

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. 16450  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

October 18, 2018

Santa Fe, New Mexico

BEFORE:    WILLIAM V. JONES, CHIEF EXAMINER  
              DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, October 18, 2018, 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  
                      Paul Baca Professional Court Reporters  
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# APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

JAMES G. BRUCE, ESQ.  
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(505) 982-2043  
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# EXHIBITS OFFERED AND ADMITTED

Mewbourne Oil Company Exhibit Numbers 1 through 3	7
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1 (1:41 p.m.)

2 EXAMINER JONES: This is the application  
3 of -- Case Number 16450, application of Mewbourne Oil  
4 Company for compulsory pooling in Lea County, New  
5 Mexico.

6 Call for appearances.

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

10 EXAMINER JONES: No other appearances?

11 MR. BRUCE: Mr. Examiner, I have three  
12 exhibits.

13 Exhibit 1 is the affidavit of the landman,  
14 Cy Shook. In this case Mewbourne seeks to force pool.  
15 It's an oversized Section 6, but they essentially seek  
16 to force pool the west half-east half of the section for  
17 a Bone Spring well, the Cast Away 6 B2BW State Com 1 #1,  
18 which is a Bone Spring well. There are no depth  
19 severances in the Bone Spring Formation.

20 If you turn back a few pages, you'll see  
21 the outline of the well unit. It's mainly comprised of  
22 lots, so it's an odd-sized 237.60-acre horizontal  
23 spacing unit.

24 Attachment 1 is the Midland Map Company  
25 plat, plus the C-102 for the well. The well is in the

1 North Wilson; Bone Spring, Pool Code 97004. This is in  
2 Lea County, Section 6, 21, 35. The last C-102 gives the  
3 API number.

4 Attachment B shows the parties in the well  
5 unit and the parties Mewbourne seeks to force pool,  
6 Apache, Magnum-Hunter, which is Cimarex, Kaiser-Francis  
7 and Chisholm Energy, although I believe -- I don't have  
8 it, but I will email you. I think Chisholm Energy has  
9 come to terms with Mewbourne.

10 EXAMINER JONES: Okay.

11 MR. BRUCE: Attachment C is the summary of  
12 communications with the parties, along with the proposal  
13 letters. There have been numerous -- besides the  
14 proposal letter, there have been numerous email and  
15 telephone contacts with the people, and Mewbourne  
16 believes it has made a good-faith effort to obtain the  
17 voluntary joinder of the parties. Mewbourne has the  
18 right to pool all of the overriding royalties in the  
19 well unit.

20 Attachment D is the AFE for the well. And,  
21 again, it's about a mile-and-a-half test, and the AFE is  
22 a little over \$9 million. Of course, it's Lea County,  
23 so the Bone Spring is deeper than in Eddy County. And  
24 the landman states that the costs are fair and  
25 reasonable. Mewbourne requests 8,000 and \$800 a month

1 for overhead rates. Again, these rates are reasonable  
2 and are charged by Mewbourne and other operators in this  
3 area. And they request that these rates be adjusted in  
4 accord with the COPAS accounting procedure. Mewbourne  
5 requests the maximum cost, plus 200 percent risk charge  
6 and that it be designated as operator of the well.

7 EXAMINER BROOKS: So the quarter-quarter  
8 sections are equivalent?

9 MR. BRUCE: Mr. Examiner, what would be as  
10 a tall section, the west half-southeast, those lots are  
11 40 acres. Those two quarter-quarter sections are 40  
12 acres. And I probably have it somewhere. But there are  
13 a number of -- I do have it. All of the quarter-quarter  
14 sections are 40 acres except for Lot 2, which would be  
15 the northwest of the northeast --

16 EXAMINER BROOKS: Okay.

17 MR. BRUCE: -- and that is 37.60 acres.

18 EXAMINER BROOKS: That works.

19 MR. BRUCE: Yeah.

20 Exhibit 2 is my Affidavit of Notice. I did  
21 not receive green cards back from Apache and  
22 Kaiser-Francis yet. As a result, I would ask that this  
23 matter be continued just for purposes of getting green  
24 cards back from Apache and Kaiser-Francis. I did not  
25 publish notice against them because I foolishly thought

1 I'd get green cards back from them.

2 EXAMINER BROOKS: You know about big oil  
3 companies.

4 MR. BRUCE: And then Exhibit 3 is the  
5 affidavit of Jordan Carrell, the geologist. It contains  
6 the usual information. It has a structure map of the  
7 Bone Spring, an isopach, which shows that really  
8 throughout the entire well unit, the thickness of the  
9 2nd Bone Spring is uniform. And there is a cross  
10 section attached, which shows the same thing, and that  
11 each quarter-quarter section in the well unit will  
12 contribute more or less equally to production. There is  
13 a cross section showing the uniformity of the sand. The  
14 horizontal spacing unit is justified from the geology,  
15 and each quarter-quarter section will contribute equally  
16 to production. And there is no geologic impediment or  
17 faulting that would prevent the drilling of this well or  
18 adversely affect the drilling of this well.

19 Attachment D is production data from Bone  
20 Spring wells in this area. There's not a lot of them  
21 there, but the ones that are there, it appears that at  
22 least the more recent wells -- if you look at Attachment  
23 A, there they aren't that many wells immediately in this  
24 nine-section area, but there are about six or seven  
25 wells that show that virtually all the wells in the

1 adjacent area are north and south and that they appear  
2 to be decent, and so that's why Mewbourne is drilling in  
3 a north-south direction.

4 And Attachment E is just the horizontal  
5 planning report.

6 And so with that, I'd move the admission of  
7 Exhibits 1 through 3 and request that the matter be  
8 continued for two weeks.

9 EXAMINER JONES: Exhibits 1 through 3  
10 are -- 1, 2 and 3 are admitted.

11 (Mewbourne Oil Company Exhibit Numbers 1, 2  
12 and 3 are offered and admitted into  
13 evidence.)

14 EXAMINER JONES: And thank you, Mr. Bruce.  
15 Case Number 16450 has been heard but  
16 continued until November the 1st.

17 MR. BRUCE: Thank you.

18 (Case Number 16450 concludes, 1:49 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
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4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 29th day of October 2018.  
21

22  
23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
25 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters