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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Application of Mewbourne Oil Company for a
non-standard spacing and proration unit and
compulsory pooling, Lea County, New Mexico.

ORIGINAL

Case No. 14527

AUGUST 19, 2010
9:15 A.M.
Santa Fe, New Mexico

HEARING EXAMINER: DAVID BROOKS
TECHNICAL ADVISOR: TERRY WORNELL

For The Applicant:

HOLLAND & HART, LLP
110 N. Guadalupe St. #1
Santa Fe, New Mexico 87501
BY: WILLIAM F. CARR
505-988-4421

2010 AUG 31 P 4: 20
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REPORTED BY: JAN GIBSON, CCR, RPR, CRR
Paul Baca Court Reporters
500 Fourth Street, NW - Suite 105
Albuquerque, New Mexico 87102

1 (Note: In session at 9:15.)

2 HEARING EXAMINER BROOKS: This is Case
3 14527, Application of Mewbourne Oil Company for a
4 non-standard spacing and proration unit and
5 compulsory pooling, Lea County, New Mexico. Call
6 for appearances.

7 MR. CARR: May it please the hearing
8 examiner, my name is William F. Carr for the Santa
9 Fe Office of Holland & Hart. We represent Mewbourne
10 Oil Company in this matter, and I request permission
11 to present the case by affidavit.

12 HEARING EXAMINER BROOKS: Very good.

13 MR. CARR: Mr. Examiner, Mewbourne Exhibit
14 1 is an affidavit of Corey Mitchell, the landman
15 employed by Mewbourne responsible for the
16 consolidation of the lands in the south half of the
17 north half of Section 17, Township 17 South, Range
18 33 East in Lea County, New Mexico.

19 Mewbourne seeks the creation of a
20 nonstandard spacing of proration unit comprised of
21 this acreage to form a 160-acre horizontal well
22 project area in the Bone Spring formation, Bone
23 Spring Pool. Mewbourne owns working interest in
24 each of the four 40-acre oil spacing and proration
25 units that will be combined to form this project

1 area and it proposes to dedicate this project area
2 to its Spy Glass 17 Federal Well No. 1H. It's going
3 to be drilled at a standard surface location and the
4 horizontal well bore will be completely within the
5 producing area inside the proposed project area for
6 the well.

7 Exhibit A to the affidavit is a plat.
8 It's attachment A. It shows the subject lands and
9 the location of the proposed nonstandard spacing
10 unit and well location.

11 Exhibit B is an ownership breakdown
12 showing all working interest in the spacing unit.
13 This is one State of New Mexico lease, and Mewbourne
14 was able, by going through the county records, to
15 identify all interest owners in the spacing unit.

16 Mewbourne, the affidavit states, has made
17 a good faith effort to reach voluntary agreement
18 with each of these interest owners, and Attachment C
19 to the affidavit is first a summary of the contacts
20 made with each of these parties. Behind that, you
21 will find letters and return receipts showing that
22 each party was notified back in June of this
23 proposal. And behind that you will see attached the
24 number of E-mails to each of these interest owners.

25 I think it's important if you look at

1 those attachments and those E-mails, you will see
2 that there are E-mails indicating that they were
3 going to go forward with the well or with the
4 pooling hearing because they needed to drill the
5 well by the end of the year. Those E-mails also to
6 Yates Energy Corporation and the Yates company crew
7 indicate that they are continuing to finalize
8 documents so those interests may be voluntarily
9 committed to the well.

10 I called yesterday to tell you that Yates
11 Energy Corporation has decided to join and they are
12 today finalizing documents in the Harvey E. Yates
13 groups which includes Spiral Inc., Explorers
14 Petroleum Corporation, and Nadel Guzman, they are at
15 the present time finalizing a term assignment to
16 Mewbourne.

17 So once that is done, and we will notify
18 you as soon as those interest owners are in, 84
19 percent of the well will be voluntarily committed
20 and we will only be pooling the other interest
21 owners indicated on Exhibit B.

22 HEARING EXAMINER BROOKS: From Exhibit B.

23 MR. CARR: Yes, sir. There are asterisks
24 on here showing the interests subject to pooling,
25 but we are anticipating Yates Energy, Harvey E.

1 Yates Company and then on the next page Spiral,
2 Inc., Explorers Petroleum and Nadel Guzman to be
3 voluntarily committed to the well within the next
4 few days.

5 HEARING EXAMINER BROOKS: So that would
6 leave James H. Yates, Inc. and Coklelan.

7 MR. CARR: Yes. James H. Yates and
8 Colkelan also. Although the Hudson interest has
9 been committed, the interest of Mary T. Ard has not,
10 and she has not responded so that interest will be
11 subject to pooling, as will the interest of Moore
12 and Shelton. Letters and E-mails to each of the
13 interest owners are included in the attachments.

14 HEARING EXAMINER BROOKS: You will never
15 get Hudson and Ard.

16 MR. CARR: We would anticipate one or the
17 other would join.

18 HEARING EXAMINER BROOKS: Who else then at
19 this point would you want to be pooling?

20 MR. CARR: We would be pooling Moore &
21 Shelton; Edward R. Hudson Trust No. 4, which is Mary
22 T. Ard's interest; James H. Yates and Colkelan
23 Corporation. We would like the leave the others in
24 the case until we get the document signed.

25 HEARING EXAMINER BROOKS: Well, of course,

1 the way we write our orders, they continue in the
2 case as long as they have been properly noticed.

3 MR. CARR: Attached as Exhibit E is my
4 letter to each of these interest owners advising
5 them of today's hearing. You will also see E-mails
6 advising them of the hearing.

7 We request that these interest owners be
8 pooled and that Mewbourne Oil Company be designated
9 operator of the well in this nonstandard unit. They
10 propose overhead and administrative charges combined
11 fix rates of \$7,000 a month well drilling, \$700 a
12 month well producing and state that these are in
13 line with what they are charging the other interest
14 owners in the well. They would request a provision
15 adjusting the rates in accordance with COPAS
16 provisions.

17 HEARING EXAMINER BROOKS: \$7,000 and \$700.

18 MR. CARR: Yes, sir. They request a 200
19 percent charge for risk. The affidavit attached to
20 it as Attachment D is the AFE for the well, which
21 estimates cost to case in point at \$2,207,500 and a
22 completed well cost of \$3,359,800. They plan to
23 drill the well before the end of this year. The
24 affidavit provides that formation of this unit,
25 pooling of the interests will prevent waste, protect

1 rights and they request that this application be
2 granted. I would move the admission.

3 HEARING EXAMINER BROOKS: Mewbourne
4 Exhibit 1 is admitted. I'm sorry, are you through?

5 MR. CARR: I have finished, yes, sir.

6 HEARING EXAMINER BROOKS: Were all of the
7 parties -- did all of the parties receive actual
8 notice?

9 MR. CARR: Yes, sir. And copies of the
10 green cards are attached.

11 (Note: Exhibit 1 admitted.)

12 HEARING EXAMINER BROOKS: Now, do you have
13 the estimated footages of the penetration.

14 MR. CARR: Yesterday I contacted Mewbourne
15 with the penetration point on a number of wells
16 including this one, which I will be providing you as
17 soon as I get them. The after has the surface
18 location and the terms of the horizontal well but
19 not the actual penetration point, but surface and
20 terminus are all within the producing area on this
21 well, but I will have the penetration point.

22 HEARING EXAMINER BROOKS: Whenever we
23 circulate an order, somebody always wants to put the
24 penetration point in there so we need to fill in the
25 blanks there. Okay. I think that's all I have.

1 MR. WORNELL: Did you say, Mr. Carr, they
2 are going to drill the well this year?

3 MR. CARR: Yes, they plan to drill the
4 well before -- they would like to have drilled the
5 well and completed it by January 1, 2011. That's
6 why they were moving forward. If it's 30 days for
7 an order and 30 days to provide notice, with the rig
8 scheduling and all, they decided they needed to
9 proceed at this time.

10 HEARING EXAMINER BROOKS: Okay. If
11 there's nothing further, then Case 14527 will be
12 taken under advisement.

13 (Note: The proceedings were concluded.)

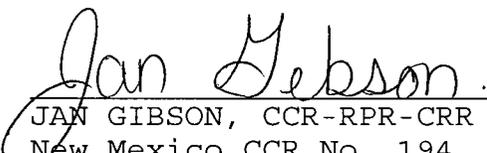
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14527,
heard by me on Aug 19 ~~20~~ 2010
David K. Booth
Oil Conservation Division

REPORTER'S CERTIFICATE

1
2 I, JAN GIBSON, Certified Court Reporter for the
3 State of New Mexico, do hereby certify that I
4 reported the foregoing proceedings in stenographic
5 shorthand and that the foregoing pages are a true
6 and correct transcript of those proceedings and was
7 reduced to printed form under my direct supervision.

8 I FURTHER CERTIFY that I am neither employed by
9 nor related to any of the parties or attorneys in
10 this case and that I have no interest in the final
11 disposition of this case.

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13
14 
15 JAN GIBSON, CCR-RPR-CRR
16 New Mexico CCR No. 194
17 License Expires: 12/31/10
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