

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:

ORIGINAL

APPLICATION OF MEWBOURNE OIL
COMPANY FOR A NONSTANDARD OIL
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 15260

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 19, 2015

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner and Gabriel Wade, Legal Examiner, on
Thursday, February 19, 2015, 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
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.
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1 (8:29 a.m.)

2 EXAMINER McMILLAN: Okay. I would like to
3 call Case Number 15260, application of Mewbourne Oil
4 Company for a nonstandard oil spacing and proration unit
5 and compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant. I'm submitting
9 this by affidavit.

10 EXAMINER McMILLAN: Any other appearances?

11 MR. BRUCE: Before I run through the
12 exhibits, Mr. Examiner, I want to explain briefly that,
13 you know, I submitted these -- most of these exhibits
14 ten days ago as per the OCD notice. But today I'm
15 submitting to you an amended Exhibit 1. The reason why
16 is because all of the parties who have -- were contained
17 in the landman's exhibit who they were pooling ten days
18 ago have now signed up. But in the interim, a month
19 ago, there were parties who they thought were going to
20 join in that haven't, so these new parties -- not new
21 but different parties are being pooled. That's the
22 difference.

23 EXAMINER McMILLAN: Okay.

24 MR. BRUCE: Mr. Examiner, Exhibit 1 is the
25 affidavit of Corey Mitchell, landman for Mewbourne Oil

1 Company. And you can see that they're pooling the Bone
2 Spring Formation underlying the south half-south half of
3 Section 5, Township 19 South, 29 East and, of course,
4 seeking a nonstandard spacing and proration unit.

5 The well location -- the name of the well
6 is the Gobbler 5 B2PM State Com Well Number 1H. The
7 location is given. It is at an orthodox location.

8 When you get to Attachment B, it lists all
9 the interest owners in the well. The ones with
10 asterisks by their names are the persons now being
11 pooled, and there is a total of about 8 percent interest
12 owners being pooled.

13 Attachment C is the summary of
14 communications with the parties. They have been
15 contacted three, four, five times each. And I spoke
16 with the landman again just previously yesterday
17 afternoon. They have never heard -- even though they've
18 mailed them, contacted them, e-mailed, called them,
19 they've never gotten any response from the people, so
20 they seek to force pool the people. The proposal
21 letters are attached.

22 And then Exhibit -- or Attachment D is the
23 AFE for the well. The well is approximately -- costs
24 approximately four-and-a-half million dollars.

25 Attachment E is the offset operators or

1 working interest owners. They do seek a 200 percent
2 risk charge and overhead rates of \$7,500 per month for
3 drilling the well and \$750 a month for a producing well.

4 Exhibit 2 is the affidavit of the
5 geologist. This has not changed since the one I
6 submitted previously. It's got all the usual exhibits,
7 a structure isopach map, cross section showing the
8 target zone.

9 Exhibit C -- or Attachment C shows
10 production from the wells in the area. This is -- the
11 first horizontal well in this immediate area, you can
12 see that -- from Attachment C, that all the other wells
13 listed here are vertical wells. And some of them are
14 fairly good wells, although most of them are relatively
15 old.

16 And the geologist makes the usual
17 statements that each quarter-quarter section in the
18 project area will contribute more or less equally to
19 production, and there is no faulting or other problem
20 that would affect the drilling and completion of the
21 subject well.

22 And Attachment B is simply the horizontal
23 drilling plan. As I said, you can figure out the exact
24 footages, but it will be at standard locations.
25 Actually, the surface location and the terminus are

1 standard locations, which means that the beginning of
2 the producing interval will probably be at several
3 hundred feet from the standard location.

4 Exhibit 3 is the Affidavit of Notice to the
5 parties being pooled. There are six of them. There is
6 one party, Emma Lou Evertson, who I haven't gotten a
7 green card back yet. If you look at the landman's
8 affidavit and summary of communications, you will see
9 that they have had contact with these people. They do
10 exist. And they have received a green card back when
11 they sent the well proposal, so this is a valid address.
12 I just haven't gotten a green card back yet.

13 EXAMINER McMILLAN: Okay. First question I
14 have is what's the status of the well?

15 MR. BRUCE: To my knowledge, it hasn't been
16 drilled.

17 EXAMINER McMILLAN: Okay. It needs to be
18 double-checked because I looked at the C-103, and it was
19 spud January the 8th.

20 MR. BRUCE: Oh, I didn't know. I'm always
21 the last to know, Mr. Examiner.

22 EXAMINER McMILLAN: Okay.

23 MR. BRUCE: I will double-check and e-mail
24 that to you.

25 EXAMINER McMILLAN: Good.

1 And Exhibit 4 is?

2 MR. BRUCE: And Exhibit 4 is the notice to
3 offsets, and they did receive actual notice.

4 With that, I'd move the admission of
5 Exhibits 1 through 4.

6 EXAMINER McMILLAN: All the acreage is
7 state?

8 MR. BRUCE: Yes, it's all state. It's a
9 single state lease. I can't read -- no. There are two
10 state leases involved. I cannot see the numbers on the
11 leases, but it's two state leases, one covering the
12 south half-southwest and the other covering the south
13 half-southeast.

14 EXAMINER WADE: I guess I do have a
15 question. Which party is the different party you said
16 that initially thought they were going to participate
17 and then changed their mind?

18 MR. BRUCE: If you look, Mr. Wade, at -- it
19 would be Attachment E to the affidavit.

20 EXAMINER WADE: Corey Mitchell's?

21 MR. BRUCE: Yeah. The persons initially
22 being pooled, if you look at Attachment B, were Harvey
23 E. Yates Company, which has now joined in, Spiral, Inc.,
24 which has now joined in, Explorers Petroleum
25 Corporation, which has now signed up. And those are all

1 HEYCO entities. And then on the second page, Nadel &
2 Gussman Capitan, LLC, which has joined in the well.

3 EXAMINER WADE: You said those were the
4 people who were initially --

5 MR. BRUCE: Those are the people who we
6 initially sought to force pool, and I sent notice to
7 them on -- on --

8 EXAMINER WADE: And they all joined. So
9 everybody else on Attachment B --

10 MR. BRUCE: A notice letter was sent to
11 them on January 2nd, but I didn't make it part of the
12 exhibit. All of those people did receive actual notice,
13 but since they've joined in the well, I didn't --

14 EXAMINER WADE: Those are people who have
15 joined?

16 MR. BRUCE: Right.

17 EXAMINER WADE: But everybody else has not
18 indicated they have joined? Those are the --

19 MR. BRUCE: Yes.

20 EXAMINER WADE: -- people who should have
21 received notice?

22 MR. BRUCE: Correct.

23 EXAMINER WADE: I thought you said at the
24 beginning of the hearing that at least one or a couple
25 of parties were people who were not initially noticed

1 and later noticed, or am I incorrect?

2 MR. BRUCE: Yeah. Correct. The parties
3 who are on Attachment B of Corey Mitchell's affidavit
4 with an asterisk by their name --

5 EXAMINER WADE: They're the people?

6 MR. BRUCE: Yeah. They're -- we had
7 originally thought that they had verbal assurances, I
8 guess, that they'd sign up, and then they never signed.
9 So that's why I sent out notices.

10 EXAMINER WADE: Okay. I don't have any
11 more questions.

12 EXAMINER McMILLAN: Okay. At this time
13 Exhibits 1 through 4 will be accepted as part of the
14 record.

15 (Mewbourne Oil Company Exhibit Numbers 1
16 through 4 were offered and admitted into
17 evidence.)

18 EXAMINER McMILLAN: Case Number 15260 will
19 be taken under advisement, and thank you very much.

20 And you're going to provide that stuff, the
21 information I requested, right?

22 MR. BRUCE: Yes.

23 EXAMINER McMILLAN: Okay.

24 (Case Number 15260 concludes, 8:40 a.m.)

25 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examination of Case No.

heard by me on

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

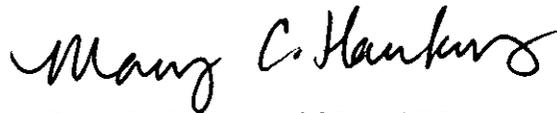
5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

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20



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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2015

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