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

ORIGINAL

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

CASE NO. 14307

APPLICATION OF MEWBOURNE OIL COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

April 16, 2009  
Santa Fe, New Mexico

BEFORE: DAVID BROOKS: Hearing Examiner  
TERRY WARNELL: Technical Advisor  
RICHARD EZEANYIM: Technical Advisor

This matter came for hearing before the New Mexico  
Oil Conservation Division, David Brooks Hearing Examiner,  
on April 16, 2009 at the New Mexico Energy, Minerals and  
Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Peggy A. Sedillo, NM CCR NO. 88  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102

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APPLICANT'S EXHIBITS

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COURT REPORTER'S CERTIFICATE	9
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A P P E A R A N C E S

FOR THE APPLICANT:	JAMES BRUCE, ESQ.
	Attorney at Law
	P. O. Box 1056
	Santa Fe, NM 87504

1 HEARING EXAMINER: At this time we'll call Case  
2 No. 14307, the Application of Mewbourne Oil Company for  
3 compulsory pooling, Eddy County, New Mexico.

4 Call for appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
6 representing the applicant. This matter is being  
7 submitted by affidavit.

8 HEARING EXAMINER: Very good. You may proceed.

9 MR. BRUCE: Mr. Brooks, Exhibit 1 is the  
10 statement of Paul Haden, the landman for Mewbourne.  
11 Mewbourne seeks to force pool the west half of Section 9,  
12 20 South, 25 East.

13 This proposal is for a reentry of the First  
14 National Bank A Well No. 1, which is located in the  
15 southwest quarter of the southwest quarter of Section 9.  
16 It is a Morrow test.

17 The only party being force pooled is  
18 Kaiser-Francis Oil Company which owns a 50 percent  
19 interest in the southwest quarter. So there is only a 25  
20 percent interest in the west half well unit. The overhead  
21 rates are \$7,000 and \$700.

22 If you'll turn back to the second page of  
23 Attachment A, Mr. Examiner, you'll see a split of the  
24 working interest ownership. This actually shows all of  
25 Section 9.

1           If you'll look at the west half of Section 9,  
2   Mewbourne Oil Company and the other parties listed own 100  
3   percent of the operating rights in the northwest quarter.  
4   They are all subject to the JOA.

5           In the southwest quarter, it's owned one-half by  
6   Kaiser-Francis Oil Company, and one-half by KCS Resources,  
7   Inc. KCS Resources, Inc, has signed a JOA with Mewbourne  
8   Oil Company.

9           I e-mailed you about this matter a day or two  
10   ago, and I don't know if you had a chance to review that  
11   e-mail.

12           HEARING EXAMINER: Was this the one where you  
13   were raising the question about whether or not the  
14   operator under the joint operating agreement would have  
15   standing to bring a compulsory pooling proceeding?

16           MR. BRUCE: That is correct.

17           HEARING EXAMINER: I can see why there is a  
18   question about it. And I'm not aware whether the  
19   Commission has ever addressed that issue or not.

20           MR. BRUCE: I just bring that out so you can --  
21   If Mewbourne can as operator force pool the interests,  
22   then it would be also seeking to force pool 40 acre and  
23   160 acres units. If not, it will only be seeking to force  
24   pool 320 acres.

25           HEARING EXAMINER: I do know that we have

1     allowed an operating subsidiary where a different  
2     subsidiary of the same corporation owned the working --  
3     was the actual working interest owner, and the operating  
4     subsidiary did not have a working interest.

5             And we have allowed the operating subsidiary to  
6     be the moving party in force pooling. So that would seem  
7     to be precedent for it. But I'm not aware of whether the  
8     Division has ever addressed that specific issue.

9             MR. BRUCE: Okay. But I raise that just so you  
10    can decide in the order what to do.

11            HEARING EXAMINER: Okay.

12            MR. BRUCE: Attachment B is simply the  
13    correspondence, letters, e-mail, et cetera, between  
14    Mewbourne Oil Company and Kaiser-Francis discussing this  
15    matter fairly continuously over the last couple or three  
16    months.

17            And discussions are ongoing, but they have not  
18    been able to reach agreement at this point.

19            Attachment C is an AFE.

20            HEARING EXAMINER: You said Kaiser-Francis is  
21    the only party being pooled?

22            MR. BRUCE: That is correct. Attachment C is  
23    the AFE for the reentry, which is slightly over one  
24    million dollars.

25            And Exhibit 2 is the affidavit of notice showing

1 that Kaiser-Francis did receive actual notice of the  
2 pooling application.

3 HEARING EXAMINER: Now, you said this is a  
4 reentry and you're asking surface to the base of the  
5 Morrow. I take it the Morrow is the objective?

6 MR. BRUCE: It is the primary objective.

7 HEARING EXAMINER: Is it a shallow well that  
8 they're reentering?

9 MR. BRUCE: Mr. Examiner, I believe this well  
10 actually -- I think they may be deepening it slightly, but  
11 it was a fairly deep well. I forget the exact depth that  
12 it tested. The TD was approximately 9,500 feet. And if  
13 you look at the AFE, they planned to go down just slightly  
14 deeper, to 9,600 feet.

15 HEARING EXAMINER: Now this ownership breakdown  
16 that you provided here, is that valid for all depths?

17 MR. BRUCE: With respect to Kaiser-Francis, they  
18 would own 25 percent in 320 acre zones and 50 percent in  
19 the southwest quarter.

20 HEARING EXAMINER: Yeah. Okay.

21 MR. BRUCE: Notice of this hearing was also sent  
22 to Forest Oil Permian Corporation, but they have since  
23 joined in the well, and therefore, they are not being  
24 pooled.

25 But I would move the admission of Exhibits 1 and

1 2 and ask that the matter be taken under advisement.

2 HEARING EXAMINER: Where is the depth severance?

3 MR. BRUCE: It's not really -- in the southwest  
4 quarter, Kaiser-Francis owns 50 percent as to all depths.

5 HEARING EXAMINER: Okay.

6 MR. BRUCE: So there is not a depth severance as  
7 such, it's just their interest would vary --

8 HEARING EXAMINER: I see. It just depends on  
9 the size of the unit.

10 MR. BRUCE: That's right.

11 HEARING EXAMINER: But regardless of depth, if  
12 it's a unit that includes the southwest quarter --

13 MR. BRUCE: Kaiser-Francis will allow it.

14 HEARING EXAMINER: Okay, I see. I understand.  
15 Very good. Exhibits 1 and 2 will be admitted. And Case  
16 No. 14307 will be taken under advisement.

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 14307,  
heard by me on 4-16-2009.  
*David K. Borch* Examiner  
Oil Conservation Division

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STATE OF NEW MEXICO       )  
  ) ss.  
COUNTY OF BERNALILLO       )

REPORTER'S CERTIFICATE

I, PEGGY A. SEDILLO, Certified Court  
Reporter of the firm Paul Baca Professional  
Court Reporters do hereby certify that the  
foregoing transcript is a complete and accurate  
record of said proceedings as the same were  
recorded by me or under my supervision.

Dated at Albuquerque, New Mexico this  
25th day of April, 2009.

  
\_\_\_\_\_  
PEGGY A. SEDILLO, CCR NO. 88  
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