

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
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO

Case No. 22837, 22838,
22839, 22840

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
June 2, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing
before the New Mexico Oil Conservation Division,
HEARING OFFICER WILLIAM BRANCARD and TECHNICAL
HEARING OFFICER JOHN GARCIA on Thursday, June 2,
2022, through the Webex Platform.

Reported by: PAUL BACA COURT REPORTERS
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1 HEARING OFFICER BRANCARD: With that I
2 call, I believe, four cases here, Mewbourne Oil.
3 Wild Turkey cases, Case 22837, Case 22838, 22839,
4 22840.

5 MR. BRUCE: Mr. Examiner, Jim Bruce for
6 Mewbourne Oil Company.

7 HEARING OFFICER BRANCARD: I have an entry
8 of appearance from Cimarex Energy.

9 MR. KITTINGER: Mr. Examiner, Luke
10 Kittinger, Abadie & Schill on behalf of Cimarex
11 Energy Company.

12 HEARING OFFICER BRANCARD: Thank you.

13 Do you have any objections to this case
14 going forward by affidavit?

15 MR. KITTINGER: No, sir.

16 HEARING OFFICER BRANCARD: Thank you.

17 COG Operating.

18 MS. MUNDS-DRY: Thank you, Mr. Examiner.

19 Ocean Munds-Dry with COG Operating LLC and
20 Concho Oil and Gas, and we have no objection to this
21 case proceeding by affidavit.

22 HEARING OFFICER BRANCARD: Thank you.

23 Fasken Oil & Ranch.

24 MR. FELDEVERT: May it please the
25 Examiner, Michael Feldewert with the Santa Fe office

1 of Holland & Hart on behalf of Fasken and Fasken
2 does not object to the matter of proceeding by
3 affidavit.

4 HEARING OFFICER BRANCARD: Thank you.
5 V-F Petroleum.

6 MS. HARDY: Good afternoon, Mr. Examiner,
7 Dana Hardy with Hinkle Shanor on behalf of V-F
8 Petroleum, Inc., Gar Energy Corporation, Fuel
9 Products, Inc., Sandra Lawless and Lodge
10 Exploration. And the V-F entities have no objection
11 to the case proceeding by affidavit.

12 HEARING OFFICER BRANCARD: Thank you.

13 Are there any other interested persons for
14 Case 22837, 838, 839, 840?

15 Hearing none, Mr. Bruce, you may proceed.

16 MR. BRUCE: Mr. Examiner, I've submitted
17 individual applications on each well unit except
18 when it comes to the geology and the notice.

19 Skip over the first page for a minute and
20 if you look at Case 22838, which seeks to pool the
21 Bone Spring formation in the south half-north half
22 of Sections 35 and 36. They're drilling both a
23 Second Bone Spring and a Third Bone Spring well.

24 The application is enclosed. There's the
25 verified statement of Adriana Salgado which contains

1 the basic information, the C102, which does show
2 that the first and last take points for each well,
3 shows the ownership of the well unit. And also
4 contains a plat showing the tracts involved and the
5 interest owners in each tract.

6 A summary of contacts with the interest
7 owners being pooled is Exhibit 3-3. I would note
8 right off the top that COG Operating, LLC and Concho
9 Resources should be dismissed from this action
10 because they signed a JOA or they have come to an
11 agreement with Mewbourne in this matter.

12 One of -- the sample proposal letter is
13 enclosed along with a subsequent letter from March.
14 That letter is dated in March, day later they mailed
15 out operating agreement to all the interest owners
16 being pooled. Contains the AFEs.

17 And once again we were requesting 8,000
18 per month producing well, 800 a month -- I mean,
19 drilling well and 800 a month producing well rates
20 for the well and request a cost plus 200 percent
21 penalty.

22 Exhibit 6 is the pooling checklist in this
23 case, Part 1 of the Case Number 22838 information
24 contains the application, contains the landman's
25 affidavit and the pooling checklist.

1 There is one exhibit for all of the
2 geology and it contains the geologist's affidavit,
3 the affidavit of mailing and the publication notice.

4 The geologist affidavit contains all the
5 usual information. This has now been presented to
6 the Division two to three times showing the
7 structure, the Second Bone Spring -- the Second Bone
8 Spring structure, the Second Bone Spring isopack,
9 Second Bone Spring cross section, production data
10 from the Second Bone Spring.

11 And then similar data for the Third Bone
12 Spring, similar exhibits and it contains the usual
13 information.

14 And then I would get to Exhibit 4, my
15 affidavit of notice.

16 If you look at Exhibit 8 to my notice
17 letter, again, COG Operating and Concho Resource may
18 be dismissed from this action.

19 As to the other parties, just late
20 yesterday not everybody -- I didn't have green cards
21 from everybody, but late yesterday I did recover
22 from the post office a number of green cards and I
23 will supplement the notice affidavit.

24 If you look at the list, Magnum Hunter
25 Production not only entered an appearance but they

1 got a green card. Same with Gar Energy. Same thing
2 with Fuel Products. Same thing with V-F Petroleum.
3 And same thing with Lodge Exploration Company.
4 Devon Energy Production Company, received a green
5 card. I do not have a green card from Sandra
6 Lawless, but she did enter an appearance.

7 The only company that I did not receive
8 anything from was WPX Energy. But in checking the
9 USPS website, it shows that the certified mail was
10 delivered to and signed for by WPX Energy. So
11 everybody received actual notice and I will
12 supplement this in all of these cases, all of the
13 notice was the same, to the same parties, I should
14 say and I will supplement the spreadsheet showing
15 the status of the delivery, et cetera, mailing,
16 delivery and attach the additional green cards that
17 I received.

18 So I believe notice is correct. Notice
19 was published. But once again, because of Memorial
20 Day holiday, I'm a day late and a dollar short. I
21 think actual notice was received by everybody, but
22 probably to be safe, the matter should be continued
23 for the 16th just so the notice of publication is
24 correct and I can get the green card back from the
25 WPX Energy.

1 Similar exhibits for Case 22839, same
2 procedure, Case 22840, and I think those cases are
3 all safe.

4 Now, Mr. Examiner, my other problem case
5 today is Case 222, I mean, excuse me, 22837.

6 For some reason I did not click on this
7 when I filed the application. But this is one where
8 in the other four cases Mewbourne seeks to force
9 pool the entire Bone Spring formation.

10 In this particular case, which is the
11 north half-north half of two the sections, there is
12 an overlapping spacing unit. There is a well,
13 Second Bone Spring well in the north half-north half
14 of 36 and in the north half-northeast quarter of
15 Section 35.

16 Now, all of the interest owners in that
17 existing well, the Second Bone Spring well also own,
18 obviously, in the Third Bone Spring well, the
19 subject of this case really the extra half-mile
20 added to this application for a two-mile lateral
21 introduced new owners, but there is no one in the
22 existing well excluded from the new well, the new
23 proposed well. And that other well was drilled
24 about five years ago, so it's been quite awhile.

25 And, I'm sorry, I messed up on this, but

1 there is as such no depth severance in the Bone
2 Spring. There is not contractual depth severance,
3 anything like that, simply the fact that the Second
4 Bone Spring well was drilled before this one. And
5 under the Division's rules unless everyone agrees,
6 the equities in that existing well must remain the
7 same, and no one has a problem with that.

8 So I think at least on the 16th of the
9 month, the last four -- three cases are ripe for
10 being taken under advisement. And the question for
11 you is -- Mewbourne will gladly comply with equal
12 overlapping well units issue under Division rules,
13 and, if necessary, file a supplemental application
14 if anyone objects to the notice letter that will be
15 sent to them to request overlapping spacing units.

16 So as a result, I would -- just so we can
17 comply, I would ask that this matter be continued to
18 June 16th, not for the purpose of putting on any
19 evidence other than maybe stating briefly what
20 Mewbourne has done to comply with the overlapping
21 spacing unit rule.

22 HEARING OFFICER BRANCARD: Thank you.

23 Let's go around and see if anybody else
24 has questions or comments. Let's start with
25 Mr. Kittinger.

1 MR. KITTINGER: No comments from Cimarex,
2 Mr. Examiner.

3 HEARING OFFICER BRANCARD: Thank you.

4 Ms. Munds-Dry?

5 MS. MUNDS-DRY: No questions. Thank you.

6 HEARING OFFICER BRANCARD: Mr. Feldewert?

7 MR. FELDEVERT: Mr. Bruce, looking at
8 Ms. Salgado's Exhibit 1 in each case, I apologize I
9 didn't get to look at it until recently. It looks
10 like they're no longer pooling Fasken, right?

11 MR. BRUCE: That is correct.

12 MR. FELDEVERT: Okay. Okay. And she is
13 an expert, so she would know that. I appreciate the
14 clarification. Thank you.

15 HEARING OFFICER BRANCARD: Ms. Hardy?

16 MS. HARDY: I do not have any questions.
17 Thank you.

18 HEARING OFFICER BRANCARD: So, Mr. Bruce,
19 Case 22837, the application is for the Third Bone
20 Spring.

21 MR. BRUCE: Only, yes.

22 HEARING OFFICER BRANCARD: Only. So are
23 you saying that's not a depth severance and you are
24 overlapping the other spacing units?

25 MR. BRUCE: Yeah or underlapping in this

1 case.

2 HEARING OFFICER BRANCARD: Okay. So you
3 need to get further information about the other
4 spacing unit operators?

5 MR. BRUCE: The -- the other spacing unit,
6 the operator is Mewbourne and I just got an email
7 from Ms. Salgado saying, yes, all the interest
8 owners in the existing well are also in the proposed
9 well. And there is no contractual depth severance,
10 it's just a matter of that first well being drilled
11 a mile and a half rather than two miles that causes
12 the issue here.

13 HEARING OFFICER BRANCARD: So you're just
14 trying to avoid the Second Bone Spring basically?

15 MR. BRUCE: Except as to the -- yes, yes.
16 But, of course, with the west half or, excuse me,
17 north half of the northwest quarter of Section 35,
18 there is no Second Bone Spring well in that. But we
19 will leave that as maybe.

20 HEARING OFFICER BRANCARD: When you're
21 ready to drill the half-mile well?

22 MR. BRUCE: Yeah, that. But I don't know
23 what the well situation is out there.

24 HEARING OFFICER BRANCARD: All right.

25 Mr. Garcia, did you have questions?

1 TECHNICAL HEARING OFFICER GARCIA: I do
2 not.

3 HEARING OFFICER BRANCARD: Thank you.
4 Okay. So these four cases -- first of all, are all
5 going to be continued to June 16 because of the
6 notice question? You were going to further
7 supplement the notice affidavits with any additional
8 information such as green cards.

9 MR. BRUCE: Yeah.

10 HEARING OFFICER BRANCARD: And then you're
11 going to put 22837, what's your proposal?

12 MR. BRUCE: What I would do is I have been
13 in touch with the landman and we will send out a
14 notice to the people in the existing well asking if
15 they object to the underlapping spacing unit. And
16 if anyone objects we will file an application with
17 the Division requesting overlapping spacing units.

18 HEARING OFFICER BRANCARD: So how much
19 time do you need for that?

20 MR. BRUCE: Well, of course, it's a 20-day
21 notice for that letter. I would like the hearing
22 continued to June 16th just so we can fill you out
23 on what's going on and may well need more time, but
24 at least I can inform you of what's going on.

25 HEARING OFFICER BRANCARD: Okay. We will

1 also continue 22837 to June 16 but it may get
2 continued again after that.

3 MR. BRUCE: Correct.

4 HEARING OFFICER BRANCARD: All right. Is
5 everybody clear?

6 TECHNICAL HEARING OFFICER GARCIA: Other
7 than me, probably.

8 HEARING OFFICER BRANCARD: Thank you.

9 So with that, Cases 22837, 22838, 22839,
10 22840 are continued to June 16th.

11 MR. BRUCE: Thank you.

12 HEARING OFFICER BRANCARD: Thank you.

13 (Matter concluded.)

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REPORTER'S CERTIFICATE

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter. I further certify that the transcript fees and format comply with those prescribed by the Court and the Judicial Conference of the United States.

Date: June 2, 2022

/s/ Edwina Castillo

EDWINA CASTILLO, RPR, CCR
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