

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

RECEIVED OGD
2012 JUL 19 P 12:53

**IN THE MATTER OF THE HEARINGS CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF LIME ROCK RESOURCES II-A,
L.P. FOR APPROVAL OF COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 14,820

**APPLICATION OF LIME ROCK RESOURCES II-A,
L.P. FOR APPROVAL OF COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 14,821

**APPLICATION OF LIME ROCK RESOURCES II-A,
L.P. FOR APPROVAL OF COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 14,822

**APPLICATION OF LIME ROCK RESOURCES II-A,
L.P. FOR APPROVAL OF COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 14,823

AMENDED PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mewbourne Oil Company ("Mewbourne") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Lime Rock Resources II-A, L.P.

APPLICANT'S ATTORNEY

Ernest L. Padilla

OPPONENT

Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701

OPPONENT'S ATTORNEYS

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attention: Corey Mitchell
(432) 682-3715

Michael F. Shepard
General Counsel
Mewbourne Oil Company
P.O. Box 7698
Tyler, Texas 75711
(903) 561-2900

Richard E. Olson
Hinkle Hensley, Shanor & Martin, L.L.P.
P.O. Box 10
Roswell, New Mexico 88202
(575) 622-6510

STATEMENT OF THE CASE

APPLICANT

OPPONENT

Applicant seeks to, collectively, force pool the E $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 7, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, to be dedicated to four glorieta-Yeso wells (two on each quarter-quarter section).

Mewbourne is the operator of the S $\frac{1}{2}$ of Section 7 under an Operating Agreement dated May 15, 1973. This agreement covers all depths in the S $\frac{1}{2}$ of Section 7 except (1) the Queen-Grayburg-San Andres formation in the E $\frac{1}{2}$ SW $\frac{1}{4}$ and NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 7, (2) surface to 1910 feet subsurface in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 7, (3) surface to the base of the San Andres formation in the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7, and (4) surface to 1900 feet subsurface in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 7. All of the above excluded depths are above the top of the Glorieta-Yeso formation. Thus, there is a voluntary agreement between the working interest owners in the proposed wells, compulsory pooling is improper, and the cases must be dismissed.

Depending on the outcome of Mewbourne's motion to dismiss, Mewbourne may present testimony on comparative well costs and expected results. Lime Rock's aggregate cost for its four proposed wells, completed as producers, is \$4,718,460. Mewbourne has proposed a horizontal Yeso well with a completed well cost estimated at \$2,428,800, resulting in a substantial cost savings, especially considering that a horizontal well will recover substantially more reserves than the four vertical wells combined.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

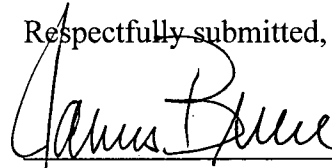
OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Corey Mitchell (landman)	25 min.	Approx. 6
Bruce M. Kramer (Oil and Gas Legal Expert)	25 min.	Approx. 6
Drew Robison (engineer)	25 min.	Approx. 4

PROCEDURAL MATTERS

Mewbourne has filed (1) a motion to dismiss, and (2) a motion for leave to take deposition. In addition, Mewbourne has a subpoena *duces tecum* outstanding against Lime Rock. Mewbourne has requested that documents be produced, and the deposition of Lawrence Garcia be taken, before the hearing scheduled for July 12, 2012. Mewbourne has also filed a motion for continuance.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Michael F. Shepard
General Counsel
Mewbourne Oil Company
P.O. Box 7698
Tyler, Texas 75711
(903) 561-2900

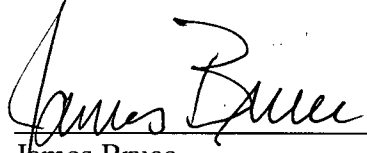
Richard E. Olson
Hinkle Hensley, Shanor & Martin,
L.L.P.
P.O. Box 10
Roswell, New Mexico 88202
(575) 622-6510

Attorneys for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 5th day of July, 2012 by facsimile transmission and U.S. Mail:

Ernest L. Padilla
P.O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7592


James Bruce