

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 AND APPROVAL
OF OVERLAPPING WELL UNITS
EDDY COUNTY, NEW MEXICO

Case No. 22727, 22728

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
June 16, 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 DYLAN ROSE-COSS on Thursday, June
16, 2022, through the Webex Platform.

Reported by: PAUL BACA COURT REPORTERS
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1 HEARING OFFICER BRANCARD: Let's skip
2 ahead to Items 43 and 44.

3 Are you okay to continue, Mr. Bruce, for a
4 little while here?

5 MR. BRUCE: Yes, sir.

6 HEARING OFFICER BRANCARD: These will be
7 Cases 22727, 22728, Mewbourne Oil Company.

8 MR. BRUCE: Jim Bruce on behalf of
9 Mewbourne.

10 HEARING OFFICER BRANCARD: We have an
11 entry of appearance from Coterra Energy.

12 MR. KITTINGER: This is Luke Kittinger
13 with Abadie & Schill on behalf of Coterra Energy,
14 Inc., and affiliates Cimarex Energy Company and
15 Magnum Hunter Production.

16 And Cimarex does not object to this going
17 forward by affidavit.

18 HEARING OFFICER BRANCARD: Thank you,
19 Mr. Kittinger. I have Snow Oil & Gas and others.

20 MR. BRUCE: Mr. Examiner, if I may, those
21 companies are represented by Mr. Padilla. I
22 informed Mr. Padilla that at the hearing I would
23 dismiss those four or five named clients of his, and
24 I hereby do dismiss them. Snow Oil and I think
25 there's an estate in there and a couple of other

1 companies and his clients are dismissed from this
2 proceeding. They do not need to be pooled.

3 HEARING OFFICER BRANCARD: Mr. Padilla,
4 can you unmute yourself and let us know what you
5 think.

6 MR PADILLA: I think that's great. And I
7 don't know why we were dismissed I know the parties
8 are still negotiating, so I think that's the reason.

9 HEARING OFFICER BRANCARD: You --

10 MR. BRUCE: I think the reason is that,
11 Mr. Examiner, in these cases Mewbourne, just to
12 respond to Mr. Padilla, concern the north half of
13 Sections 31, 32, and 33, and I was informed by my
14 client and I can always get supplemental info from
15 them, that Mr. Padilla's client own only in the
16 south half of the sections and they were originally
17 given notice because Mewbourne was trying get them
18 to join in a JOA that would cover all of these
19 sections, not just the north half of those sections.

20 So they are in discussions but insofar as
21 these particular two wells are concerned, they do
22 not need to be pooled because they do not own a
23 working interest in the north half of these
24 sections.

25 HEARING OFFICER BRANCARD: Okay. All

1 right. So with that, Mr. Bruce, if you could file
2 something, that will be even better if you could
3 file with Mr. Padilla's concurrence --

4 MR. BRUCE: Sure.

5 HEARING OFFICER BRANCARD: -- that
6 indicates the status of that.

7 MR. BRUCE: I will do that. I will get
8 something from the landman and set it in writing to
9 Mr. Padilla and ask for his concurrence.

10 HEARING OFFICER BRANCARD: All right.

11 MR. BRUCE: But they are in discussions, I
12 know that.

13 HEARING OFFICER BRANCARD: Okay. And then
14 we can get to your exhibits later. But if the
15 exhibits indicate what parties are being pooled,
16 then you need to amend those exhibits.

17 MR. BRUCE: No and I will go through that.
18 They are not listed in the particular exhibits that
19 I will mention to you shortly.

20 HEARING OFFICER BRANCARD: Thank you. All
21 right. Are there any other interested persons,
22 then -- let me just get back to Mr. Padilla.

23 I assume, Mr. Padilla, you have no
24 objection to case going forward by affidavit.

25 MR. PADILLA: No, I do not have an

1 objection.

2 HEARING OFFICER BRANCARD: Are there any
3 other interested parties, then, for Cases 22727 and
4 22728?

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

6 MR. BRUCE: Mr. Examiner, in this case
7 Mewbourne seeks to force pool the north half-north
8 half in the Case -727. The north half-north half of
9 Sections 31, 32 and 33, a three-mile horizontal well
10 for purposes of its Pavo Macho 31/33 B3 Bone Spring
11 DA well for 2H.

12 There is this -- there is an overlapping
13 unit well issue and I will have to get you, once
14 again, a letter, but a notice letter has gone out
15 pursuant to the regulations to the interest owners
16 of the Pavo Macho 31/32 B2DA well, which covers the
17 north half-north half which well unit covers the
18 north half-north half of Sections 31 and 32.

19 And I will get that to the Division.
20 Probably the -- that notice letter was sent out by
21 certified mail. It's probably about a week before
22 the 20-day notice period lapses.

23 In Case 22728, it is the south half-north
24 half of those three sections. And again there's an
25 overlapping well unit where a letter has gone out

1 pursuant to the regulations. It went out on the
2 same day as the prior letter.

3 So if this case needs to be -- these cases
4 need to be continued for purposes of letting the
5 time period lapse, then they should be moved on to
6 July 7th.

7 But Exhibit 1 contains the applications
8 and proposed notices.

9 Exhibit 2 is landman's affidavit. And you
10 will see Attachment A1 and B1 are the land plat and
11 if you go to the end of the Exhibit B1, Attachment
12 B1, the third page of that does show the parties
13 being pooled highlighted in red, and they do not
14 contain Mr. Padilla's clients. That's for the first
15 case.

16 And then Attachments A2 and B2 are for the
17 second case. Again, there's a land plat and then a
18 map showing the interest owners. A number of people
19 have joined a JOA and that's why they're -- on each
20 of these shows Mewbourne Oil Company, et al. as
21 owning certain interest in each of the tracts. They
22 did not list all of the interest owners who are
23 subject to the JOA.

24 And, again, on the third page of
25 Attachment B2, it shows the parties being pooled in

1 red and they do not contain Mr. Padilla's clients.

2 There is summary of communications with a
3 copy, sample copy of the proposal letter, the APD, I
4 mean, excuse me, the AFEs for the wells, and in the
5 affidavit the landman does ask for overhead rates of
6 8,000 per month drilling, 800 per month producing,
7 200 percent risk charge. The usual information is
8 contained and this will -- we do seek to force pool
9 working interest owners into these well units, so
10 there is the statement of the Geologist Charles
11 Crosby with the usual structure map, isopach, cross
12 section showing the continuity of the third Bone
13 Spring across the well units.

14 Mr. Crosby also -- let me see if we put it
15 in there. It's in the notice letter that I did not
16 submit with this package, the overlapping well
17 units -- these particular applications concern the
18 third Bone Spring, the existing wells cover our
19 second Bone Spring wells and therefore because of
20 the barriers between the second and third Bone
21 Spring, Mewbourne does not believe that there will
22 be any effect on the existing wells from the
23 proposed wells.

24 And the geologist and I discussed putting
25 that in this, his land affidavit and I see that he

1 didn't do that. So I will supplement the record to
2 get a statement from the geology as to that effect.

3 There's information on other production
4 from the third Bone Spring in this area, and then
5 once again Mr. Rose-Coss, I have attached the survey
6 calculation reports which my client sent to me. I
7 do not have -- from one the horizontal drilling
8 companies, I do not have an actual proposed drill
9 and plan as of this moment. I will ask for one. Or
10 at least I will report back when I can expect one
11 from them.

12 Exhibit 4 is my affidavit of notice.
13 Notice was given to everyone in all three sections.
14 And for the most part notice, for once in my life,
15 is fairly, fairly well done. Two people, Gateway
16 Oil and Gas, Inc., and McCombs Energy, Limited did
17 not return green cards, at least as of by Saturday.

18 Again there is publication notice timely
19 done, and so I believe notice is complete. But if I
20 do receive green cards I will supplement the record.

21 And then Exhibit 6 contains the pooling
22 checklists. One thing that I asked the client and
23 they didn't get back to me in time was the pool and
24 pool code. I will supplement the record with that
25 also.

1 But I believe other than that, the
2 application packet is correct and I move the
3 admission of Exhibits 1 through 6. And that's all I
4 have.

5 HEARING OFFICER BRANCARD: Thank you.

6 Mr. Kittinger, any questions? I'm sorry.
7 Thank you. Mr. Kittinger, any questions?

8 MR. KITTINGER: No questions.

9 Thank you, Mr. Examiner.

10 HEARING OFFICER BRANCARD: Mr. Padilla?

11 MR. PADILLA: None. Thank you.

12 HEARING OFFICER BRANCARD: All right.

13 Mr. Rose-Coss.

14 MR. ROSE-COSS: Yes. Again, Mr. Bruce, my
15 question is more of a comment here. So these are
16 three-mile laterals.

17 Are you aware that these are the first
18 three-mile laterals in the area or this is a (audio
19 cut out) we can get ground here.

20 MR. BRUCE: Hold on a second. I think,
21 Mr. Rose-Coss, if you go to Attachment B of the
22 geologist affidavit you can see there are a number
23 of two-mile laterals in this area. But I think
24 these are the first three miles in the particular --
25 in this immediate area, but I'll ask the geologist

1 that question.

2 MR. ROSE-COSS: And this isn't going to
3 strand any acreage?

4 MR. BRUCE: I don't think so. I don't
5 think so. You know, they're not cutting off in the
6 middle of the section or anything like that. But I
7 will get that information to you, too.

8 I don't see how it is stranded because if
9 you look at that plat you can see that -- that
10 Attachment B, you can see that to the west of the
11 Section 36 and westward there's people there who can
12 drill east-west.

13 And in Section 34 to the east, you can see
14 that people there can drill east-west into another
15 section or even to a certain extent north-south
16 depending on what their development pattern is, but
17 it appears that lay-down units are the preferred
18 development strategy in this area. But just looking
19 at that plat and I will confirm with the geologist,
20 it doesn't look like there would be any stranded
21 acreage to the east or to the west of the proposed
22 well units.

23 MR. ROSE-COSS: Okay. Perfect. Those
24 were kind of my observations and comments, and I
25 don't have anything else.

1 Thank you.

2 HEARING OFFICER BRANCARD: Mr. Rose-Coss,
3 I forgot to ask, these two cases and the one, two
4 cases after this, these exhibits were filed, I
5 believe, yesterday afternoon. I just want to make
6 sure you had enough to review them.

7 MR. ROSE-COSS: It makes it more
8 challenging but --

9 MR. BRUCE: And I apologize to the
10 Division. I guess this was my week of dominating
11 the Division's calendar. I had some unexpected
12 things I had to do last week, so I couldn't get
13 everything packaged. I apologize and it will not
14 happen again.

15 MR. ROSE-COSS: Yeah. It's better than it
16 was two years ago that we even got it last night as
17 opposed to we get them right before.

18 MR. BRUCE: I put in about four 16-hour
19 days and I still didn't succeed.

20 MR. ROSE-COSS: It was a pretty big load,
21 Mr. Bruce. You're in every single case today.

22 HEARING OFFICER BRANCARD: Thank you.

23 Mr. Bruce, I propose these two cases be
24 continued to July 7th to deal with the overlapping
25 spacing unit notice issue.

1 MR. BRUCE: Okay. And I will --

2 HEARING OFFICER BRANCARD: What else do we
3 need? I think you mentioned pool codes.

4 MR. BRUCE: Yeah. Let me look at the
5 pooling checklist. No, not on this one. I did get
6 the pool on this one. This is east Loco Hills Bone
7 Spring. It was the prior matters where I needed the
8 pool codes. So pretty much it's the -- let me see.
9 Yeah, that's the next case. I'm looking at the
10 wrong file.

11 Yeah, the pool codes. Item Number 1 pool
12 and pool codes.

13 Number 2 make sure there is no stranded
14 acreage.

15 Number 3 confirm whether -- I know the
16 wells haven't drilled, but I will see if I can get
17 the survey plat.

18 And Number 4 I will submit the letter
19 notifying interest owners of the overlapping units.
20 That was issued by Mewbourne and not me, and then I
21 will confirm the status of Mr. Padilla's clients and
22 I will confer with him after the hearing on that.

23 HEARING OFFICER BRANCARD: Thank you. I
24 think that covers everything I had listed.

25 Mr. Rose-Coss, did you have anything more?

1 MR. ROSE-COSS: No.

2 HEARING OFFICER BRANCARD: So any other
3 interested persons for Cases 22727, 22728?

4 Hearing none, Cases 22727, 22728 will be
5 continued to the July 7th docket for the purposes of
6 the notice for the overlapping spacing units.

7 And then we will leave the record open and
8 we will admit the exhibits that are submitted
9 presented today and leave the record open for the
10 items that Mr. Bruce went through.

11 Thank you.

12 MR. BRUCE: Thank you.

13 (Recess taken at 10:11 to 10:20 a.m.)

14 HEARING OFFICER BRANCARD: We're back on
15 the Oil Conservation Division June 16, 2022. It's
16 10:20 a.m. We are working our way through the list
17 of cases here.

18 Before we get back on the list I have
19 gotten a few emails since the announcement this
20 morning about the 5 p.m. Tuesday deadline for filing
21 exhibits in compulsory pooling affidavit cases.

22 Several folks want to know whether it is
23 still acceptable to file by midnight on Tuesday.

24 That's fine. The published notice we have says
25 5 p.m. but midnight is acceptable.

1 We have a lot of notices about hearing
2 procedures particularly during the time with COVID
3 and the transition to electronic filing. It is my
4 hope when I have free time to go back through all
5 those notices and combine them into one notice that
6 sort of clarifies where we're at with hearing
7 procedures so everybody is on the same page and
8 hopefully post all that on our hearings page.

9 Thank you for your patience with us during
10 that time.

11 (Proceedings concluded at 10:23 a.m.)

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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 16, 2022

/s/ Edwina Castillo

EDWINA CASTILLO, RPR, CCR
Certified Court Reporter #407
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