

JAMES BRUCE
ATTORNEY AT LAW

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jamesbruce@aol.com

RECEIVED OCS

2016 APR 18 A 8:04

April 18, 2016

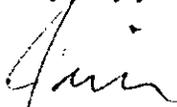
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 15490

Dear Florene:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an application for compulsory pooling and an unorthodox well location, together with a proposed advertisement. Please set the application for the May 26, 2016 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

Parties Being Notified

Petrorep, Inc.
address unknown

Corexcal
address unknown

@

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MEWBOURNE OIL COMPANY FOR
A NON-STANDARD SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

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Case No. 15490

APPLICATION

Mewbourne Oil Company applies for an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation for the W $\frac{1}{2}$ of Section 22 and the W $\frac{1}{2}$ of Section 27. Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, pooling all mineral interests in the Wolfcamp formation underlying the non-standard unit, and approving an unorthodox gas well location, and in support thereof, states:

1. Applicant is an interest owner in the W $\frac{1}{2}$ of Section 22 and the W $\frac{1}{2}$ of Section 27, and has the right to drill a well thereon.

2. Applicant proposes to drill its Owl Draw 27/22 W2NC Fed. Com. Well No. 2H to a depth sufficient to test the Wolfcamp formation. Applicant seeks to dedicate the W $\frac{1}{2}$ of Section 22 and the W $\frac{1}{2}$ of Section 27 to the well to form a non-standard standard 640 acre gas spacing and proration unit in the Wolfcamp formation. The well is a horizontal well, with a surface location 170 feet from the south line and 2230 feet from the west line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval ~~will be unorthodox, with the first take point~~ approximately 330 feet from the south line and 2231 feet from the west line of Section 27.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 22 and the W $\frac{1}{2}$ of Section 27 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Wolfcamp formation in the W½ of Section 22 and the W½ of Section 27, pursuant to NMSA 1978 §70-2-17.

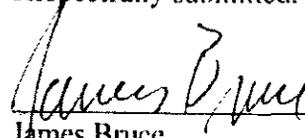
5. The approval of the non-standard spacing and proration unit, the pooling of all mineral interests in the Wolfcamp formation underlying the W½ of Section 22 and the W½ of Section 27, and approval of the unorthodox gas well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving the non-standard spacing and proration unit in the Wolfcamp formation;
- B. Pooling all mineral interests in the Wolfcamp formation underlying the W½ of Section 22 and the W½ of Section 27;
- C. Approving the unorthodox gas well location;
- D. Designating applicant as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted.

A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

PROPOSED ADVERTISEMENT

Case No. 15490 :

Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the Owl Draw 27/22 W2NC Fed. Com. Well No. 2H, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 13-1/2 miles south-southeast of Black River Village, New Mexico.

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2016 JUL 18 A 8:02

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

RECEIVED OOD
2016 MAY 20 A 8:56

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

**APPLICATION OF MEWBOURNE OIL COMPANY
FOR A NON-STANDARD SPACING AND PRORATION
UNIT, COMPULSORY POOLING, AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

Case No. 15,190

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701

Attention: Corey Mitchell
(432) 682-3715

APPLICANT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Mewbourne Oil Company seeks an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the Owl Draw 27/22 W2NC Fed. Com. Well No. 2H, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval will be

unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Corey Mitchell (landman)	10 min.	Approx. 6
Nate Cless (geologist)	15 min.	Approx. 4

OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

RECEIVED OLS

2016 SEP 20 P 2:35

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR
A NON-STANDARD SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO**

CASE NO. 15490

ENTRY OF APPEARANCE

Montgomery & Andrews, P.A. (J. Scott Hall), enters its appearance as counsel for James Wesley Welch, Joe Michael Welch, and Barbara Grace Parker.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: J. Scott Hall

J. Scott Hall

Seth C. McMillan

Post Office Box 2307

Santa Fe, New Mexico 87504-2307

(505) 982-3873

shall@montand.com

smcmillan@montand.com

*Attorneys for James Wesley Welch, Joe Michael
Welch, and Barbara Grace Parker*

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on September 20, 2016:

James Bruce
Post Office Box 1056
Santa Fe, NM 87504
jamesbruc@aol.com

J. Scott Hall

J. Scott Hall

DOCKET: EXAMINER HEARING - THURSDAY - MAY 26, 2016

8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 22-16 and 23-16 are tentatively set for June 9, 2016 and June 23, 2016. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule Subsection B of 19.15.4.13 NMAC requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer. The following cases will be heard by an Examiner.

Locator Key for Cases

Case 15446 - No. 1
Case 15448 - No. 11
Case 15449 - No. 12
Case 15452 - No. 14
Case 15453 - No. 15
Case 15454 - No. 16
Case 15455 - No. 17
Case 15475 - No. 2
Case 15483 - No. 13
Case 15490 - No. 3
Case 15491 - No. 4
Case 15492 - No. 5
Case 15493 - No. 6
Case 15494 - No. 7
Case 15495 - No. 8
Case 15496 - No. 9
Case 15497 - No. 10

1. **Case No. 15446:** *(Continued from the May 12, 2016 Examiner Hearing.)*
Application Of The New Mexico Oil Conservation Division Compliance And Enforcement Bureau for a Compliance Order against Lanexco, Inc., for Wells Operated in Chaves, Eddy, and Lea Counties, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator Lanexco, Inc. ("Operator") is out of compliance with OCD rules, 19.15.5.9, 19.15.7.24, 19.15.8.9, and 19.15.25.8; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by § 70-2-14(E), NMSA 1978.
2. **Case No. 15475:** *(Continued from the May 12, 2016 Examiner Hearing.)*
Application Of The New Mexico Oil Conservation Division Compliance And Enforcement Bureau for a Compliance Order against Siana Operating, LLC, for Wells Operated in Lea County, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator Siana Operating, LLC ("Operator") is out of compliance with OCD rules 19.15.7.24 NMAC (reporting violations), 19.15.20 NMAC (transporting without an allowable), 19.15.25.8 NMAC (failure to properly plug and abandon wells), 19.15.26 NMAC (injecting without authority), 19.15.29 NMAC (release notification violations), and NMSA 1978 § 70-2-32 for sale of illegal oil; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned, and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).
3. **Case No. 15490:** ***Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico.*** Mewbourne Oil Company seeks an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the **Owl Draw 27/22 W2NC Fed. Com. Well No. 2H**, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west

Examiner Hearing – May 26, 2016

Docket No. 21-16

Page 2 of 4

line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 13-1/2 miles south-southeast of Black River Village, New Mexico.

4. **Case No. 15491: Application of Caza Petroleum, Inc. for Compulsory Pooling and Approval of an Unorthodox Well Location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in the Wolfcamp formation underlying the W/2 of Section 13, Township 24 South, Range 27 East, N.M.P.M., for all pools or formations developed on 320 acre spacing within that vertical extent. The unit will be dedicated to Applicants proposed **Mad River 13 State Well No. 1H** to be drilled at an unorthodox location approximately 330 feet from the south line and 2310 feet from the west line (surface) to 330 feet from the north line and 1980 feet from the west line (terminus) of Section 13. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Caza Petroleum, Inc. as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately four miles west of Malaga, New Mexico.

5. **Case No. 15492: Application of EOG Resources, Inc. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a 160-acre non-standard spacing and proration unit comprised of the E/2 E/2 of Section 16, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Speedy 16 State Com No. 501H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) to a standard bottom hole location in NE/4 NE/4 (Unit A) of Section 16. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EOG Resources, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 20 miles southwest of Oil Center, New Mexico.

6. **Case No. 15493: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 1, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Clydesdale 1 Fee No. 5H Well**, which will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) to a standard bottom hole location in the NW/4 SW/4 (Unit L) of Section 1. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 1/2 miles northwest of Lakewood, NM.

7. **Case No. 15494: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 1, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Clydesdale 1 Fee No. 7H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 1. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 1/2 miles northwest of Lakewood, NM.

8. **Case No. 15495: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 27, Township 17 South, Range 28 East, NMPM, Eddy County and (2) pooling all mineral interests in the Yeso formation from a depth of 4,000 feet to the bottom of the Yeso underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Halberd 27 State Com No. 21H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 26 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 27. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 15 miles east of Artesia, New Mexico.

9. **Case No. 15496: Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre, more

4. **Case No. 15501:** *Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.* Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160.86-acre, more or less, spacing and proration unit comprised of the S/2 N/2 of Section 7, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Spruce Goose Federal Com No. 3H Well, SW/4 NW/4 (Lot 2) to a standard bottom hole location in the SE/4 NE/4 (Unit H) of Section 7. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14 miles southeast of Loco Hills, New Mexico.

5. **Case No. 15499:** *((Continued from the June 9, 2016 Examiner Hearing)*
Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 9, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Yeso formation from the top of the Paddock to the base of the Blinbry. Said non-standard unit is to be dedicated to applicant's proposed Branex Federal Com No. 15H Well, which will be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) to a standard bottom hole location in the NE/4 SE/4 (Unit I) of Section 9. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 1 mile

6. **Case No. 15492:** *(Continued from the May 26, 2016 Examiner Hearing.)*
Application of EOG Resources, Inc. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 160-acre non-standard spacing and proration unit comprised of the E/2 E/2 of Section 16, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Speedy 16 State Com No. 501H Well, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) to a standard bottom hole location in NE/4 NE/4 (Unit A) of Section 16. The completed interval for this well will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of EOG Resources, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 20 miles southwest of Oil Center, New Mexico.

7. **Case No. 15490:** *(Continued from the May 26, 2016 Examiner Hearing.)*
Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the Owl Draw 27/22 W2NC Fed. Com. Well No. 2H, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 13-1/2 miles south-southeast of Black River Village, New Mexico.

8. **Case No. 15476:** *(Continued from the April 14, 2016 Examiner Hearing.)*
Application of Matador Production Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 10, Township 24 South, Range 28 East, NMPM, for all pools or formations developed on 320 acre spacing within that vertical extent, including the South Culebra Bluff-Wolfcamp Gas Pool. The unit will be dedicated to the Guitar 10-24S-28E RB Well No. 202H, a horizontal well with a surface location in the SE/4 NE/4, and a terminus in the SW/4 NW/4, of Section 10. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 1 mile north of Malaga, New Mexico.

1 P R O C E E D I N G S

2 (Time noted: 8:02 a.m.)

3 EXAMINER McMILLAN: Good morning. I'D
4 like to call to order. Today's date is May 26, 2016.
5 Today's docket is No. 21-16?

6 What I'd like to do is to read the
7 continuances and dismissals.

8 On page 1, Case No. 15490 shall be
9 continued until June 23rd.

10 Turning to page 2, Case No. 15491 shall be
11 heard on a special hearing on June 17th.

12 Case No. 5, Case No. 15492, shall be
13 continued until June 23rd.

14 Case No. 8, Case No. 15495 shall be
15 continued until June 9th.

16 Case No. 9, Case No. 15496 shall be
17 continued until June 9th.

18 Turning to page 3, Case No. 15448 shall be
19 dismissed.

20 Case No. 12, Case No. 15449 shall be
21 dismissed.

22 Turning to page 4, Case No. 15483 shall be
23 dismissed.

24 Case No. 15452 shall be continued till June
25 23rd.

1 (Time noted: 8:20 a.m.)

2 EXAMINER JONES: On the record this morning.

3 This is the Amended Docket, Examiner
4 Hearing, Thursday, June 23, 2016, Docket No. 26-16. This
5 is an Examiner Hearing. I'm William B. Jones. This is
6 David Brooks, attorney for the Examiner this morning.

7 Let's go through the docket quickly and
8 then I'll make an announcement on the RAB case.

9 Case No. 15 -- Well, that is one we are
10 going to wait to talk about, the first case here.

11 Page 2, I got Case No. 15492 is dismissed.

12 Case No. 15490 is continued to September 1.

13 Case 15476 is continued to July 7.

14 Case No. 3 -- or page No.3, Case No. 15452
15 is dismissed.

16 Case No. 15453 is dismissed.

17 Case No. 15454 is dismissed.

18 Case No. 15455 is dismissed.

19 And I think there was another one that was
20 continued.

21 Mr. Feldewert, is the --

22 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
23 representing Devon Energy. I had requested a continuance
24 of Case 15501 on page 2. I hadn't heard back from the
25 Division on my motion.

Jones, William V, EMNRD

From: jamesbruc@aol.com
Sent: Wednesday, June 15, 2016 9:41 AM
To: Davidson, Florene, EMNRD; Goetze, Phillip, EMNRD; Jones, William V, EMNRD; McMillan, Michael, EMNRD
Subject: Case 15490/Mewbourne

Please continue the above case to the September 1 hearing. This is the second continuance of the case.

Jim

WRB

Examiner Hearing – September 1, 2016

Docket No. 36-16

Page 2 of 4

NE/4 (Unit A) of Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of BC Operating, Inc., as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 3 miles south of Malaga, New Mexico.

4. **Case No. 15539: Application Of Encana Oil & Gas (USA) Inc. To Contract The Horizontal Limits Of The Nageezi-Gallup Pool (47540) In The Mancos Formation By Excluding The W/2 Of Section 10, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico.** Applicant seeks an order removing the W/2 of Section 10, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, from the horizontal limits of the Nageezi-Gallup Pool (47540). The E/2 of Section 10 is currently within the Basin Mancos Gas Pool, which allows for 320-acre spacing, while the W/2 of Section 10 is in the Nageezi Gallup Pool which allows for 40-acre spacing. The subject area is located approximately 1 mile south of Highway 550 and four miles east of Nageezi, New Mexico.

5. **Case No. 15540: Application OXY USA Inc. For Approval of Surface Pool-Lease Commingling, Off-Lease Storage, and Off-Lease Measurement, Eddy County, New Mexico.** Applicant seeks an order authorizing 1) pool-lease commingling from all existing and future wells drilled on leases and associated spacing units in Sections 22, 23, and 24 of Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico; 2) off-lease storage; and 3) off-lease measurement. OXY seeks to commingle production from the Pierce Crossing; Bone Spring East Pool (96473) and the Corral Draw Bone Spring Pool (96238) from all existing and future wells and leases located in Sections 22, 23, and 24 at the Cedar Canyon 23-3H satellite facility, located at the **Cedar Canyon 23 Federal No 3H well pad**. This will be an off-lease location for all spacing units, excluding leases in the N/2 S/2 of Section 22. Oxy intends to allocate production to the spacing units using the well test method. Said area is approximately six miles east of Malaga, New Mexico.

6. **Case No. 15521: (Continued from the August 18, 2016 Examiner Hearing.)**
Application of Chi Operating, Inc. for compulsory pooling, Eddy County, New Mexico. Chi Operating, Inc. seeks an order pooling all mineral interests from the surface to 5000 feet subsurface underlying the SW/4 SE/4 of Section 13, Township 18 South, Range 30 East, NMPM, to form a standard 40 acre oil spacing and proration unit for all pools or formations developed on 40 acre spacing within that vertical extent. The unit is dedicated to the **Shugart West 13 Fed. Well No. 1**, located at an orthodox location in the SW/4 SE/4 of Section 13. Also to be considered will be the cost of drilling and completing, or recompleting, the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of applicant as operator of the well, and setting a 200% charge for the risk involved in drilling and completing, or recompleting, the well. The unit is located approximately 6 miles south-southeast of Loco Hills, New Mexico.

7. **Case No. 15531: (Continued from the August 18, 2016 Examiner Hearing.)**
Application of M & M Energy, LLC for compulsory pooling, Lea County, New Mexico. M & M Energy, LLC seeks an order pooling all mineral interests from the surface to the base of the San Andres formation underlying the NE/4 SW/4 of Section 6, Township 22 South, Range 36 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the **Day Well No. 9**, to be drilled at an orthodox location. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 8-1/2 mile west-southwest of Eunice, New Mexico.

8. **Case No. 15490: (Continued from the June 23, 2016 Examiner Hearing.)**
Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the **Owl Draw 27/22 W2NC Fed. Com. Well No. 2H**, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 13-1/2 miles south-southeast of Black River Village, New Mexico.

9. **Case No. 15507: (Continued from the August 4, 2016 Examiner Hearing.)**
Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying Lots 3, 4, S/2 NW/4, and SW/4 (the W/2) of Section 3, Township 24 South, Range 28 East, NMPM, to form a standard 319.21-acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent. The unit will be dedicated to the **Yardbirds 3 W2DM Fee Well No. 1H**, a horizontal well with a surface location 175 feet from the north line and 1070 feet from the west line, and a terminus

DOCKET: EXAMINER HEARING - THURSDAY - SEPTEMBER 29, 2016

8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 40-16 and 41-16 are tentatively set for October 13, 2016 and October 27, 2016. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule Subsection B of 19.15.4.13 NMAC requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer. The following cases will be heard by an Examiner.

Locator Key for Cases

Case 15277 - No. 1
Case 15490 - No. 3
Case 15491 - No. 22
Case 15498 - No. 23
Case 15510 - No. 4
Case 15511 - No. 5
Case 15513 - No. 6
Case 15515 - No. 7
Case 15516 - No. 8
Case 15519 - No. 21
Case 15531 - No. 17
Case 15535 - No. 18
Case 15537 - No. 2
Case 15542 - No. 9
Case 15547 - No. 10
Case 15548 - No. 11
Case 15549 - No. 12
Case 15550 - No. 13
Case 15551 - No. 14
Case 15552 - No. 15
Case 15553 - No. 16
Case 15554 - No. 19
Case 15555 - No. 20

1. Case No. 15277 (re-opened): (Continued from the September 15, 2016 Examiner Hearing.)

Application of Blue Sky Company, Inc. to reopen Case No. 15277 to ask for an extension of the deadlines in compliance Order No. R-14155 dated April 25, 2016, Chaves County, New Mexico. The purpose of the extension is such that Blue Sky can present a successor operator who can provide additional resources for bonding and other compliance issues, as well as other additional resources to re-establish injection authority, which will allow production on the Twin Lakes Unit in Chaves County, New Mexico.

2. Case No. 15537: (Continued from the September 1, 2016 Examiner Hearing.)

Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order (i) creating a 240-acre non-standard oil spacing and proration unit (project area) comprised of the E/2 W/2 of Section 8, Township 19 South, Range 32 East and the E/2 SW/4 of Section 5, Township 19 South, Range 32 East, NMPM, in Lea County, and (ii) pooling all mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's **King Air 8 Fed Com #3H well**, which will be horizontally drilled from a surface location in Unit C of Section 17, Township 19 South, Range 32 East to a bottom hole location in Unit K of Section 5, Township 19 South, Range 32 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of COG Operating LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately 14 miles southeast of Loco Hills, New Mexico.

3. Case No. 15490: (Continued from the September 1, 2016 Examiner Hearing.)

Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640-acre non-standard

spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the **Owl Draw 27/22 W2NC Fed. Com. Well No. 2H**, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west line of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. The beginning and end of the producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 13-1/2 miles south-southeast of Black River Village, New Mexico.

4. **Case No. 15510:** (Continued from the September 1, 2016 Examiner Hearing.)

Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 479.80-acre non-standard spacing and proration unit in the Wolfcamp formation underlying the SE/4 of Section 33, Township 23 South, Range 28 East, NMPM, and Lots 1, 2, S/2 NE/4, and SE/4 (the E/2) of Section 4, Township 24 South, Range 28 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the **Foreigner 33/4 W2JO Fee Com. Well No. 1H**, a horizontal well with a surface location 2450 feet from the south line and 2310 feet from the east line of Section 33, and a terminus 330 feet from the south line and 2310 feet from the east line of Section 4. The producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 2 miles northwest of Malaga, New Mexico.

5. **Case No. 15511:** (Continued from the September 1, 2016 Examiner Hearing.)

Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 480.20-acre non-standard spacing and proration unit in the Wolfcamp formation underlying the SW/4 of Section 33, Township 23 South, Range 28 East, NMPM, and Lots 3, 4, S/2 NW/4, and SW/4 (the W/2) of Section 4, Township 24 South, Range 28 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the **Foreigner 33/4 W2LM Fee Well No. 1H**, a horizontal well with a surface location 2450 feet from the south line and 450 feet from the west line of Section 33, and a terminus 330 feet from the south line and 450 feet from the west line of Section 4. The producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 2-1/2 miles northwest of Malaga, New Mexico.

6. **Case No. 15513:** (Continued from the September 1, 2016 Examiner Hearing.)

Application of Mewbourne Oil Company for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2 E/2 of Section 34, Township 23 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the E/2 E/2 of Section 34. The unit will be dedicated to the **Yardbirds 34 PA Fee Well No. 1H**, a horizontal well with a surface location 150 feet from the south line and 610 feet from the east line, and a terminus 330 feet from the north line and 500 feet from the east line, of Section 34. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 2-1/2 miles north of Malaga, New Mexico.

7. **Case No. 15515:** (Continued from the September 1, 2016 Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the W/2 of Section 34, Township 23 South, Range 28 East, NMPM, to form a standard 320-acre gas spacing and proration unit. The unit will be dedicated to the **Yardbirds 34 W2NC Fee Well No. 1H**, a horizontal well with a surface location 150 feet from the south line and 2240 feet from the west line, and a terminus 330 feet from the north line and 2240 feet from the west line, of Section 34. The producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 2-1/2 miles north of Malaga, New Mexico.

8. **Case No. 15516:** (Continued from the September 1, 2016 Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the E/2 of Section

Ezeanyim, Richard, EMNRD

From: jamesbruc@aol.com
Sent: Wednesday, August 31, 2016 3:18 PM
To: Ezeanyim, Richard, EMNRD; Davidson, Florene, EMNRD; michael.mcmillan@state.us; Brooks, David K, EMNRD
Subject: Thursday's docket

Please continue the following cases:

Case 15531 (M & M) to September 15.

Cases 15490, 15513, 15515, and 15516 (Mewbourne) to 9/29.

Thanks.

Jim

DA 8/31/16
4:30 p -