

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

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

ORIGINAL

7 APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 14375
8 FOR COMPULSORY POOLING, EDDY COUNTY,
9 NEW MEXICO.

and
9 APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 14376
10 FOR COMPULSORY POOLING, EDDY COUNTY,
11 NEW MEXICO.

and
11 APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 14377
12 FOR COMPULSORY POOLING, EDDY COUNTY,
13 NEW MEXICO.

13 REPORTER'S TRANSCRIPT OF PROCEEDINGS
14 EXAMINER HEARING

15 September 3, 2009
16 Santa Fe, New Mexico

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17 BEFORE: TERRY WARNELL: Hearing Examiner
18 DAVID BROOKS: Technical Advisor

19 This matter came for hearing before the New Mexico
20 Oil Conservation Division, Terry Warnell Hearing Examiner,
21 on September 3, 2009, at the New Mexico Energy, Minerals
and Natural Resources Department, 1220 South St. Francis
Drive, Room 102, Santa Fe, New Mexico.

22 REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88
23 Paul Baca Court Reporters
24 500 Fourth Street, NW, Suite 105
25 Albuquerque, NM 87102

1 HEARING EXAMINER: We're now going to be looking
2 at Case No. 14375?

3 MR. BRUCE: Yes, 375 -- if I could, 375, 376 and
4 377 all have the same issue in them. If I could just
5 start with 375, and then we can probably -- other than
6 submitting exhibits, make short work of the second two
7 cases.

8 HEARING EXAMINER: Sounds like a good idea.
9 Okay, so we'll go ahead and hear then 14375, 376 and 377.
10 They're all applications of Mewbourne Oil Company for
11 Compulsory Pooling, all in Eddy County, New Mexico. Call
12 for appearances.

13 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
14 representing the Applicant. I'm submitting this by
15 affidavit.

16 Mr. Examiner, these cases involve the force
17 pooling of three 40 acre tracts from the surface to the
18 base of the Yeso formation.

19 If you would refer to Exhibit 1 which I've just
20 handed you and turn back to the land plat, the land
21 involved are three 40 acre tracts. This first case
22 involves the northeast southeast of Section 15 of 20, 25.

23 The next two cases involve the southwest
24 southeast, and the southeast southeast of Section 15.
25 Those three 40s form a common tract with common mineral

1 ownership.

2 MR. BROOKS: This one is the northeast
3 southeast, and what are the others?

4 MR. BRUCE: Yes, sir.

5 MR. BROOKS: The others are what orders?

6 MR. BRUCE: What's that, now?

7 MR. BROOKS: The others are adjacent, is that --

8 MR. BRUCE: No. You'll see where the dots are,
9 the southwest southeast and then the southeast southeast.

10 MR. BROOKS: Okay. Yeah, I see that, thank you.

11 MR. BRUCE: Now, the first case is actually --
12 is subject to a pooling order, Order No. R13098. It
13 was -- I forget the date of that Order. But last spring,
14 these were force pooled. There were a number of interest
15 owners force pooled.

16 And at that time, you'll see the affidavit of
17 the landman, they're seeking to force pool Larry Edward
18 Fanning who has approximately a 1 percent unleased mineral
19 interest in this tract. He was he was not included in the
20 original pooling application because Mewbourne Oil Company
21 had acquired a lease from Mr. Fanning.

22 However, if you go back behind the land plat,
23 you'll see a summary regarding Mr. Fanning's interest.
24 And this applies to all three wells. Mewbourne has been
25 dealing with Mr. Fanning for about a year and a half.

1 They acquired a lease, but it turns out there
2 was a lien or a mortgage on Mr. Fanning's mineral interest
3 and the lienholder would not grant a subordination
4 agreement as to Mewbourne's interest.

5 As a result, they released the lease and now
6 they're seeking to force pool Mr. Fanning's unleased
7 mineral interest.

8 And it's an odd situation, although I've always
9 thought that any contract or any type of interest in
10 property is subject to the force pooling authority of the
11 State, and therefore, if they force pool the interest, I
12 don't think the force pooled interest would necessarily be
13 subject to the lien.

14 MR. BROOKS: Did you give notice to the
15 lienholder?

16 MR. BRUCE: No, I didn't. And if it's
17 necessary -- That didn't dawn on me until today.

18 MR. BROOKS: Well, I don't think the Rule
19 requires it, I'm just wondering if -- The Johnson case and
20 the -- what's that other notice case?

21 MR. BRUCE: Youton?

22 MR. BROOKS: Yes. Which one says we have to
23 follow our rules and which one is it that says the person
24 who has an interest has to be notified whether it's a rule
25 or not.

1 MR. BRUCE: I think the Johnson case says to
2 follow the rules.

3 MR. BROOKS: Between the two together, they said
4 both those, as I recall.

5 MR. BRUCE: And that is no issue. Obviously,
6 the lienholder, which is Rossrock LLC, is -- they're
7 familiar with the gas and oil lease. And if that's
8 required, that's no problem.

9 MR. BROOKS: Well, I would -- if I were in your
10 position, I would want to do it.

11 MR. BRUCE: Okay.

12 MR. BROOKS: I think perhaps we should continue
13 this case for 30 days and give you the chance to notify --
14 or 28 days.

15 MR. BRUCE: That would be fine. And I would
16 just simply notice that -- you know, with respect to
17 Mr. Fanning, he was notified, although I did publish
18 notice as against his interest also because I never know
19 anymore where people are.

20 But if that's okay, then I can make short work
21 of this. At this point, just continue them for four weeks
22 and notify Rossrock, LLC of the cases.

23 MR. BROOKS: That's the way I would advise the
24 publishing of these matters.

25 HEARING EXAMINER: Good advice, Mr. Brooks. So

1 with that in mind, then, we'll continue Case 14375, Case
2 14376, and Case 14377 for about 28 days or until the
3 October 1st docket.

4 MR. BRUCE: That sounds good to me.

5 HEARING EXAMINER: And with that, I believe we
6 will stand adjourned on Docket No. 30-09.

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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. _____,
heard by me on _____.
_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
) ss.
2 COUNTY OF BERNALILLO)
3
4

5 REPORTER'S CERTIFICATE
6

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

13 Dated at Albuquerque, New Mexico this
14 10th day of September, 2009.
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20 PEGGY A. SEDILLO, CCR NO. 88
License Expires 12/31/09
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