Brooks, Legal Examiner, on Thursday, July 25th, 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:

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FOR INTERESTED PARTIES JEFFREY N. JOHNSTON AND SANDRA K. JOHNSTON; SAND DOLLAR PETROLEUM; MICHAEL A. SHORT:

CANDACE H. CALLAHAN, ESQ.  
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EXHIBITS OFFERED AND ADMITTED

|   |   |
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1 (11:54 a.m.)

2 EXAMINER JONES: Call Cases 20495 and  
3 20496, application of Mewbourne Oil Company for  
4 compulsory pooling in Eddy County, New Mexico.

5 EXAMINER BROOKS: Never give Mr. Bruce more  
6 than ten minutes to present anything.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of  
8 Santa Fe representing the Applicant.

9 Did you call both cases?

10 MS. CALLAHAN: Candace Callahan with Beatty  
11 & Wozniak. I'm here representing Jeffrey N. Johnston  
12 and his wife Sandra K. Johnston; Sand Dollar Petroleum;  
13 and Michael A. Short.

14 EXAMINER JONES: Did you put that into an  
15 entry, or can you put that --

16 MS. CALLAHAN: It's been in. And I've  
17 entered an appearance in both cases, and we filed a  
18 prehearing statement.

19 MR. BRUCE: I have two sets of exhibits,  
20 one for each case. I'm just going to run through the  
21 first one.

22 If you'll look at Case 20495, Exhibit 1 is  
23 the affidavit of Tyler Jolly, Mewbourne's landman. In  
24 this case they seek to pool the Bone Spring Formation in  
25 a horizontal well unit comprised of the north half-south

1 half of Section 9 and the north half-south half of  
2 Section 10 in Township 20 South, 29 East. The well is  
3 in the Parkway; Bone Spring Pool. If you turn back four  
4 pages to Attachment A, there is Midland Map Company plat  
5 showing the lands involved. Right behind that is the  
6 C-102 for the well. It gives the pool code. The APD is  
7 pending. Turn another page and you'll see the parties  
8 who are sought to be pooled, approximately 8.75 percent  
9 of the well unit.

10 Attachment C, which is pretty thick,  
11 contains proposal letters sent to the various parties  
12 being pooled. There were originally a lot more of the  
13 parties who were going to be pooled. Mewbourne has come  
14 to terms with everyone outside of those on Exhibit B,  
15 but they are continuing to negotiate with these people,  
16 and chances are we'll be notifying the Division of  
17 certain ones who have joined in.

18 Mr. Jolly states that they have made a  
19 good-faith effort either to locate the people or to  
20 obtain their voluntary joinder in the well unit, and it  
21 does describe the records they searched to locate  
22 everyone.

23 Attachment D is the AFE for the well. It's  
24 about \$8.6 million, which is stated to be fair and  
25 reasonable and comparable to the cost of other similar

1 wells in this area of Eddy County. And Mewbourne  
2 requests their standard 8,000 a month for a drilling  
3 well and 800 a month for a producing well and requests  
4 the maximum risk charge.

5           Exhibit 2 is my Affidavit of Notice.  
6 Notice was sent by a letter in May, and I have attached  
7 all the green cards or returned envelopes. There is a  
8 second letter at the -- toward the end of the exhibit.  
9 We added three more people who were being pooled, Davoil  
10 Inc., Great Western Drilling and COG Operating.

11           Exhibit 3 is the Affidavit of Publication.  
12 Everyone either received notice via certified mail or  
13 has received notice from the publication.

14           And Exhibit 4 is the affidavit of Charles  
15 Crosby, one of Mewbourne's geologists. It contains, as  
16 Attachment A, a structure map; Exhibit B, an isopach.  
17 Attachment C is a cross section.

18           They show that the B2, the 2nd Bone Spring  
19 Sand, across the well unit has a uniform thickness, and  
20 it's continuous across the well unit. The well unit is  
21 justified from a geologic standpoint, and each  
22 quarter-quarter section in the well unit will contribute  
23 more or less equally to production.

24           He doesn't specifically address stand-up or  
25 lay-down units, but as you can see from either

1 Attachment A or Attachment B --

2 EXAMINER JONES: They're all lay-down.

3 MR. BRUCE: -- they're almost all lay-downs  
4 in this particular area of the state.

5 And both witnesses say the granting of the  
6 applications are in the interest of conservation and the  
7 prevention of waste.

8 I don't know why they sent me exhibits for  
9 each case because they're virtually identical. So if  
10 you go through Exhibit 1 in the next case, 496, it  
11 contains all of the same data other than the C-102.

12 Exhibit 2 is identical.

13 Exhibit 3 is the Affidavit of Publication,  
14 notifies the same parties by publication, and the  
15 geologic statement is actually the same, virtually  
16 identical, other than identifying the separate well,  
17 which is in the south half-south half of 9 and south  
18 half-south half of Section 2. So together, the south  
19 half of Sections 9 and 10 are covered, but each well  
20 unit is two miles long, 320 acres.

21 EXAMINER JONES: So together, they're all  
22 in the south half of both sections?

23 MR. BRUCE: Yes.

24 With that, I move the admission of Exhibits  
25 1 through 4 in each case.

1 EXAMINER JONES: Any objections?

2 MS. CALLAHAN: No objections.

3 EXAMINER JONES: Any questions or --

4 MS. CALLAHAN: No questions.

5 EXAMINER JONES: We don't have witnesses  
6 here, but --

7 MS. CALLAHAN: No questions.

8 EXAMINER JONES: Exhibits 1 through 4 in  
9 both cases are admitted.

10 (Mewbourne Oil Company Exhibit Numbers 1  
11 through 4 in each case are offered and  
12 admitted into evidence.)

13 EXAMINER JONES: Do you have any questions?

14 MS. MURPHY: I don't have any questions.

15 EXAMINER JONES: Questions, Mr. Brooks?

16 EXAMINER BROOKS: No questions.

17 EXAMINER JONES: Okay. We'll take these  
18 two cases under advisement, 20495 and 20496.

19 MR. BRUCE: Thanks.

20 EXAMINER JONES: And with that, the docket  
21 is concluded.

22 (Case Numbers 20495 and 20496 conclude,  
23 12:01 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 2nd day of August 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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