

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

**APPLICATION OF TOM M. RAGSDALE TO REVOKE
ORDER NOS. R-20924 & R-20924-A OR, IN THE ALTERNATIVE,
TO DECLARE UNREASONABLE CERTAIN COSTS
IMPOSED BY MEWBOURNE OIL COMPANY**

Case No. 21324

LIST OF UNDISPUTED MATERIAL FACTS

Applicant Tom M. Ragsdale (“Mr. Ragsdale”) and Mewbourne Oil Co. (“Mewbourne”) jointly submit this statement containing material facts not in dispute.

Orders at Issue

1. Order No. R-20924 (entered in Case No. 20580) pooled the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, for the purpose of drilling the Ibex 10/15 B1AP Fed. Com. Well No. 2H, API# 30-025-46188 (“10/15 2H”) and the Ibex 10/15 B3AP Fed. Com. Well No. 1H, API# 30-025-46189 (“10/15 1H”) (collectively, “10/15 Wells”).

2. Order No. R-20924-A (entered in Case No. 20809) pooled the same unit for the purpose of drilling the 10/15 Wells *and* for drilling the Ibex 15/10 B1PA Fed. Com. Well No. 2H, API# 30-025-47060 (“15/10 2H”), and the Ibex 15/10 B3PA Fed. Com. Well No. 1H, API# 30-025-46948 (“15/10 1H”) (collectively, “15/10 Wells”).

3. Mewbourne relies on Order No. R-20924-A to assert that it can impute the costs of attempts to drill the 10/15 2H and a substitute well, the Ibex 10/15 B1AP Fed Com No. 2Y (“10/15 2Y”), as part of the estimated costs for the 15/10 2H.

Procedural History and Chronology of Events

4. Mewbourne mailed well proposals for the 10/15 Wells on March 19, 2019, which were received by Mr. Ragsdale on March 21, 2019.

5. Mewbourne visited with a representative of Mr. Ragsdale via phone conversation on April 3, 2019 regarding the 10/15 Wells.

6. On April 4, 2019, Tracy Anderson elected to participate in the 10/15 Wells under the governing Joint Operating Agreement. This interest would later be acquired by Mr. Ragsdale.

7. Mewbourne exchanged emails on April 8, 2019 with a representative of Mr. Ragsdale regarding the 10/15 Wells.

8. Mewbourne visited with a representative of Mr. Ragsdale via phone conversation on April 16, 2019 regarding the 10/15 Wells.

9. On April 17, 2019, Mewbourne sent Mr. Ragsdale a copy of the Joint Operating Agreement covering the 10/15 Wells.

10. On or about May 20, 2019, Mewbourne filed an application in Case No. 20580, seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, for the purpose of drilling the 10/15 Wells.

11. On June 6, 2019, Mr. Ragsdale received notice of the application in Case No. 20580.

12. Mr. Ragsdale did not enter an appearance in Case No. 20580.

13. On June 13, 2019, Case No. 20580 was presented by affidavit.

14. On June 27, 2019, after notice by publication was complete, Case No. 20580 was taken under advisement.

15. On July 3, 2019, Mewbourne's applications for permits to drill ("APD") the 10/15 Wells were approved.

16. On July 12, 2019, Mewbourne spudded the 10/15 2H, had drilling issues, and abandoned the operation.

17. On July 24, 2019, Mewbourne received approval from the Bureau of Land Management to drill a substitute well, the 10/15 2Y.

18. On July 24, 2019, Mewbourne plugged and abandoned the 10/15 2H, due to drilling issues.

19. On July 26, 2019, Mewbourne subsequently spudded the substitute 10/15 2Y well, again had drilling issues, and plugged and abandoned the well.

20. On August 27, 2019, Mewbourne applied for permits to drill the 15/10 2H and the 15/10 1H.

21. On September 3, 2019, Mewbourne filed its application in Case No. 20809, again seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, but for the purpose of drilling the 15/10 Wells, which were the same target interval, same ownership and same dedicated spacing unit as the 10/15 Wells.

22. Mewbourne's application for Case No. 20809 states that Mewbourne was seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico for the purpose of drilling the 15/10 Wells.

23. Mewbourne's application in Case No. 20809 did not reference the 10/15 Wells.

24. The application in Case No. 20809 did not request that all four wells be pooled together.

25. The notice letters in Case No. 20809 did not inform interested parties, which included Mr. Ragsdale, of Mewbourne's intent to combine all four wells in the order requested in Case No. 20809, which was ultimately issued as Order No. R-20924-A.

26. At no time did Mewbourne inform Mr. Ragsdale that Mewbourne intended to incorporate the 10/15 Wells in Case No. 20809, along with the 15/10 Wells.

27. On October 3, 2019, Case No. 20809 was presented by affidavit ("15/10 Hearing").

28. On October 15, 2019, Order No. R-20924 was entered in Case No. 20580, pooling the proposed unit for the purpose of drilling the 10/15 Wells.

29. Mr. Ragsdale never received a copy of Order No. R-20924(Case No. 20580) and Mewbourne never informed Mr. Ragsdale that he had been forcepooled in Order No. 20924.

30. On February 13, 2020, Mr. Ragsdale received a well proposal for the 15/10 Wells for an interest that is not at issue in this proceeding, which was subject to the joint operating agreement ("Subsequently Acquired Interest"). Mr. Ragsdale timely elected to participate in the 15/10 Wells with respect to the Subsequently Acquired Interest. The Authorizations for Expenditure ("AFE") tendered to Mr. Ragsdale for the Subsequently Acquired Interest did not impose the costs of attempts to drill the 10/15 Wells, because those elections were previously received from Mr. Ragsdale's predecessor and accounted for under the joint operating agreement.

31. On February 19, 2020, Order No. R-20924-A was entered in Case No. 20809, pooling the proposed unit for the purpose of drilling both the 10/15 Wells and the 15/10 Wells. Order No. R-20924-A expressly superseded Order No. R-20924.

32. On February 27, 2020, Mewbourne received approval of its APD for the 15/10 1H.

33. On March 10, 2020, Mr. Ragsdale received an election notice, under Order No. R-20924-A for the 15/10 Wells.

34. On March 11, 2020, Mr. Ragsdale received an election notice under Order No. R-20924-A (Case No. 20809) and AFEs for the 15/10 Wells. The AFE for the 15/10 2H included an additional \$3,102,500 attributed to Mewbourne's attempts to drill the 10/15 2H and the 10/15 2Y.

35. On March 12, 2020, Mewbourne visited with a representative of Mr. Ragsdale regarding the AFE costs.

36. The AFE provided to Mr. Ragsdale for the 15/10 2H along with the election letter was not the AFE that was submitted to the Division in Case No. 20809. *See* Letter, Mitch Robb to Tom Ragsdale (Mar. 5, 2020). The AFE submitted to the Division did not include the imputed costs for the attempts to drill the 10/15 2H and the 10/15 2Y. *See* Case No. 20809, Verified Statement of Mitch Robb at 2, ¶ 2(i) and Attachment C.

37. Mr. Ragsdale's elections were due by April 10, 2020, however, Mewbourne did not receive such elections nor did Mewbourne receive any further communication from Mr. Ragsdale past the conversation on March 12, 2020.

38. By letter dated April 15, 2020, Mr. Ragsdale sent in executed AFEs to Mewbourne. The AFE for the 15/10 2H was not the AFE provided to Mr. Ragsdale along with

the pooling order. Mr. Ragsdale was past the due date as provided for under the respective pooling order.

39. Mewbourne responded to Mr. Ragsdale's letter dated April 15, 2020, allowing Mr. Ragsdale the opportunity to still participate in the subject wells under certain conditions. *See* Letter, Bruce Insalaco to Karen Stanford & Tom Ragsdale (May 15, 2020).

40. Mr. Ragsdale met the subsequent conditions set out by Mewbourne for participation in the 15/10 1H and was allowed to participate in said well. Mr. Ragsdale did not meet the subsequent conditions set out by Mewbourne for participation in the 15/10 2H, specifically, he did not tender his share of the costs at issue in this proceeding because Mr. Ragsdale believes that Mewbourne lacks authority to impose those costs.

41. The AFE signed by Mr. Ragsdale on April 15, 2020 for the 15/10 2H was the same AFE that Mewbourne submitted to the Division in Case No. 20809.

42. Mr. Ragsdale tendered payment for his share of the 15/10 1H and was deemed consenting therein. *See* Letter, Bruce Insalaco to Karen Stanford & Tom Ragsdale (May 15, 2020).

43. Mr. Ragsdale tendered payment for his share of the 15/10 2H, based on the AFE cost to drill that well only, and did not include the imputed costs for the attempts to drill the 10/15 2H and the 10/15 2Y. *See* Ex. 4. This payment was rejected by Mewbourne, which thereafter considered Mr. Ragsdale non-consenting in the 15/10 2H. *See* Letter, Bruce Insalaco to Karen Stanford & Tom Ragsdale (May 15, 2020).

Respectfully submitted,

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