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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. 14436

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

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

March 4, 2010
Santa Fe, New Mexico

BEFORE: DAVID BROOKS: Hearing Examiner
WILLIAM JONES: Technical Advisor

This matter came for hearing before the New Mexico
Oil Conservation Division, David Brooks, Hearing Examiner,
on March 4, 2010, 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

E X H I B I T S

Page

APPLICANT'S EXHIBITS:

Exhibit No. 1	5
Exihbit No. 2	5
Court Reporter's Certificate	6

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 will call
2 Case No. 14436, Application of Mewbourne Oil Company for
3 Compulsory Pooling, Eddy County, New Mexico. Call for
4 appearances.

5 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
6 representing the Applicant. I'm submitting this by
7 affidavits.

8 Mr. Examiner, I've handed you two exhibits.
9 Exhibit 1 is the affidavit of the Kevin Cartwright, the
10 landmand for Mewbourne.

11 In this case, Mewbourne seeks to force pool all
12 mineral interests from the surface to the base of the
13 Morrow formation underlying the east half of Section 29 in
14 22 South, 26 East.

15 Mewbourne does seek to force pool everyone in
16 the northeast quarter northeast quarter to form a standard
17 40 acre oil well unit. Everyone in the northeast quarter
18 of Section 29 to form a standard 160 acre gas unit, and
19 then in the east half for any gas pools.

20 The pools that we located in this area are noted
21 on Pages 1 and 2 of Exhibit 1. The proposed well is the
22 Huckleberry Draw 29 Com. Well No. 1 to be drilled in the
23 northeast northeast of Section 29.

24 The parties being pooled are identified on
25 Exhibit 2, the Bundy Family Trust, Maecenas Minerals,

1 Fasken Foundation, and Bauchman Investment Partnership.
2 They collectively own less than 2 percent of the interests
3 in the 320 acre well unit. These are all unleased mineral
4 interest owners.

5 The Applicant further seeks a 200 percent risk
6 charge against any nonconsenting interest owners. And the
7 proposed overhead rates are \$7,000 per month for a
8 drilling well and \$700 per month for a producing well.
9 And these rates are equal to those contained in a
10 February 15, 2010 operating agreement.

11 HEARING EXAMINER: And what are the amounts?

12 MR. BRUCE: \$7,000 and \$700.

13 HEARING EXAMINER: Okay. Thank you.

14 MR. BRUCE: If you turn to Attachment A to the
15 exhibit, you'll see the 320 acre well unit outlined in the
16 well location noted. And behind that, you will see three
17 pages showing the interest ownership in both the 40 acre
18 well unit, the 160 acre well unit, and the 320 acre well
19 unit.

20 All of the parties being pooled own interests in
21 every well unit. And behind that is Attachment B which
22 shows the correspondence, e-mails, telephone notes, by
23 which all of the parties being pooled were contacted.
24 There has been extensive contact over the past couple of
25 months with these interest owners.

1 And then finally, the last page of Exhibit 1 is
2 the AFE for the well. I almost feel like I'm in a time
3 warp here, Mr. Examiner. This is a Morrow well. It's
4 only costing \$2 million. We haven't seen that recently.

5 Exhibit 2 is my affidavit of notice, and all of
6 the parties did receive actual notice, and therefore,
7 there is no newspaper publication.

8 HEARING EXAMINER: All the parties being pooled
9 have green cards signed by each?

10 MR. BRUCE: Yes. And with that, I would move
11 the admission of Exhibits 1 and 2, and ask that this
12 matter be taken under advisement.

13 HEARING EXAMINER: Okay. Exhibits 1 and 2 will
14 be admitted. I note that, as you've observed, all of the
15 pooled parties apparently own interests in each of the
16 units, but those interests are different. And since the
17 primary objective, of course, is the Morrow, I would
18 assume then that you would want -- or would be requesting
19 that the drilling costs be allocated in proportions equal
20 to the 320 acres.

21 MR. BRUCE: Of the 320 acre unit, and then if
22 there's an subsequent work up hole, then it would be
23 divided different.

24 HEARING EXAMINER: I would think only the
25 completion costs for in the Morrow formation would be

1 allocated.

2 MR. BRUCE: That is correct.

3 HEARING EXAMINER: Okay. Very good. Do you
4 have any questions, Mr. Jones?

5 MR. JONES: No.

6 HEARING EXAMINER: Okay, Case No. 14436 will be
7 taken under advisement.

8 (Whereupon, the proceedings concluded.)

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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. 14436,
heard by me on 3-4-2010.
David K. Burton Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF BERNALILLO)
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 9th day of March, 2010.
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20 PEGGY A. SEDILLO, CCR NO. 88
21 License Expires 12/31/10
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