

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 for Compulsory Pooling
Eddy County, New Mexico

Case Nos. 22235-22240

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, MARCH 17, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq., Hearing Examiner, Leonard Lowe Technical Examiner, on Thursday, March 17, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
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A P P E A R A N C E S

FOR MEWBOURNE OIL COMPANY: James Bruce, Esq.
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C O N T E N T S

	PAGE
CASE NOS. 22235-22240	
CASES CALLED:	3
PRESENTATION BY MR. BRUCE:	3
INQUIRY BY EXAMINER LOWE:	7
INQUIRY BY EXAMINER BRANCARD:	10
CONTINUED FOR RECEIPT OF NOTICE INFORMATION:	18

1 (Time noted 8:47 a.m.)

2 EXAMINER BRANCARD: With that I will call what
3 may be the final item of the day. I don't know if you
4 want to handle all as these together, Mr. Bruce, but Items
5 24 through 29, Cases 22235, 22236, 22237, 22238, 22239,
6 and 22240, Mewbourne Oil Company.

7 MR. BRUCE: Yes, Mr. Examiner. Jim Bruce on
8 behalf of Mewbourne.

9 EXAMINER BRANCARD: Are there any other
10 interested persons for these cases I have just listed?

11 Hearing none, Mr. Bruce you may proceed.

12 MR. BRUCE: In these cases, the first three they
13 collectively seek to force pool all of Sections 1 and 2 in
14 20 South, 28 East for purposes of drilling Bone Spring
15 wells.

16 The first case at -235 seeks to pool the
17 north half, uh -- let me see. Excuse me for a minute, I
18 got to look at -- uh, yes, seeks to force pool the north
19 half/south half of both sections for drilling a Second
20 Bone Spring and a Third Bone Spring well.

21 Case -236 seeks to pool the south
22 half/south half of the two sections for purposes of
23 drilling a Second and Third Bone Spring well.

24 Case -237 seeks to force pool a proximity
25 tract, north half of Section 1 and Section 2 for purposes

1 of drilling two Second Bone Spring wells and one Third
2 Bone Spring well.

3 Application Exhibit 1 shows that the Desert
4 Eagle 1/2 3TBD (phonetic) well is the proximity tract well
5 for this unit.

6 The next three cases involve the same lands
7 but they seek to pool the Wolfcamp Formation. The first
8 case seeks to force pool the north half/north half for an
9 Upper Wolfcamp Sand well.

10 The second case, -239, seeks to force pool
11 the upper Wolfcamp in the south half/north half of the
12 Sections for an Upper Wolfcamp Sand well.

13 And the third case, -240 proposes to drill
14 an Upper Wolfcamp Sand well. This is a proximity tract
15 and it's covering the south half of the two sections, and
16 at this point the initial well will be the proximity tract
17 well. I know Mewbourne has plans to drill additional
18 wells but they are not requesting approval in that
19 application.

20 The exhibit packages are all again pretty
21 much identical. There's the Application and Proposed
22 Notice; there's the affidavit of the landman requesting
23 the pooling of the interest owners; there are C-102s; land
24 plats showing all the interest owners and who they seek to
25 force pool.

1 There were numerous interest owners in
2 these wells so that the mailing notice was not fun. Then
3 the Proposal Letters that went out, there are two Sample
4 Proposal Letters, one going out to working interest owners
5 and one that went out to unleased mineral interest owners,
6 of whom there are many, many.

7 Exhibit C in each landman's packet is the
8 AFEs for the wells, states that AFEs are fair and
9 reasonable. They are seeking \$8,000 a month and \$800 a
10 month overhead rates, and of course asking for the maximum
11 cost plus 200 percent risk charge.

12 There is then the Affidavit of Charles
13 Crosby, the geologist. In the one affidavit he does
14 discuss both the Second Bone Spring, Third Bone Spring and
15 Upper Wolfcamp geology. It contains all the usual
16 exhibits: Structure Maps, Cross Sections, Isopachs as to
17 the Bone Spring wells; information on the drilling
18 programs for the wells; and it also has Attachment G gives
19 production data from Second, Third and Wolfcamp wells in
20 the area.

21 There are two issues with this. First of
22 all, I spaced out the preparation of Pooling Checklists
23 for these wells, forgot about it until late yesterday
24 afternoon, so I've got draft pooling checklists which I
25 would request permission to submit within the next -- uh,

1 probably over the weekend, because I've got a contested
2 hearing tomorrow.

3 And then the other problem is I would
4 request a continuance. I could not find the Publication
5 Notice. My computer shows that I prepared a Publication
6 Notice for all these wells and that I shipped something to
7 the Carlsbad newspaper for it to be published, but I never
8 received, or at least I couldn't find where I received
9 back actual Publication Notice. I think the Publication
10 Notice was for the December 16th hearing.

11 So I don't know what happened, but I would
12 request that these matters be continued three weeks. I
13 have to get -- I have contacted the newspaper but the
14 Carlsbad paper is owned by Gannett, and I have to go
15 through Gannett's centralized publication of Legal
16 Notices, et cetera, office which is in -- somewhere in
17 Wisconsin, and I have not heard back from them. I have
18 asked them to look up when it was published and give me a
19 new Affidavit of Publication but I haven't heard back from
20 them. So I would ask that the matter be continued three
21 weeks so that I could get that Publication Notice or cure
22 the Publication Notice, in effect, and gladly file
23 continuance motions to do so.

24 But all of the exhibits that I have
25 submitted to you are proper. I just need to get the

1 Publication Notice cleared up and the Pooling Checklist
2 filed.

3 With that I ask that, what are they,
4 Exhibits 1 through 4 be admitted in each case and that the
5 matters be continued for three weeks.

6 EXAMINER BRANCARD: Thank you.

7 I'll start with Mr. Lowe. Questions?

8 EXAMINER LOWE: I have a few questions, Mr. Jim
9 Bruce.

10 Good morning, Mr. Bruce.

11 MR. BRUCE: Good morning, Mr. Lowe.

12 EXAMINER LOWE: Just for clarification on my
13 end, on the checklist that you mentioned about that you
14 had yet to submit, are they for all the cases.

15 MR. BRUCE: Yeah.

16 EXAMINER LOWE: And then --

17 MR. BRUCE: And I'd --

18 EXAMINER LOWE: These are all Fed wells,
19 correct?

20 MR. BRUCE: Yeah. Yeah.

21 EXAMINER LOWE: And -- go ahead.

22 MR. BRUCE: APDs I think are all pending.

23 EXAMINER LOWE: That was my next question to
24 find out -- I guess I want to get a roundabout idea when
25 did you submit the APDs for these, roughly. Rough idea.

1 MR. BRUCE: I think they were submitted -- let
2 me see if I can get a better date. I believe they were
3 submitted in summer of 2021, and I've been told that the
4 APDs are taking from a minimum of 10 months to be
5 processed.

6 EXAMINER LOWE: Okay. All right. I just wanted
7 to get an idea of where they are at in the BLM system, per
8 se.

9 Also another question: On your geological
10 exhibits, example Exhibit 5 --

11 MR. BRUCE: Yeah.

12 EXAMINER LOWE: -- it's a tad hard to read and
13 understand, and I was just curious to know if the operator
14 can somehow scan that exhibit in I guess a more -- a
15 larger scale where we can review the exhibits, you know,
16 in close detail. Because the way it looks like now it's
17 very hard to distinguish what's what.

18 There's more than one example in the
19 exhibits, but just for Exhibit 5.

20 MR. BRUCE: Which exhibit would you like
21 expanded out? I can get that to you.

22 EXAMINER LOWE: Attachment C, I guess. There's
23 quite a few.

24 MR. BRUCE: The cross sections?

25 EXAMINER LOWE: Yes, sir.

1 MR. BRUCE: Okay. Yeah. Yeah, I can get it. I
2 can get it to you where -- I can email it to you and you
3 can expand it on your computer.

4 EXAMINER LOWE: It would just be great I guess
5 for all future exhibits to be presented that way.

6 MR. BRUCE: Okay. Okay. I will do that.

7 EXAMINER LOWE: I tried zooming in on what's
8 submitted here and it's just a tad hard to read.

9 I don't know how operators do it now. I
10 mean, I suspect they scan it, but I remember back in the
11 day when I had to scan the giant sheets when we had
12 in-person hearings, and I know it could be done, so...

13 I had to do it back in the day.

14 MR. BRUCE: Yes. And that's partly my fault,
15 Mr. Lowe, because I always ask them to send them to me in
16 8 1/2 by 11 format, because it's just easier for me to scan
17 everything in and get the exhibits filed. But I'll get
18 ahold of Mr. Crosby get you something that's more usable
19 for you.

20 EXAMINER LOWE: Yeah, I would -- I assume that
21 they would have the capability to scan, I guess, a larger
22 scanner on their end.

23 MR. BRUCE: Yes.

24 EXAMINER LOWE: But, you know, that's -- because
25 it can be done. I know it can be shrunk down to the

1 size for presentation, but it doesn't present very well.

2 MR. BRUCE: I understand.

3 EXAMINER LOWE: That's just my -- I guess for
4 future, I guess, more expansive-looking detail information
5 than what's here. But for sure probably submit them,
6 replacements for these if you can get better-size images.

7 MR. BRUCE: I will get the -- I think there's
8 two or three different cross sections. I'll get those to
9 you here in the next couple of days.

10 EXAMINER LOWE: Okay. Those are all my
11 questions. Thank you, Mr. Bruce.

12 MR. BRUCE: Thank you.

13 EXAMINER BRANCARD: Thank you, Mr. Lowe.

14 Mr. Bruce, I have a few questions.

15 EXAMINER BRANCARD: So let's start on your first
16 case, -235.

17 The C-102, it's page 7 of the exhibit,
18 Attachment A.

19 MR. BRUCE: Hold on. Okay. Now, what are you
20 looking at, the C-102?

21 EXAMINER BRANCARD: Yes, the C-102. It's on
22 page 7.

23 MR. BRUCE: What is your question?

24 EXAMINER BRANCARD: Well, sure looks either
25 unorthodox, or more likely not even in the unit where I

1 see the surface location.

2 MR. BRUCE: Oh. Uhm --

3 EXAMINER BRANCARD: And this is a 320, so it's
4 not a proximity well.

5 And the bottomhole looks to be outside, if
6 my math is correct.

7 MR. BRUCE: I didn't have these when I filed the
8 application, all I had was the Proposal Letter, which I
9 just kind of look and see which unit letter the beginning
10 and end points are.

11 Let me...

12 I suppose one thing that could be, turn the
13 whole thing into the south half into the proximity tract,
14 or, like you said, unorthodox location.

15 EXAMINER BRANCARD: Okay. So if you could look
16 into that. It's hard to tell with -- I mean, some folks
17 do the C-102s where they actually draw a line where the
18 well is supposed to go, but many also people just do what
19 you do, which is a surface -- or your client does, which
20 is a surface location and a bottomhole, so we don't really
21 see where the well is going.

22 So if you could look into that, that would
23 be helpful.

24 MR. BRUCE: I will. I will.

25 EXAMINER BRANCARD: And in -237, that's a

1 640-unit where you mentioned there is a proximity well.
2 But I noticed the other two wells -- there are three wells
3 in -237.

4 MR. BRUCE: Right.

5 EXAMINER BRANCARD: The first two C-102s, the
6 C-102s indicate they are 320-acre units.

7 MR. BRUCE: That is -- I noticed that, too. I
8 think whoever was drawings lines on the map just did that,
9 but I think the third well, which is the D3-AD well shows
10 that it is a proximity tract, and that's why I asked a
11 proximity tract for all three wells.

12 If you would like, we can resubmit, uhm,
13 the first two C-102s showing that it is a proximity tract.

14 EXAMINER BRANCARD: Yeah, that would be great.
15 That would clean that up.

16 All right. So let's just chat a little --
17 let me start by saying I really appreciate what your
18 client has done here today, Mr. Bruce. You have a lot of
19 interest owners you have to try to track down. And we've
20 received in hearings complaints about companies not making
21 much of an effort to track people down, but it looks like
22 your client looked at BLM records, county records, and
23 other sources of info, drilling information info, and for
24 a number of parties ended up with multiple addresses that
25 they sent it to.

1 MR. BRUCE: Yes, correct.

2 EXAMINER BRANCARD: So I think in this case
3 Mewbourne is sort of doing probably what everybody needs
4 to do. Instead of doing the minimum, make more of an
5 effort to try to track down a lot of these interest
6 owners.

7 MR. BRUCE: Yeah. And I had them go through
8 these Notice lists, because I have on my computer a bunch
9 of addresses, and if I see a name that's familiar I will
10 go through these Notices and either change or add a more
11 recent address.

12 EXAMINER BRANCARD: That's great. I guess the
13 problem that we face in looking through these
14 applications -- and it's not just limited to this
15 application, but any application that has a lot of
16 interest owners being notified, the applicant will have a
17 landman's affidavit like yours that identifies all the
18 parties being pooled. And the landman's affidavit is
19 pretty explicit about that, but then there is a separate
20 Notice Affidavit which provides addresses, and then
21 there's lots of green cards, but sort of connecting the
22 two is something that we end up having to do ourselves
23 here, which is a bit of a pain.

24 MR. BRUCE: Oh, okay.

25 EXAMINER BRANCARD: So maybe --

1 MR. BRUCE: I can -- I can -- next round of
2 exhibits I do, I will try to -- I will expand upon that
3 either in the landman's affidavit, or maybe both on the
4 landman's affidavit and my Affidavit of Certified Mail.

5 EXAMINER BRANCARD: It would be great if there
6 was just like a little spreadsheet-type document that
7 listed the person, when this was mailed to them, and
8 whether they returned the green card or not, so we don't
9 have to go through shuffling through all the green cards
10 trying to flesh out who got Notice and who didn't get
11 Notice.

12 MR. BRUCE: That's a good idea.

13 EXAMINER BRANCARD: I'm saying this suggestion
14 generically. I'm hoping others will do the same,
15 particularly when they have situations with a fair number
16 of interest owners out there.

17 Like, your previous case was simple, in
18 that there were like three parties.

19 MR. BRUCE: Correct.

20 EXAMINER BRANCARD: That was easy, but this is
21 not. This is a much more complicated situation.

22 MR. BRUCE: And I guess what bothers me a little
23 bit is, you know, I don't -- when you request a little
24 spreadsheet, as I get these cards it's probably easiest to
25 do something for a particular case and have it input

1 immediately, but what bothers here is this Notice was
2 mailed, you know, three and a half months ago, and I was
3 still getting cards and envelopes back last week. So it's
4 pretty daunting to figure out what goes with what.

5 EXAMINER BRANCARD: We appreciate that. And I
6 think that issues about Notice are ones that we are
7 becoming more aware of within the agency, and we may need
8 to provide some guidance.

9 We will, in fact, have rules soon that will
10 talk a little bit about Notice that you will see coming
11 out in the next month or so, a proposal.

12 MR. BRUCE: Oh, good. I've discussed this with
13 a couple of other attorneys who -- and I said, you know,
14 sometimes people don't do enough, and then you got -- you
15 know, you got these small interest owners calling you
16 because there wasn't enough, uh -- you know.

17 But especially in this case where you have
18 got a lot of fee owners also, there's -- they are not
19 familiar with the pooling process and it causes a lot of
20 problems, so the company needs to take a little extra time
21 to talk to them.

22 EXAMINER BRANCARD: All right. Thank you.

23 So anything else, Mr. Bruce?

24 MR. BRUCE: That's enough for today.

25 EXAMINER BRANCARD: All right. So why don't we

1 continue this case to April 21st.

2 MR. BRUCE: Okay.

3 EXAMINER BRANCARD: That should give you enough
4 time. And, as we discussed, you need to provide the
5 checklists, and you need to provide the Publication
6 Notices.

7 MR. BRUCE: Yeah.

8 EXAMINER BRANCARD: The geologic cross section,
9 I think there were two of them.

10 MR. BRUCE: Yes.

11 EXAMINER BRANCARD: Geologic exhibits.

12 And then if you can review the location of
13 that well in Case -235.

14 MR. BRUCE: Yep.

15 EXAMINER BRANCARD: Tell me whether that's
16 actually in the unit.

17 And then in Case -237 if you can revise
18 those C-102s so that the first two wells it's the correct
19 unit size.

20 MR. BRUCE: Yep.

21 EXAMINER BRANCARD: And then, you know, just
22 chat with your client about whether we can come up with a
23 quick, little spread sheet for all these Notices.

24 MR. BRUCE: Okay.

25 EXAMINER BRANCARD: All right. So you have a

1 lot of homework there to do.

2 MR. BRUCE: Yeah. It's nice to have the
3 paperless society. You know?

4 EXAMINER BRANCARD: So with that, are there any
5 other persons, then, in Cases -235, --

6 MR. SAMANIEGO: Yes, sir.

7 EXAMINER BRANCARD: -- -236.

8 EXAMINER BRANCARD: Would you identify
9 yourself, please.

10 MR. SAMANIEGO: Well, I didn't have questions
11 about those ones I was going to jump back to one.

12 But my name is Jonathan Samaniego.

13 EXAMINER BRANCARD: Okay. Well, Mr. Samaniego,
14 why don't we finish up this case and then I'll let you
15 enter your comments. How's that?

16 MR. SAMANIEGO: Yes, sir. Yes, sir. Thank you.

17 EXAMINER BRANCARD: All right. So with that,
18 Cases, 22235, 22236, 22237, 22238, 22239 and 22240 will be
19 continued to the April 21st docket.

20 Mr. Bruce, we will just continue them. You
21 don't need to file a continuance.

22 MR. BRUCE: Thank you very much, Mr. Examiner.

23 EXAMINER BRANCARD: Okay. And you have your
24 list of assignments.

25 MR. BRUCE: Yep. Sure do.

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EXAMINER BRANCARD: All right. Thank you.
(Time noted 9:12 a.m.)

1 STATE OF NEW MEXICO)

2 : ss

3 COUNTY OF TAOS)

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REPORTER'S CERTIFICATE

6

I, MARY THERESE MACFARLANE, New Mexico Reporter

7

CCR No. 122, DO HEREBY CERTIFY that on Thursday, March 17,

8

2022, the proceedings in the above-captioned matter were

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shorthand the proceedings set forth herein, and the

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foregoing pages are a true and correct transcription to

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the best of my ability and control.

13

I FURTHER CERTIFY that I am neither employed by

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nor related to nor contracted with (unless excepted by the

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rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

17

disposition of this case in any court.

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/s/ccr/Mary Therese Macfarlane_____

20

MARY THERESE MACFARLANE, CCR

21

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