

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:

CASE NOS: 20268, 20269

Application of Mewbourne Oil
Company for Compulsory Pooling,
Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, MARCH 7, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, Examiners Leonard Lowe and William Jones, and Legal Examiner David Brooks, on Thursday, March 7, 2019, 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: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

1 A P P E A R A N C E S

2 For the Applicant: Gary Larson
 3 Hinkle Shanor LLP
 4 P.O. Box 268
 Santa Fe, NM 87504

5 I N D E X

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| 6 | CASE NO. 20268 CALLED | |
| 7 | PAUL HADEN (By Affidavit) | 03 |
| 8 | CHARLES CROSBY (By Affidavit) | 04 |
| 9 | TAKEN UNDER ADVISEMENT: | 06 |
| 10 | | |
| 11 | CASE NO. 20269 CALLED | |
| 12 | PAUL HADEN (By Affidavit) | 07 |
| 13 | CHARLES CROSBY (By Affidavit) | 07 |
| 14 | TAKEN UNDER ADVISEMENT: | 08 |

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

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|----|----------------------------|----------|
| 17 | | Admitted |
| 18 | Case 20268 | |
| 19 | Exhibit 1, Attachments A-D | 05 |
| 20 | Exhibit 2, Attachments A-E | 05 |
| 21 | | |
| 22 | Case 20269 | |
| 23 | Exhibit 1, Attachments A-D | 05 |
| 24 | Exhibit 2, Attachments A-E | 05 |

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1 HEARING EXAMINER: We will call Case Number
2 20268, Mewbourne Oil Company for compulsory pooling.

3 MR. JONES: Will these be combined? Do you want
4 to combine these two?

5 MR. LARSON: I guess I could if you like.

6 HEARING EXAMINER: We will also combine this case
7 with Case Number 20269. Call for appearances.

8 MR. LARSON: Good morning, Mr. Examiner. Gary
9 Larson of Santa Fe Hinkle Shanor as applicant in both cases
10 which is Mewbourne Oil Company.

11 HEARING EXAMINER: Any other appearances?

12 (No response.)

13 MR. LARSON: Mr. Examiner, in Case Number 20268,
14 Mewbourne requests the pooling of all uncommitted mineral
15 interests in the Third Bone Spring Sand in a standard
16 240-acre horizontal spacing unit. And there is one
17 remaining uncommitted mineral interest owner, which is
18 Marathon.

19 And the horizontal spacing unit will be dedicated
20 to the Sapphire 11 slash 12 B3LK State Com Number 2H Well.

21 And Exhibit 1 in this case is the self-affirmed
22 statement of Mewbourne landman, Paul Haden.

23 The attachments to Mr. Haden's affidavit are the
24 C-102 for the proposed well, Mr. Haden's well proposal
25 letter to Marathon and a log identifying his follow up

1 communications, proof of notice to Marathon of today's
2 hearing and the AFE for the proposed well.

3 As Mr. Haden notes in his affidavit, there are no
4 depth severances in the Third Bone Spring Sand.

5 Mewbourne is requesting overheard and
6 administrative rates of \$8,000 a month while drilling and
7 \$800 a month while producing. And Mr. Haden states that
8 these rates are comparable to those charged by other
9 operators for similar wells in the area, and are the same
10 rates as those included in Mewbourne's JOA. And finally,
11 Mr. Haden notes that Mewbourne requests a 200 percent risk
12 factor.

13 Exhibit 2 is the self-affirmed statement of
14 Mewbourne geologist Charles Crosby. And attached to
15 Mr. Crosby's affidavit are a structure map of the Bone
16 Spring Formation on the top of the Third Bone Spring Sand, a
17 gross sand isopach map of the Third Bone Spring Sand, a west
18 to east cross-section, a production table containing
19 information from other wells drilled in the vicinity, and,
20 finally, Mewbourne's well planning report for the proposed
21 well which will be orthodox.

22 As Mr. Crosby states in his affidavit, the
23 horizontal spacing unit is justified from a geologic
24 standpoint. There is no faulting or other geologic
25 impediment that could adversely affect the drilling of the

1 proposed well, and each quarter section in the horizontal
2 spacing will contribute more-or-less equally to production.

3 And with that I will move the admission of
4 Exhibits 1 and 2 in case 20268.

5 HEARING EXAMINER: Exhibits 1 and 2 are admitted.

6 MR. LARSON: Okay. If you like, I will move
7 on to 20269 unless there are questions.

8 MR. BROOKS: Well, this may apply to all of them.
9 You said something about there is no depth severance to the
10 Third Bone Spring.

11 MR. LARSON: Correct.

12 MR. BROOKS: Now, are you limiting this pooling
13 to the Third Bone Spring?

14 MR. LARSON: Yes.

15 MR. BROOKS: Okay. So there is a depth severance
16 within the Bone Spring.

17 MR. LARSON: Yes. Actually, as you may recall,
18 Mewbourne's pooled the Second Bone Spring in this area, so
19 there have been orders issued pooling interests in the
20 Second Bone Spring.

21 MR. BROOKS: This is the backcast of one that's
22 already like what Percussion is doing. They were pooling
23 and saying, we pooled this -- we want to pool to this
24 depth, and then we are going to pool below that in
25 another -- in another proceeding. You are pooling -- you

1 are starting at -- you have already pooled the counter --

2 MR. LARSON: The Second Bone Spring.

3 MR. BROOKS: You have already pooled up there,
4 you are going to find the lower part.

5 MR. LARSON: Basically, yes, yes.

6 MR. BROOKS: Okay. I understand. Thank you.

7 MR. LARSON: Actually, if you'll recall in one of
8 the Mewbourne cases there was a depth severance within the
9 Second Bone Spring. There was a contractual arrangement --

10 MR. BROOKS: I forgot. There are so many of
11 these cases I forget them pretty quickly. Thank you.

12 MR. LARSON: Sure. I would ask that case 20268
13 will be taken under advisement.

14 HEARING EXAMINER: Case 20268 will be taken under
15 advisement.

16 Call case 20269. Call for appearances.

17 MR. LARSON: Gary Larson, the Santa Fe Office of
18 Hinkle Shanor for the applicant, Mewbourne Oil Company.

19 As Mr. Jones has noted, this case is very similar
20 to the application in 20268. Mewbourne is seeking pooling
21 of all uncommitted mineral interests in the Third Bone
22 Spring Sand, and a standard 240-acre horizontal spacing
23 unit. Again the one remaining uncommitted mineral interest
24 owner is Marathon. The horizontal spacing unit will be
25 dedicated to the Sapphire 11 slash 12 B3MN State Com Number

1 2H well.

2 Exhibit 1 is a self-affirmed statement of
3 Mewbourne Landman, Paul Haden. The attachments to his
4 affidavit are the C-102 for the proposed well, Mr. Haden's
5 well proposal letter to Marathon, and a log identifying his
6 follow-up communications, proof of notice to Marathon of
7 today's hearing, and the AFE for the proposed well.

8 As Mr. Haden notes in his affidavit, there are no
9 depth severances in the Third Bone Spring Sand. Mewbourne
10 is again requesting overhead administrative rates of \$8,000
11 a month while drilling and \$800 a month while the well is
12 producing. And these rates are comparable to those charged
13 by other operators in the area and are the rates specified
14 in Mewbourne's JOA for the well. And finally, Mr. Haden
15 notes Mewbourne requests a 200 percent risk factor.

16 Exhibit 2 is a self-affirmed statement of
17 Mewbourne geologist, Charles Crosby. And attached to
18 Mr. Crosby's affidavit are a structure map of the Bone
19 Spring Formation on top of the Third Bone Spring Sand, a
20 gross sand isopach map of the Third Bone Spring Sand, a west
21 to east cross-section, a production table containing
22 information from other wells drilled in the vicinity, and
23 Mewbourne's well plan report for the proposed well.

24 As Mr. Crosby states in his affidavit, the
25 spacing unit is justified from a geologic standpoint. There

1 is no faulting or other geologic impediment that could
2 adversely affect the drilling of the proposed well, and each
3 quarter section in the horizontal spacing unit will
4 contribute more-or-less equally to production.

5 And with that I move the admission of Exhibits 1
6 and 2.

7 HEARING EXAMINER: Exhibits 1 and 2 are admitted.

8 MR. LARSON: I have nothing further.

9 MR. BROOKS: I don't think I have anything in
10 this case.

11 HEARING EXAMINER: Case Number 20269 will be
12 taken under advisement.

13 MR. LARSON: Thank you, Mr. Examiner.

14 HEARING EXAMINER: At this time we will take a
15 15-minute break.

16 (Adjourned.)

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STATE OF NEW MEXICO)
)SS
COUNTY OF SANTA FE)

I, IRENE DELGADO, certify that I reported the proceedings in the above-transcribed pages, that pages numbered 1 through 9 are a true and correct transcript of my stenographic notes and were reduced to typewritten transcript through Computer-Aided Transcription, and that on the date I reported these proceedings I was a New Mexico Certified Court Reporter.

Dated at Santa Fe, New Mexico, this 7th day of March 2019.

Irene Delgado, NMCCR 253
Expires: 12-31-19