

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. 20300
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 4, 2019

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 PHILLIP GOETZE, TECHNICAL EXAMINER
 TERRY WARNELL, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner; Terry Warnell and Phillip Goetze,
Technical Examiners; and David K. Brooks, Legal
Examiner, on Thursday, April 4, 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: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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1 (1:33 p.m.)

2 EXAMINER McMILLAN: Another case of yours?

3 MR. BRUCE: Last page, case number 92,
4 Mewbourne, which is by affidavit.

5 EXAMINER McMILLAN: Okay. I would like to
6 call Case Number 20300, application of Mewbourne Oil
7 Company for compulsory pooling, Eddy County, New Mexico.
8 Call for appearances.

9 MR. BRUCE: Jim Bruce of Santa Fe
10 representing the Applicant. I'm submitting this case by
11 affidavit.

12 EXAMINER McMILLAN: Are there any other
13 appearances?

14 Please proceed.

15 EXAMINER GOETZE: I'll make believe I'm
16 Mr. Brooks.

17 MR. BRUCE: Mr. Examiner, I've handed you
18 some exhibits. In this case Mewbourne seeks to force
19 pool the Wolfcamp Formation underlying the north half of
20 Section 31 and the north half of Section 32 of 22 South,
21 27 East. The unit will be dedicated to three of
22 Mewbourne's Sundown wells Sundown 31/32 wells.

23 Submitted is Exhibit 1, the affidavit of
24 Ray Winkeljohn, the landman.

25 If you go to the attachments, you'll see a

1 Midland Map Company plat showing the approximate
2 locations of the wells and the unit that is being
3 pooled. Attached are the C-102s for the wells. These
4 wells have not been -- there is no APD on these wells.
5 They're Purple Sage; Wolfcamp wells, but there is no API
6 number.

7 And if you go to Exhibit B, it lists all
8 the parties in the well and the asterisk by their names
9 indicating the parties to be pooled. There's about
10 22 -- 22 percent of the interest owners need to be force
11 pooled.

12 Attachment C is a summary of communications
13 with each of the interest owners. There are a couple of
14 unlocatable interest owners. And as part of Attachment
15 C, there is the proposal letters, proof of notice,
16 additional correspondence between the parties.

17 And then Attachment D are the AFEs for the
18 well. They're all identical. They are about
19 \$10-1/4 million wells. There are no depth severances in
20 the Wolfcamp Formation. There are a few unlocatable
21 parties, and the landman states that they examined the
22 county and governmental records -- governmental meaning
23 state or Fed -- I mean State Land Office or Fed -- and
24 also conducted Internet searches, et cetera. They seek
25 overhead rates of 8,000 a month for a drilling well and

1 800 for a producing well. The AFEs are stated to be
2 fair and reasonable, and then they request a maximum
3 cost plus 200 percent risk charge for nonconsenting
4 interest owners.

5 Exhibit 2 is the affidavit -- my Affidavit
6 of Notice to the interest owners being pooled. There's
7 quite a few of them.

8 (Examiner Brooks present, 1:37 p.m.)

9 EXAMINER BROOKS: I have returned.

10 EXAMINER McMILLAN: We already got one case
11 done.

12 EXAMINER BROOKS: Good for you. That's two
13 for today.

14 (Laughter.)

15 MR. BRUCE: Most of them -- most of the
16 interest owners have received actual notice of the
17 hearing. There are actual two notice letters. One is
18 to about 15 interest owners, and the last two pages of
19 the three pages of the Notice of Affidavit are -- are to
20 another interest owner. The Mar, M-A-R, Oil & Gas
21 Company had subsequently assigned its interest to
22 Ostrich Oil & Gas, and I sent a separate notice letter
23 to them. But Ostrich was aware of the first pooling.
24 A few of the parties did not receive notice.

25 Notice was published against all of the

1 parties in the Carlsbad newspaper as shown by the
2 Affidavit of Publication marked Exhibit 3. So everyone
3 received actual or constructive notice.

4 Exhibit 4 is a verified statement of Tyler
5 Hill, the geologist.

6 Attachment A is a structure map showing a
7 line of cross section, duly noted, Exhibit 4, Attachment
8 A. We will correct that at the next hearing. East-west
9 cross section showing the wells and the proposed wells
10 in this area. The geologist does state that the
11 preferred orientation is for lay-down wells in this
12 area.

13 Attachment B is the cross section of the
14 Wolfcamp Formation, and it does indicate the target zone
15 for the three wells, which is the -- it's in the Upper
16 Wolfcamp, the Y Sand -- part of the X-Y Sand.

17 Attachment C is production data from other
18 wells in the area, Matador and Mewbourne wells, and the
19 geologist does state that Mewbourne's wells in this area
20 are economic.

21 And attachment D is just the well -- the
22 well drilling information, the survey calculation
23 reports for the wells. And the geologist includes the
24 usual statements that each quarter section in the well
25 unit will contribute more or less equally to production,

1 and there is no faulting or other problems which would
2 affect -- adversely affect the drilling of the wells.

3 And with that, I'd move the admission of
4 Exhibits 1 through 4 and ask that the cases -- the case
5 be taken under advisement.

6 EXAMINER McMILLAN: Exhibits 1 through 4
7 may now be accepted as part of the record.

8 (Mewbourne Oil Company Exhibit Numbers 1
9 through 4 are offered and admitted into
10 evidence.)

11 EXAMINER McMILLAN: Can you tell me what
12 are the names of the wells? Is W0EA or O?

13 MR. BRUCE: It's -- it's W0 in Mewbourne's
14 internal --

15 EXAMINER McMILLAN: Okay. That's all I
16 wanted to know.

17 MR. BRUCE: Yeah. It's W0, which means
18 Upper Wolfcamp. W1 means lower down and W2 means --

19 EXAMINER BROOKS: I wondered about that.

20 EXAMINER McMILLAN: It's difficult to --

21 Okay. So what about royalty interests?
22 Are you compulsory pooling them?

23 MR. BRUCE: No. They have the right to
24 pool any overrides in this well, and that is stated in
25 the landman's affidavit.

1 EXAMINER McMILLAN: Okay.

2 EXAMINER BROOKS: Okay. Well, I don't know
3 that I have anything to ask you.

4 EXAMINER McMILLAN: Anything to ask?

5 EXAMINER GOETZE: No questions.

6 EXAMINER BROOKS: You gave notice to the
7 overrides if there were any, I'm sure, because you're --
8 that's my only contribution.

9 EXAMINER McMILLAN: Okay. So Case Number
10 20300 shall be taken under advisement.

11 (Case Number 20300 concludes, 1:41 p.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 24th day of April 2019.
21

22
23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters