

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

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

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

Case No. 12,698 (de novo)

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mewbourne Oil Company as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701
Attention: D. Paul haden
(505) 682-3715

APPLICANT'S ATTORNEY

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

OPPONENT

Harvey E. Yates Company and
Jalapeno Corporation

OPPONENT'S ATTORNEY

Michael H. Feldewert

STATEMENT OF THE CASE

APPLICANT

Mewbourne Oil Company seeks an order pooling all mineral interests from the base of the Yates formation to the base of the Morrow formation underlying the following described acreage in Section 15, Township 21 South, Range 27 East, NMPM:

- (a) the E½ of Section 15 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing;
- (b) the SE¼ of Section 15 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing; and
- (c) the NW¼SE¼ of Section 15 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing.

The units are to be dedicated to Mewbourne's Esperanza "15" St. Com. Well No. 1, to be drilled at an unorthodox gas well location 2232 feet from the south line and 1980 feet from the east line of Section 15.

Upon information and belief, Harvey E. Yates Company and Jalapeno Corporation (collectively, "HEYCO") do not contest the well location and Mewbourne as operator.

There appear to three issues raised by HEYCO:

(1) Depths being pooled: Mewbourne has requested that all depths from the base of the Yates formation to the base of the Morrow formation. HEYCO apparently contends that only the primary zone, or depths below the base of the Wolfcamp formation, should be pooled. Mewbourne's request is based on well economics. In addition, Division and Commission policy has been to pool all zones rather than selected zones. Mewbourne submits that granting HEYCO's request will result in unnecessary delay and expense when force pooled wells are completed in an uphole zone at a later date.

(2) Good faith negotiations: Mewbourne has conducted ongoing negotiations with the interest owners, even after entry of the Division's order, and has negotiated in good faith.

(3) Risk Penalty: At the Examiner hearing, HEYCO questioned the 200% risk penalty. Mewbourne will present evidence that the maximum risk penalty should apply in this case.

In addition, the election period under the Division's order has expired, and no additional election period should be granted to the non-consenting interest owners.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
D. Paul Haden (landman)	20 min.	seven
Mike Burke (geologist)	20 min.	eight
Bryan Montgomery (engineer)	20 min.	one

OPPONENT

WITNESSES

EST. TIME

EXHIBITS

PROCEDURAL MATTERS

-None-

Respectfully submitted,



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Attorney for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was served upon the following counsel this 5th day of October, 2001 in the manner noted below:

By U.S. Mail

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