

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 NOS. 20495,
FOR COMPULSORY POOLING, EDDY COUNTY, 20496
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 25, 2019

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner; Kathleen Murphy, Technical Examiner; and David K. Brooks, Legal Examiner, on Thursday, July 25th, 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
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APPEARANCES

FOR APPLICANT MEWBOURNE OIL COMPANY:

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FOR INTERESTED PARTIES JEFFREY N. JOHNSTON AND SANDRA K. JOHNSTON; SAND DOLLAR PETROLEUM; MICHAEL A. SHORT:

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1 (11:54 a.m.)

2 EXAMINER JONES: Call Cases 20495 and
3 20496, application of Mewbourne Oil Company for
4 compulsory pooling in Eddy County, New Mexico.

5 EXAMINER BROOKS: Never give Mr. Bruce more
6 than ten minutes to present anything.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of
8 Santa Fe representing the Applicant.

9 Did you call both cases?

10 MS. CALLAHAN: Candace Callahan with Beatty
11 & Wozniak. I'm here representing Jeffrey N. Johnston
12 and his wife Sandra K. Johnston; Sand Dollar Petroleum;
13 and Michael A. Short.

14 EXAMINER JONES: Did you put that into an
15 entry, or can you put that --

16 MS. CALLAHAN: It's been in. And I've
17 entered an appearance in both cases, and we filed a
18 prehearing statement.

19 MR. BRUCE: I have two sets of exhibits,
20 one for each case. I'm just going to run through the
21 first one.

22 If you'll look at Case 20495, Exhibit 1 is
23 the affidavit of Tyler Jolly, Mewbourne's landman. In
24 this case they seek to pool the Bone Spring Formation in
25 a horizontal well unit comprised of the north half-south

1 half of Section 9 and the north half-south half of
2 Section 10 in Township 20 South, 29 East. The well is
3 in the Parkway; Bone Spring Pool. If you turn back four
4 pages to Attachment A, there is Midland Map Company plat
5 showing the lands involved. Right behind that is the
6 C-102 for the well. It gives the pool code. The APD is
7 pending. Turn another page and you'll see the parties
8 who are sought to be pooled, approximately 8.75 percent
9 of the well unit.

10 Attachment C, which is pretty thick,
11 contains proposal letters sent to the various parties
12 being pooled. There were originally a lot more of the
13 parties who were going to be pooled. Mewbourne has come
14 to terms with everyone outside of those on Exhibit B,
15 but they are continuing to negotiate with these people,
16 and chances are we'll be notifying the Division of
17 certain ones who have joined in.

18 Mr. Jolly states that they have made a
19 good-faith effort either to locate the people or to
20 obtain their voluntary joinder in the well unit, and it
21 does describe the records they searched to locate
22 everyone.

23 Attachment D is the AFE for the well. It's
24 about \$8.6 million, which is stated to be fair and
25 reasonable and comparable to the cost of other similar

1 wells in this area of Eddy County. And Mewbourne
2 requests their standard 8,000 a month for a drilling
3 well and 800 a month for a producing well and requests
4 the maximum risk charge.

5 Exhibit 2 is my Affidavit of Notice.
6 Notice was sent by a letter in May, and I have attached
7 all the green cards or returned envelopes. There is a
8 second letter at the -- toward the end of the exhibit.
9 We added three more people who were being pooled, Davoil
10 Inc., Great Western Drilling and COG Operating.

11 Exhibit 3 is the Affidavit of Publication.
12 Everyone either received notice via certified mail or
13 has received notice from the publication.

14 And Exhibit 4 is the affidavit of Charles
15 Crosby, one of Mewbourne's geologists. It contains, as
16 Attachment A, a structure map; Exhibit B, an isopach.
17 Attachment C is a cross section.

18 They show that the B2, the 2nd Bone Spring
19 Sand, across the well unit has a uniform thickness, and
20 it's continuous across the well unit. The well unit is
21 justified from a geologic standpoint, and each
22 quarter-quarter section in the well unit will contribute
23 more or less equally to production.

24 He doesn't specifically address stand-up or
25 lay-down units, but as you can see from either

1 Attachment A or Attachment B --

2 EXAMINER JONES: They're all lay-down.

3 MR. BRUCE: -- they're almost all lay-downs
4 in this particular area of the state.

5 And both witnesses say the granting of the
6 applications are in the interest of conservation and the
7 prevention of waste.

8 I don't know why they sent me exhibits for
9 each case because they're virtually identical. So if
10 you go through Exhibit 1 in the next case, 496, it
11 contains all of the same data other than the C-102.

12 Exhibit 2 is identical.

13 Exhibit 3 is the Affidavit of Publication,
14 notifies the same parties by publication, and the
15 geologic statement is actually the same, virtually
16 identical, other than identifying the separate well,
17 which is in the south half-south half of 9 and south
18 half-south half of Section 2. So together, the south
19 half of Sections 9 and 10 are covered, but each well
20 unit is two miles long, 320 acres.

21 EXAMINER JONES: So together, they're all
22 in the south half of both sections?

23 MR. BRUCE: Yes.

24 With that, I move the admission of Exhibits
25 1 through 4 in each case.

1 EXAMINER JONES: Any objections?

2 MS. CALLAHAN: No objections.

3 EXAMINER JONES: Any questions or --

4 MS. CALLAHAN: No questions.

5 EXAMINER JONES: We don't have witnesses
6 here, but --

7 MS. CALLAHAN: No questions.

8 EXAMINER JONES: Exhibits 1 through 4 in
9 both cases are admitted.

10 (Mewbourne Oil Company Exhibit Numbers 1
11 through 4 in each case are offered and
12 admitted into evidence.)

13 EXAMINER JONES: Do you have any questions?

14 MS. MURPHY: I don't have any questions.

15 EXAMINER JONES: Questions, Mr. Brooks?

16 EXAMINER BROOKS: No questions.

17 EXAMINER JONES: Okay. We'll take these
18 two cases under advisement, 20495 and 20496.

19 MR. BRUCE: Thanks.

20 EXAMINER JONES: And with that, the docket
21 is concluded.

22 (Case Numbers 20495 and 20496 conclude,
23 12:01 p.m.)

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

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 2nd day of August 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