

Jones, William V., EMNRD

From: jamesbruc@aol.com
Sent: Thursday, December 06, 2012 11:08 AM
To: Jones, William V., EMNRD
Cc: Brooks, David K., EMNRD
Subject: Re: Case 14899 Melbourne NSP/CP Santo Nino; Bone Spring Pool (54600) Special Rules: R-8546 Rule 2

Will: I have reviewed the OCD's files and spoken to my client. First, Chesapeake voluntarily joined in the well before the sale to Chevron. Exhibit 2 at the hearing lists "Chesapeake et al" as parties who have joined in the well. Included in this group is Manzano. So, both Chevron and Manzano know of the possible multiple operator issue and have not objected. However, if you need me to send notice please let me know.

Next, it appears that operators of all vertical B/S wells (Chevron, Mewbourne, and Manzano) only dedicated 40 acre units (Units B, C, D, G, and H). It seems it would be easiest for them to request 40 acre NSP's, although the wells in Units C, D, and H could dedicate standup 40s (although I don't know on what basis they have been paying production).

As to the allowable, I propose (and I think this has been included in an order before) that the existing wells can produce at their current rates, and the allowable for the horizontal well would be calculated by subtracting current production. The allowable for the S/2N/2 unit would be 620 BOPD under the special pool rules, less current production from units G and H.

Let me know what other action we should take.

Jim

-----Original Message-----

From: Jones, William V., EMNRD, EMNRD <William.V.Jones@state.nm.us>
To: jamesbruc <jamesbruc@aol.com>
Cc: Shapard, Craig, EMNRD, EMNRD <craig.shapard@state.nm.us>; Brooks, David K., EMNRD, EMNRD <david.brooks@state.nm.us>; Ezeanyim, Richard, EMNRD, EMNRD <richard.ezeanyim@state.nm.us>; Gerholt, Gabrielle, EMNRD, EMNRD <Gabrielle.Gerholt@state.nm.us>
Sent: Thu, Nov 8, 2012 3:12 pm
Subject: Case 14899 Melbourne NSP/CP Santo Nino; Bone Spring Pool (54600) Special Rules: R-8546 Rule 2

Hello Jim,
David Brooks gave me the green light to open a dialogue on this one with you.

Orientation of 80-acre spaced units:

Does Mewbourne have any idea about the orientation of the existing 80 acre spaced units?

I can't seem to determine this orientation or find NSP permits allowing 40 acre spacing for the wells in this pool in the N/2 of this Section.

We may need to initiate a compliance action for Chevron and Manzano LLC – asking them to declare or get an exception.

Compulsory Pooling of the 160 acres:

It seems that Chesapeake's interests in this area was summed (as part of the interests adding to 100%) by Mewbourne's landman and those interests have recently switched to Chevron U.S.A. – that confused me for a while as the wells' operator names have already been switched to Chevron. Since interests change hands all the time while lands are being pooled – at what point would Mewbourne get an assignment from Chevron as new interest owner?

Creation of the 160 acre non-standard spacing unit: