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STATE OF NEW MEXICO

ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE 15359

APPLICATION OF MEWBOURNE OIL COMPANY
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

AUGUST 20, 2015

SANTA FE, NEW MEXICO

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BEFORE: WILLIAM V. JONES, EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Examiner, and Gabriel Wade, Legal Examiner, on August 20, 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 THERESE MACFARLANE
NEW MEXICO CCR 122
CALIFORNIA CSR 3547
PAUL BACA COURT REPORTERS
500 Fourth Street NW
Suite 105
Albuquerque, New Mexico 87102.

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A P P E A R A N C E S

FOR THE APPLICANT:

James Garrett Bruce, Esq.
P.O. Box 1056
Santa Fe, NM 87504-1056
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I N D E X

CASE NUMBER 15359 CALLED
APPLICANT CASE PRESENTED BY AFFIDAVIT

E X H I B I T I N D E X

EXHIBIT	PAGE
MEWBOURNE OIL COMPANY EXHIBIT 1	8
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MEWBOURNE OIL COMPANY EXHIBIT 3	8
MEWBOURNE OIL COMPANY EXHIBIT 4	8
REPORTER'S CERTIFICATE:	9

1 (Time noted 9:20 a.m.)

2 EXAMINER JONES: Okay. Let's call Case No.
3 15359, Application of Mewbourne Oil Company for a
4 Non-Standard Oil Spacing and Proration Unit and Compulsory
5 Pooling, Lea County, New Mexico.

6 Appearances.

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

10 EXAMINER JONES: Okay. Any other
11 appearances?

12 (Note: No response.)

13 MR. BRUCE: I handed you a folder with
14 exhibits, Mr. Examiner, typical exhibits. The first one
15 is the Verified Statement of Corey Mitchell, landman for
16 Mewbourne.

17 If you turn back a couple of pages to
18 Attachment A, you'll see that Mewbourne is seeking the
19 forced pooling of the east half east half of Section 9 in
20 23 South, 34 East for purposes of a 160-acre non-standard
21 oil spacing and proration unit in the Bone Spring
22 Formation. The name of the well is the Antelope 9B3PA
23 State Well No. 1H.

24 EXAMINER JONES: A Com well?

25 MR. BRUCE: I looked that up, and I should

1 have...

2 No, it is not a Com well. It is -- all of
3 the lands are subject to State Lease E-1932-1.

4 EXAMINER JONES: Just one state lease. No
5 assignments?

6 MR. BRUCE: Correct. One assignment.

7 EXAMINER JONES: So it is a Com well.

8 MR. BRUCE: Well, no, no, no. It's
9 Assignment No. 1 of that lease from the State Land Office.

10 EXAMINER JONES: Covers the whole --

11 MR. BRUCE: It covers the whole 160 acres.

12 EXAMINER JONES: They called it a Com on
13 their --

14 MR. BRUCE: On the APD.

15 EXAMINER JONES: -- APD, so it needs to be
16 changed.

17 MR. BRUCE: It does need to be changed.
18 That's why I looked that up.

19 EXAMINER JONES: Okay.

20 MR. BRUCE: Attachment B is the listing of
21 the parties to be pooled. The only person, company being
22 pooled is Enduro Operating, LLC, with approximately 7.9
23 percent working interest in the well unit.

24 Attachment C is a summary of communications
25 between Mewbourne and Enduro. They have had conversations

1 with -- besides the Proposal Letter, calls with Enduro, a
2 number of phone calls. Kevin Smith is the landman for
3 Enduro, and I actually spoke with him a couple of weeks
4 ago, and he said they would not appear. They are just
5 trying to figure out what to do.

6 There's -- the only issue is there's a JOA
7 that allocates them 7.9 percent. Mewbourne is not a party
8 to that JOA, but there's a JOA that allocates them 7.9
9 percent and they claim they own more. So that's a JOA
10 issue, not a contractual issue. Their interest is what it
11 is, whatever it is.

12 So they weren't willing to sign based on
13 the JOA percentage.

14 EXAMINER JONES: That's almost a Yogi Berra
15 quote: The interest is what it is, whatever it is.

16 So is -- so what percentage would they --
17 the percentage would be 7.91?

18 MR. BRUCE: That's what they would be
19 allocated under that JOA to which Mewbourne is not a
20 party. I forget what they told me. They claim a couple
21 percent more.

22 EXAMINER JONES: Oh, okay.

23 MR. BRUCE: But they would have to work
24 that out with Devon and the other JOA parties.

25 EXAMINER JONES: So if you proceed with

1 drilling the well and the compulsory pooling goes ahead,
2 they're going to go for the 7.9?

3 MR. BRUCE: Well, obviously what would be
4 withheld would be that 7.9 percent.

5 EXAMINER JONES: Okay.

6 MR. BRUCE: And Attachment D is the JOA
7 with a dry hole cost of 2.44 million and a completed well
8 cost of 5.09 million. That seems to be lower than it was
9 about six months ago.

10 EXAMINER JONES: Okay.

11 MR. BRUCE: And Attachment E is simply a
12 list of the of offset operators to the well unit. As the
13 Affidavit says, Mewbourne has made a good faith effort to
14 locate and obtain voluntary joinder.

15 They do request a 200 percent risk charge,
16 and the AFE is fair and reasonable and they're requesting
17 overhead rates of \$7500 a month for a drilling well and
18 \$750 a month for a producing well.

19 EXAMINER JONES: Is everybody scared to ask
20 for more nowadays?

21 MR. BRUCE: Well, some of my clients have
22 been shot down on that, Mr. Examiner.

23 Exhibit 2 is the Verified Statement of
24 Nathan Cless, the geologist, and both Corey Mitchell, the
25 landman, and Nathan Cless have testified before the

1 Division before and been qualified.

2 They attached the usual plats, structure,
3 combination Structure/Isopach Map, and that's discussed in
4 the AFE -- I mean in the Affidavit.

5 You can see that all the wells in this
6 area -- it's a stand-up well unit. It's a Third Bone
7 Spring test. The other wells in the area, immediate area,
8 are Second Bone Spring tests. But those were successful
9 stand-up wells, so that was the reason for drilling the
10 Third Bone Spring as a stand-up.

11 EXAMINER JONES: Okay.

12 MR. BRUCE: Each quarter quarter section in
13 the project area will contribute more or less equally to
14 production, and there's no fault which would impede the
15 drilling of the well.

16 Attachment B is the cross section showing
17 the zone they're going for.

18 Attachment C is production data from the
19 other wells in the area. Some of the data is not
20 available at this time, but you can see there's some good
21 wells drilled in this area recently.

22 And Attachment D is simply the well
23 planning report for this well.

24 The final paragraph of the Affidavit shows
25 that -- and I think this is a fairly recent increase from

1 Mewbourne. They're using 5 million gallons of fluid.
2 That's up substantially from a year ago.

3 EXAMINER JONES: Okay.

4 MR. BRUCE: And finally, Exhibits 3 and 4
5 are the Notice affidavits. Exhibit 3 is the affidavit to
6 the party being pooled. It did receive actual Notice.

7 And Exhibit 4 is the Notice to the offsets,
8 and all of them received actual Notice.

9 So with that I move the admission of
10 Exhibits 1 through 4 and ask that the case be taken under
11 advisement.

12 EXAMINER JONES: Anything?

13 MR. WADE: No.

14 EXAMINER JONES: Exhibits 1 through 4 are
15 admitted and Case No. 15359 is taken under advisement.
16 (Mewbourne Oil Company Exhibits 1 through 4 were
17 offered and admitted.)

18 EXAMINER BRUCE: Thank you, Mr. Bruce.

19 (Time noted 9:28 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____.

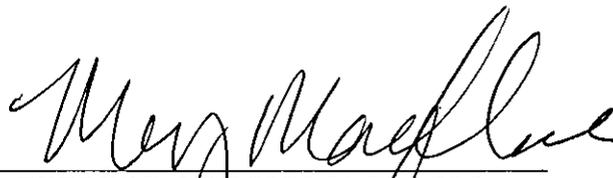
_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
2) SS.
3 COUNTY OF TAOS)
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7 REPORTER'S CERTIFICATE.

8 I, MARY THERESE MACFARLANE, New Mexico Reporter
9 CCR No. 122, DO HEREBY CERTIFY that on Thursday, August
10 20, 2015, the proceedings in the above-captioned matter
11 were taken before me, that I did report in stenographic
12 shorthand the proceedings set forth herein, and the
13 foregoing pages are a true and correct transcription to the
14 best of my ability and control.

15 I FURTHER CERTIFY that I am neither employed by
16 nor related to nor contracted with (unless excepted by the
17 rules) any of the parties or attorneys in this case, and
18 that I have no interest whatsoever in the final
19 disposition of this case in any court.



20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
22 License Expires: 12/31/2015
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