

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 CASE NO. 14517
FOR A NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Presiding Examiner

July 22, 2010

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, WILLIAM V. JONES,
Presiding Examiner, on Thursday, July 22, 2010, at the
New Mexico Energy, Minerals and Natural Resources
Department, 1220 South St. Francis Drive, Room 102, Santa
Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

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A P P E A R A N C E S

FOR THE APPLICANT:

OCEAN MUNDS-DRY, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505)988-4421

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1 EXAMINER JONES: We'll call Case 14517,
2 application of Mewbourne Oil Company for a non-standard
3 spacing and proration unit and compulsory pooling, in
4 Eddy County, New Mexico. Call for appearances.

5 MS. MUNDS-DRY: Ocean Munds-Dry, with the
6 law firm of Holland & Hart, LLP, here representing
7 Mewbourne Oil Company this morning. I'm also presenting
8 this case by affidavit.

9 EXAMINER JONES: Any other appearances?
10 You may proceed.

11 MS. MUNDS-DRY: Mr. Examiner, I put before
12 you an affidavit by Paul Haden, who is the landman
13 employed by Mewbourne and is familiar with the status of
14 the lands in the south half/south half equivalent of
15 Section 29, Township 18 South, Range 30 East, N.M.P.M.,
16 Eddy County, New Mexico.

17 Mewbourne seeks to create a 160-acre
18 non-standard spacing unit comprised of the south
19 half/south half of Section 29, and to pool all mineral
20 interests in the Bone Spring formation for this project
21 area and non-standard spacing unit.

22 Attachment A to the affidavit is a plat of
23 subject land showing the well location. It shows the
24 project area highlighted in yellow and the wellbore
25 marked in red.

1 Mewbourne will dedicate its Bradley 29 Federal
2 Com Well Number 1 to the proposed 160-acre spacing unit
3 in the project area, which is proposed to be re-entered
4 from a surface location 1,050 feet from the south line
5 and 1,905 feet from the east line, ~~to a total vertical~~
6 ~~depth of approximately 3,505 feet.~~ ^{was} And then we'll go in
7 a westerly direction in the Bone Spring formation to a
8 bottomhole location 972 feet from the south line and 343
9 feet from the west line of Section 29.

10 Attachment B to the affidavit lists the nature
11 and percentage of ownership interests in the proposed
12 project area.

13 Attachment C is a summary of communications
14 prepared by Mr. Haden, which shows each contact he's had
15 with the parties we are seeking to pool today, along with
16 copies of the correspondence and green cards that he sent
17 to those parties. And, Mr. Jones, you'll notice that
18 it's principally Cone family members or trusts thereof.

19

20 Attachment D to the affidavit is the AFE for
21 the well, which shows a total well cost of \$1,345,900.

22 Attachment E to the affidavit is a notice
23 packet which includes the affidavit of publication.
24 Again, we've included those parties that we did not have
25 addresses for in the notice. Also included is the letter

1 that went to those parties that we did have addresses
2 for, for both the pooling and the non-standard spacing
3 unit and includes the list of parties and green cards.

4 Mewbourne proposes overhead charges of \$6,500
5 a month while drilling and \$650 while producing.

6 Mewbourne also requests that the interests listed in the
7 application and in the affidavit be pooled and that
8 Mewbourne be designated the operator of the well.

9 Mr. Haden testifies in his affidavit that
10 approval of this application will avoid the drilling of
11 unnecessary wells, will prevent waste, protect
12 correlative rights, and allow Mewbourne and the other
13 interest owners in the south half/south half of Section
14 29 an opportunity to obtain its just and fair share of
15 the reserves in the underlying lands.

16 Exhibit 2 is the affidavit of David Rawlins,
17 who is the petroleum geologist for Mewbourne, who is
18 familiar with the geology in the south half/south half
19 equivalent of Section 29.

20 He also included in Attachment A, a structure
21 map on the top of the second Bone Spring. Again, you'll
22 see that the horizontal objective trends in a northeast
23 to southwest direction. And he's also attached the
24 horizontal drilling plan for the well.

25 Mr. Rawlins testifies that a horizontal

1 wellbore will test a greater reservoir length and will
2 increase the chances for an economic completion. He also
3 testifies that all four quarter/quarter sections in the
4 unit are prospective in the Bone Spring, and that
5 Mewbourne anticipates producing reserves from each
6 quarter/quarter section.

7 And with that, I move to admit Exhibit 1 and
8 its attachments and Exhibit 2 and its attachments into
9 evidence.

10 EXAMINER JONES: Exhibit 1 and Exhibit 2
11 and their attachments will be admitted. But this shows
12 true vertical depth of 8,200 or so on the -- it's
13 extremely less expensive than the other well we just
14 looked at. But I thought I heard you say it was only
15 3,000 feet deep to the Bone Spring and --

16 (Exhibits 1 and 2 were admitted.)

17 MS. MUNDS-DRY: That is my understanding.
18 I'm not sure if this -- because this is a re-entry into
19 an existing vertical well.

20 EXAMINER JONES: That's why it's cheaper.

21 MS. MUNDS-DRY: Yes.

22 EXAMINER JONES: There must be a division
23 of interest in the Benson in this area, because -- does
24 Mewbourne -- do you know if they own or operate the North
25 Benson Queen Unit. That's the shallow -- I spent many

1 days out there. I can understand why those Cone people
2 don't live there anymore. It's pretty rough country. I
3 don't think anybody could survive very long. Most have
4 homesteaded or something, and they're gone forever.

5 I think if it's re-entry of a deep well, to
6 take it on deeper will -- I can check the well file for
7 that well, but I am sure it's fine.

8 In this case, did Mewbourne own the interest
9 in all four normal spacing units, or --

10 MS. MUNDS-DRY: I believe so.

11 EXAMINER JONES: And they testified that
12 all four will contribute some production to the well?

13 MS. MUNDS-DRY: Contribute to the project
14 area, yes, sir.

15 EXAMINER JONES: Okay. Thank you very
16 much.

17 MS. MUNDS-DRY: Thank you, Mr. Jones.
18 We'd ask that this matter be taken under advisement.

19 EXAMINER JONES: Case Number 14517 will be
20 taken under advisement.

21 * * *

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 14517
25 heard by me on 7/22/10

Will Jones, Examiner
Oil Conservation Division

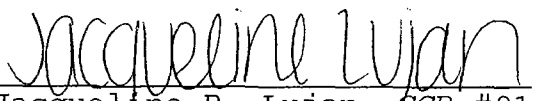
REPORTER'S CERTIFICATE

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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on July 22, 2010, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 4th day of August, 2010.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2010