

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

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

CASE NO. 21324

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

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

FRIDAY, SEPTEMBER 11, 2020

This matter came on for hearing before the
New Mexico Oil Conservation Division, Hearing Examiner
Felicia Orth, Examiner Kurt Simmons, Examiner John Garcia
on Friday, September 11, 2020, Via Webex Event Virtual
Platform

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20
21
22
23
24
25

1	C O N T E N T S	
2	CASE NUMBER 21324	PAGE
3	CASE CALLED:	5
4	OPENING STATEMENT BY MS. SHAHEEN:	8
5	OPENING STATEMENT BY MR. BRUCE:	
6		
7	APPLICANT WITNESSES:	
8	KAREN STANFORD (Landman)	
9	DIRECT EXAMINATION BY MS. SHAHEEN:	12
10	CROSS EXAMINATION BY MR. BRUCE:	23
11	CROSS EXAMINATION BY MR. SIMMONS:	28
12	REDIRECT EXAMINATION BY MS. SHAHEEN:	33
13	RECROSS EXAMINATION BY MR. BRUCE:	36
14		
15	MEWBOURNE OIL COMPANY WITNESSES:	
16	TRAVIS CUDE:	
17	DIRECT EXAMINATION BY MR. BRUCE:	42
18	CROSS EXAMINATION BY MS. SHAHEEN:	45
19	CROSS EXAMINATION BY MR. SIMMONS:	46
20	CROSS EXAMINATION BY MR. GARCIA:	50
21		
22	MITCHELL ROBB:	
23	DIRECT EXAMINATION BY MR. BRUCE:	53
24	CROSS EXAMINATION BY MS. SHAHEEN:	61
25	CROSS EXAMINATION BY MR. SIMMONS:	99
	CROSS EXAMINATION BY MR. GARCIA:	102
	REDIRECT EXAMINATION BY MR. BRUCE:	102

1	E X H I B I T I N D E X		
2	APPLICANT EXHIBITS	INTRODUCED	ADMITTED
3	1	7	14
4	2	7	14
5	3	7	
6	4	7	
7	5	7	
8	6	7	
9	7	7	
10	8	7	
11	APPLICANT'S REBUTTAL EXHIBITS.		
12	1	15	15
13	MEWBOURNE OIL EXHIBITS		
14	1	43	44
15	2	54	61
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 (Time noted 8:44 a.m.)

2 HEARING EXAMINER ORTH: All right. Let's get
3 started, then. Sorry for the delay.

4 My name is Felicia Orth, the hearing
5 officer appointed by the Director of the Oil Conservation
6 Division to conduct a hearing under 19-15-4 of the New
7 Mexico Administrative Code, In the Matter of the
8 Application of Tom M. Ragsdale to revoke Orders R-20924
9 and R-20924-A, which was an Amended Order; or in the
10 alternative to declare unreasonable certain costs imposed
11 by the Mewbourne Oil Company.

12 The matter was docketed as Case No. 21324.

13 If I could, first say we are on the Cisco
14 Webex Event Virtual Platform to conduct this hearing. In
15 the event our hearing is interrupted by more significant
16 technical difficulties of by mischief, please goes to your
17 email and we will find another way of completing the
18 event.

19 The transcript is being made by Mary
20 Macfarlane. The hearing is also being recorded, and as I
21 understand both the written transcript and the recording
22 could be made available.

23 Let's see. So the Applicant's attorney,
24 Ms. Shaheen, if you would please make your appearance.

25 MS. SHAHEEN: Good morning, everyone. Sharon

1 Shaheen on behalf of the Applicant Tom M. Ragsdale.

2 HEARING EXAMINER ORTH: Thank you. And
3 Mewbourne is represented by James Bruce.

4 Mr. Bruce?

5 MR. BRUCE: Yes, Madam Examiner. Jim Bruce
6 representing Mewbourne Oil Company.

7 HEARING EXAMINER ORTH: All right. Thank you.

8 So the documents we have received in
9 connection with the hearing include a list of uncontested
10 issues, Prehearing Statements from each party, and
11 exhibits from each party. We will hear about that, I
12 trust, as we proceed.

13 Testimony will be taken under oath and is
14 subject to cross-examination.

15 Is it your pleasure to make an opening
16 statement, Ms. Shaheen?

17 MS. SHAHEEN: Madam Examiner, I would like to
18 make a brief opening statement, and also I would like to
19 just address a couple of housekeeping issues before we get
20 started, if that would be okay with you.

21 HEARING EXAMINER ORTH: That's fine. Please go
22 ahead.

23 MS. SHAHEEN: First of all, this is my first
24 rodeo at a contested hearing, so I'd like to just explain
25 the organization of our exhibits. I think that might be

1 helpful.

2 As you mentioned we did submit a statement
3 of undisputed material facts that the parties submitted as
4 a separate document. The Applicant submitted other
5 documents attached to its Amended Prehearing Statement,
6 and that was a rather large statement, so it was divided
7 into two separate .pdfs.

8 The testimony of -- Ms. Stanford's Written
9 Direct Testimony is attached to the Amended Prehearing
10 Statement at .pdf page 6 in 1 of 2 .pdfs.

11 Exhibit 1 is at .pdf 12.

12 Exhibit 2 is at .pdf 15.

13 Exhibit 3 is at -- oh, I didn't write that
14 one down. If and when we come to them -- I don't think we
15 will be talking about that today, but if and when we come
16 to that I will identify the .pdf for Exhibit 3.

17 Exhibit 4 I believe begins at 2 of 2, as
18 does Exhibit 5, Exhibit 6 and Exhibit 7.

19 Exhibit 8 was submitted by email yesterday.
20 It was a letter that we inadvertently omitted from the
21 original package.

22 And then we did submit a Rebuttal Exhibit 1
23 yesterday by email. I hope everyone got that.

24 And since this is my first go-around, I'm
25 not sure whether I should wait until Ms. Stanford's

1 rebuttal testimony to use that exhibit, or in the flow of
2 doing a little bit of extra direct testimony we would be
3 allowed to use that. Please let me know your preference,
4 and if Mr. Bruce has any objection I'm sure he will let me
5 know. (Note: Pause.)

6 HEARING EXAMINER ORTH: I muted myself.

7 My personal preference is for you just to
8 weave whatever rebuttal you have into direct so that we
9 don't have too many rounds of direct examination, cross
10 examination. Uh, too many repeated rounds.

11 Mr. Bruce, do you have an objection to
12 that?

13 MR. BRUCE: No.

14 HEARING EXAMINER ORTH: All right. Thank you.

15 So Ms. Shaheen, if you would continue,
16 please.

17 MS. SHAHEEN: Thank you.

18 Mr. Ragsdale asks that Force Pooling Orders
19 20894 and 20894-A be revoked, or in the alternative that
20 certain well costs imposed by Mewbourne be declared
21 unreasonable.

22 The bottom line is Mewbourne is imposing
23 costs on attempts to drill one well, which we will refer
24 to as the 10/15 2H, on the cost of drilling a different
25 well, which is the 15/10 2H.

1 The costs that they are imposing on the
2 15/10 2H were costs that were incurred prior to a Forced
3 Pooling Order being entered in the two cases that are at
4 issue here and prior to Mr. Ragsdale having an opportunity
5 to elect to participate in the 10/15 2H.

6 The two cases that were previously heard by
7 the Division are Case Nos. 20580 and 20809.

8 Mewbourne has included an additional \$3
9 million for costs for two failed attempts to drill the
10 10/15 2H well on the estimated cost in the AFE it
11 delivered to Mr. Ragsdale with the Pooling Order issued in
12 Case No. 20809. Mewbourne's actions are contrary to the
13 express provisions to of 19.15.13.8(B) regarding well
14 costs.

15 Mewbourne failed to provide Notice of its
16 intent with respect to Case No. 20809 in accordance with
17 19.15.4.9(A)(6) and thus violated Mr. Ragsdale's right to
18 due process. And that is under the Johnson cases. We've
19 briefed the Notice and the due process issues in our
20 Response to the Motion to Dismiss.

21 As I said, the two previous cases are the
22 20580 and the related Order is R-20894; and Case No.
23 20809, order 20 -- excuse me, Order 20894-A. The latter
24 is the 15/10 wells and the former is the -- excuse me, the
25 latter, the 20809 concerns the 15/10 wells and the first

1 case, 20580 concerns the 10/15 well.

2 Most, if not all the material facts appear
3 to be disputed. There are some inconsistencies between
4 the written testimony and the undisputed facts, which I
5 assume will be cleared up in oral testimony today. Most
6 of the facts will come out during the testimony, but I
7 would like to point out a few key facts at the outset:

8 One is that Mr. Ragsdale never had an
9 opportunity to elect to participate in the 10/15 2H well
10 under either Forced Pooling Order;

11 Mr. Ragsdale never received a copy of Order
12 No. 20924 that issued in Case No. 20580;

13 Mewbourne never informed the Division, nor
14 did it inform Mr. Ragsdale of its intent to impose the
15 cost of two failed attempts to drill the 10/15 2H on the
16 costs to drill the 15/10 2H;

17 Mewbourne's Application did not state that
18 it would seek to pool the 10/15 and the 15/10 wells in one
19 Order;

20 and they never provided Notice to
21 Mr. Ragsdale of its intent in this regard, and the Notice
22 Letter likewise failed to reference their intent.

23 The AFE submitted for the 15/10 2H to the
24 Division in Case No. 20809 did not include the cost for
25 the failed attempts to drill the drilled 10/15 2H, and

1 Mr. Ragsdale did not know until he received Mewbourne's
2 Election Letter on March 10/March 11, or thereabouts, that
3 Mewbourne intended to collect those actual costs for
4 attempts to drill the 10/15 2H as estimated costs for the
5 on the 15/10 2H.

6 Mewbourne's attempts to shoehorn those
7 costs here into the estimated cost of the 15/10 2H are
8 improper under the circumstances. Mewbourne took a
9 business risk when it drilled prior to getting a Forced
10 Pooling Order and providing Mr. Ragsdale with an
11 opportunity to elect to participate under that Forced
12 Pooling Order, and Mewbourne should be held accountable.

13 With that, I do have some additional direct
14 testimony from Ms. Stanford, if that is acceptable to the
15 examiners. (Note: Pause.)

16 I believe you're muted.

17 HEARING EXAMINER ORTH: You have additional
18 testimony?

19 MS. SHAHEEN: Yes, I do. We would like to
20 clarify some of the timing issues and some of the
21 inconsistencies that are -- uh, exist between testimony.

22 Some it in retrospect could be considered
23 rebuttal testimony in light of Mr. Robb's written
24 testimony, so if you would prefer that we wait until after
25 Mr. Robb speaks, we can do that, but I think it would be

1 helpful to clarify the circumstances particularly about
2 the communications between Mr. Ragsdale and Mewbourne
3 during March and April.

4 HEARING EXAMINER ORTH: Yeah, that's fine.
5 Rebuttal testimony is fine, and we've already said that
6 rebuttal testimony can be woven into direct testimony, so
7 that we have just, if you will, cut down on the number of
8 events of direct exam and cross exam. That's fine.

9 So is that the end of your opening
10 statement?

11 MS. SHAHEEN: Yes, it is.

12 HEARING EXAMINER ORTH: Mr. Bruce, would you
13 like to make an opening statement now, or later when
14 you're presenting your case?

15 MR. BRUCE: I will wait until I begin presenting
16 Mewbourne's case, please.

17 HEARING EXAMINER ORTH: All right. Thank you.

18 So Ms. Shaheen, if you would please call
19 your witnesses, and I will swear them in.

20 MS. SHAHEEN: Thank you. I call Karen
21 Stanford.

22 KAREN ANNE STANFORD,
23 having been duly sworn by the hearing examiner,
24 testified as follows:

25 DIRECT EXAMINATION

1 BY MS. SHAHEEN:

2 Q. MS. Stanford, could you provide your full name
3 for the record.

4 A. Karen Anne Stanford.

5 Q. And I understand you are employed by the
6 Applicant in this case, Tom Ragsdale, as a landman. Is
7 that correct?

8 A. That's correct.

9 Q. In that capacity are you familiar with the
10 Application and the underlying circumstances in this case?

11 A. I am.

12 Q. Have you testified before the Division before?

13 A. No.

14 Q. Can you please provide us with a summary of your
15 education and experience.

16 A. I have a business degree from the University of
17 Colorado in Boulder with an emphasis in mineral land
18 management, and I worked as a landman for ARCO Oil & Gas
19 Company and in business development for 15 years; and
20 thereafter I have been working as a contract landman.

21 MS. SHAHEEN: I'd like to offer Ms. Stanford's
22 testimony as an expert in petroleum land matters.

23 MR. BRUCE: I have no objection.

24 HEARING EXAMINER ORTH: Thank you very much.
25 She is so recognized.

1 Q. And you have the offered Direct Written
2 Testimony in this case; is that right?

3 A. That's correct.

4 Q. And do you adopt and aver to the written
5 testimony attached to the Prehearing Statement?

6 A. I do.

7 MS. SHAHEEN: And I'd like to offer that Direct
8 Written Testimony into the record now, as well.

9 HEARING EXAMINER ORTH: All right. Mr. Bruce?

10 MR. BRUCE: No objection.

11 HEARING EXAMINER ORTH: All right. Thank you
12 very much. It is accepted.

13 Q. Ms. Stanford, do you have any corrections to
14 the direct testimony, uh, written testimony, that would be
15 helpful for the examiners today?

16 A. I do. I actually have three corrections.

17 On the first page it's the sixth question,
18 there's not an answer to it, but the answer is: Yes, I am
19 familiar with the circumstances.

20 And then the second one is the
21 second-to-the-last answer on the first page, and somehow
22 inadvertently the case numbers got deleted, so the end of
23 that answer, it should say Case Nos. 20580 and 20809.

24 And then thirdly, on the third page the
25 first answer, the word "not" was inadvertently left out.

1 So my answer is: My review of the filings in the matter,
2 as well as the resulting Order, indicate that is not the
3 case.

4 **Q. Thank you for that, Ms. Stanford.**

5 **Is there anything else that you would like**
6 **to address in you direct testimony this morning?**

7 A. I would like to just clarify, go through the
8 timing of events during March and April of 2020.

9 **Q. Let's start with Mr. Ragsdale's receipt of**
10 **Mewbourne's Election Letter which was March 11, I believe,**
11 **or thereabouts. What happened when you received that**
12 **Election Letter?**

13 A. The letter actually came to the office on March
14 10th. I wasn't in the office that day. I actually saw it
15 on March 11th and noticed that the Pooling Order wasn't on
16 it, and I reached out to Mr. Robb at Mewbourne that day.

17 **Q. And when you reached out to him, what did you**
18 **ask him about? Did you ask him about anything besides the**
19 **Order that was not attached?**

20 A. Right. So I had -- we played a little phone
21 tag, and I ended up emailing him, asking him for the
22 Order. And I also, uhm, asked, told him that I wanted to
23 talk to him about the cost of the AFEs.

24 He responded -- he said he was busy, and he
25 did attach the Order in the email on the 11th. And I

1 responded to that telling him that I got it, and that I
2 still did want to talk to him about the AFEs.

3 **Q. If we turn to Applicant's Rebuttal Exhibit 1,**
4 **can you take a look at that for me, please.**

5 A. Uh-huh.

6 **Q. Is this the email chain that you were just**
7 **speaking about?**

8 A. Yes.

9 **Q. And so I understand your first email to him is**
10 **at the bottom of the first page. These are in reverse**
11 **chronological order.**

12 A. Exactly. That was my first email. I believe I
13 tried calling him earlier in the day, I believe he tried
14 to call me back, so I ended up just emailing him to make
15 sure he understood that I needed to talk to him.

16 **Q. And then it looks like, moving up the first page**
17 **there, there's an email from Mr. Robb, correct?**

18 A. Right. So at 5:30 that day he attached a copy
19 of the Order and basically said he was busy but he would
20 be back in the office tomorrow.

21 **Q. And then the email at the top of the page is**
22 **again your response to his 5:30 email, correct?**

23 A. Yes. Yeah. So a little after 6:00 that day I
24 told him, "Thank you for sending the Order," and I said,
25 "I'm trying to understand why Tom's", Mr. Ragsdale's, "AFE

1 for one of the wells included costs, the P&A costs for a
2 previous well," and I asked him to call me when he had a
3 minute.

4 **Q. Turning to the second page of this exhibit, can**
5 **you explain to the hearing examiners what this is.**

6 A. This is just my notes in the file that, uhm, I
7 did not talk with Mitch or -- any time between that email
8 and March 11th -- or March 18th.

9 Then on March 18th I was back in
10 Mr. Ragsdale's office. I called him, and we played phone
11 tag again, but he did return my call. We discussed my
12 concerns about the AFE costs.

13 **Q. And what did he explain to you about the basis**
14 **for Mewbourne imposing those costs?**

15 A. Basically he told me that the basis was due to
16 the fact that it -- the new well, the 15/10 No. 2 well is
17 a substitute well for the previous attempt of the 10/15
18 No. 2 well, which was attempted twice and failed.

19 **Q. And did he explain the basis for his opinion**
20 **that it was a substitute well for the 10/15 2H?**

21 A. Yes. And also in his -- the Notice Letter of
22 the Order he explained that it had to do with the forced
23 pooling regulations under Title 19.

24 **Q. And did you agree with his position in that**
25 **regard?**

1 A. No. I had looked at the regulations but decided
2 that I probably needed to do some more research on it to
3 feel good in my opinion that that didn't apply.

4 Q. And when you spoke with him did you feel like
5 you weren't satisfied with his explanation? Is that
6 right?

7 A. Right. I -- we talked back and forth on why
8 that would or wouldn't apply, and he referred me to
9 Mr. Bruce if I had any more questions about it.

10 Q. And did you contact Mr. Bruce at that time?

11 A. No, I did not. I wanted to speak with
12 Mr. Ragsdale first.

13 Q. And what happened next?

14 A. Then -- a lot of things happened next.

15 Q. This was the --

16 A. It --

17 Q. This was the middle of March, right?

18 A. I'm sorry?

19 Q. I said, "This was the middle of March, right?"

20 A. So that conversation with Mr. Robb was March
21 18th. That was right around the time that everything
22 pretty much shut down as far as going into the office. So
23 that was my last day in the office. From March 18th I did
24 not return to the office until April 22nd.

25 Q. What transpired between March 18th and April

1 **22nd?**

2 A. Uhm, again offices were closing down;
3 Mr. Ragsdale had instituted, you know, low attendance in
4 the office. And I typically only came in on Wednesdays
5 anyway.

6 That following week my father became very
7 ill. I left for California on March 26th and my father
8 decide on March 31st, and I stayed in California until
9 March 8th -- or April 8th. And then upon my return,
10 because I was coming back from California the State of
11 Texas required me to quarantine for 14 days in my home.

12 **Q. And when you returned home were you able to work**
13 **from home that first week?**

14 A. Uhm, I should have been but I was having IT
15 issues, I think others were having IT issues, so I was not
16 able to get on the server right away.

17 So I returned home on the 8th. I don't
18 believe I was even in contact with Mr. Ragsdale until the
19 following week.

20 **Q. During this time had you given any thought as to**
21 **how to proceed, in light of your conversation with Mr.**
22 **Robb?**

23 A. We -- we were -- yes. We had considered it. We
24 still were unsure on how to proceed, what the best way to
25 proceed, but during that time, me at home Mr. Ragsdale in

1 the office with his assistant, we did communicate and try
2 to come up with a plan.

3 Q. And that plan is reflected in Mr. Ragsdale's
4 letter to Mewbourne dated April 15th; is that right?

5 A. Correct. He drafted a letter and returned the
6 AFEs on April 15th.

7 Q. If we turn to Exhibit 6 attached to your
8 testimony, is this that letter that Mr. Ragsdale sent to
9 Mewbourne on April -- that's dated April 15th?

10 A. Yes.

11 Q. Just to back up, Exhibit 5, which is just a few
12 pages before Exhibit 6, is the Election Letter that
13 Mr. Ragsdale received from Mewbourne which is dated
14 March 5th; is that correct?

15 A. That's correct.

16 Q. What was the plan that's reflected in
17 Mr. Ragsdale's letter of April 15?

18 A. Uhm, we decided to return the AFEs and return --
19 Mr. Ragsdale wanted to participate in the wells, so we
20 returned the AFEs. But the AFEs only reflected the well
21 costs for the two wells that were being proposed, not the
22 AFE that included the additional \$3 million for the 15/10
23 No. 2 well.

24 Q. So the two AFEs that were submitted, the AFE for
25 the 15/10 2H was the AFE that was included in the exhibit

1 **in Case No. 20809 by Mewbourne; is that right?**

2 A. Exactly. That was the exhibit presented in the
3 hearing.

4 **Q. And did Mewbourne respond to Mr. Ragsdale's**
5 **letter of April 15th?**

6 A. Yes, they did. We had had communications mostly
7 with Mr. Insalaco at that point.

8 **Q. And what was the substance of your phone**
9 **conversation with Mr. Insalaco at that time?**

10 A. Uhm, he -- we just asked -- we just talked
11 through the situation, and Mr. Insalaco explained to us
12 again that it was a substitute well issue and that we --
13 he believed that we were required to pay the costs of that
14 first well because it was a substitute well.

15 **Q. And did Mr. Insalaco follow up with a letter**
16 **summarizing Mewbourne's position at that point?**

17 A. He did. So on April 23rd he followed up with a
18 letter, and in -- I'm quoting his letter. He stated that
19 the only election available to pooled working interests is
20 to elect to render payment of the estimated well costs as
21 to all three attempts to drill the first Bone Spring.

22 **Q. And this was submitted by email yesterday as**
23 **Exhibit 8 to your direct testimony; is that right?**

24 A. That's correct.

25 **Q. In that letter he extended the time for**

1 **Mr. Ragsdale to make payments for his participation in the**
2 **15/10 wells; is that right?**

3 A. Yes. He noted that our election was not timely,
4 and he said that they would accept the election as long as
5 we timely paid within the 30-day period.

6 Q. **And did Mr. Ragsdale timely submit his payment**
7 **for both 15/10 wells?**

8 A. He did, but he did not include the additional
9 costs for the two failed attempts.

10 Q. **Did you have any communications with Mewbourne**
11 **after it received payment for the 15/10 wells?**

12 A. We did, again with Mr. Insalaco. He emailed and
13 said that they received the wire payments, and again noted
14 that we did not, or Mr. Ragsdale did not pay the
15 additional costs, and he allowed Mr. Ragsdale another
16 couple of days to make that payment.

17 Q. **And did Mr. Ragsdale make that payment?**

18 A. He did not.

19 Q. **And did Mewbourne deem Mr. Ragsdale consenting**
20 **in the 15/10 1H?**

21 A. They did.

22 Q. **And they didn't deem him not consenting in the**
23 **15/10 2H solely because he did not pay his share of the**
24 **costs for the failed drilling attempts on the 10/15 2H; is**
25 **that right?**

1 A. That's correct.

2 Q. And this is all reflected in Exhibit 7 to your
3 direct testimony. I believe you'll find Mr. Insalaco's
4 letter of May 15th there.

5 A. Yes.

6 MS. SHAHEEN: At this time I have no further
7 questions for Ms. Stanford, and I pass the witness.

8 MR. BRUCE: Okay. Let me...

9 CROSS EXAMINATION

10 BY MR. BRUCE:

11 Q. Ms. Stanford, I believe when you introduced
12 yourself you said you were employed by Tom Ragsdale.

13 A. Yes.

14 Q. On the second page of your -- actually on the
15 first page of your direct testimony, at the top it says
16 you're employed by Siana Oil and Gas Company?

17 A. Oh, technically, but I -- you know, Tom Ragsdale
18 is the sole proprietor of Siana.

19 Q. Oh, okay.

20 A. The paychecks do come from Siana.

21 Q. Okay. So he's kind of the owner/officer of the
22 company, correct?

23 A. Yes, sir.

24 Q. Because there's Mr. Ragsdale and Siana, does
25 Siana own working interests, too, or is it like an

1 **operating entity?**

2 A. It's an operating entity. And no, it does not
3 have any interests. It did inadvertently have some
4 because through some assignments that we -- in years past
5 we moved it all to Mr. Ragsdale's name.

6 Q. Okay. Now, roughly -- you might not know to the
7 day or to the year, but how long has Mr. Ragsdale been in
8 the oil and gas business?

9 A. My understanding is he graduated as a petroleum
10 engineer -- I'm not sure what year, but he's been in the
11 business since he graduated from college.

12 Q. Okay. But it's -- and I've met Mr. Ragsdale a
13 couple of times so, you know, he's not as old as I am, but
14 he's probably got 20-plus years experience?

15 A. Yeah. I'm -- I think he graduated in '85,
16 Texas A&M.

17 Q. Well, so he's had a lot of experience, probably
18 also in Texas, but in New Mexico with owning his interests
19 and being pooled and things like that.

20 A. Yes. Uhm, I don't know how familiar he was with
21 the forced pooling previously to this, but he -- I've only
22 been with him for five years so I don't -- I can't really
23 state what his experience was before that.

24 Q. Okay. Just a second. Uhm...

25 Now, with respect to -- I'm just going to

1 not even refer to the 10/15 or 15/10, I'm just going to
2 refer to them as the B-1 and B-3 at this point, and you
3 can clarify me if you feel the need to.

4 A. Okay.

5 Q. But as to the B-3 well, the third Bone Spring
6 well, there's never been any issue as to well costs on
7 that well, correct?

8 A. Correct.

9 Q. It's only with respect to the B-1?

10 A. Correct.

11 Q. Now, AFEs were sent by Mewbourne to Mr. Ragsdale
12 on both wells, right? I think you said you received them
13 on March 10th or 11th. I can't remember.

14 A. Yes, we received AFEs for the 15/10, the two
15 15/10 wells only.

16 Q. And you had 30 to days to elect, and you didn't
17 elect within 30 days on either well; is that correct?

18 A. That's correct. Again due to the extenuating
19 circumstances, Covid, my father, my quarantine, it pretty
20 much took up most of the period.

21 Q. And I'm sorry to hear about that.

22 A. Thank you.

23 Q. But when Mewbourne sent out the Election Notices
24 on both wells, they were not dependent on each other,
25 correct? I mean you could elect to join in one well but

1 not the other.

2 A. Technically that's correct.

3 Q. There is -- I think in Mr. Robb's testimony
4 there is -- Mr. Ragsdale owns an interest that he acquired
5 by himself in these wells, correct? I mean that's not
6 subject to a JOA.

7 A. Uh, I think I understand your question. Is his
8 interest --

9 Q. Let me say: Did he acquire an interest that is
10 subject to a JOA from someone else?

11 A. He did.

12 Q. And I can't remember that other gentleman's last
13 name. Spencer...?

14 A. Uh, other gentleman?

15 Q. The person who Mr. Ragsdale acquired the JOA
16 from.

17 A. Oh, I'm sorry. It was a woman, and her name is
18 Tracy Anderson. She had a very small interest. She was
19 interested in --

20 Q. Oh, Anderson.

21 A. Anderson, right.

22 Q. Okay. Sorry. I forgot. When was that
23 acquired?

24 A. I believe it was around -- you know, I don't
25 know. Probably around the beginning of the year 2020.

1 I'm not exactly --

2 Q. Okay.

3 A. -- sure, I didn't review that, but it was prior
4 to the Order coming out.

5 Q. Okay. And when did Mr. Ragsdale learn about the
6 two junked wells, the initial 10/15 wells?

7 A. Uhm, I'm -- you know, I don't really recall.
8 Probably through conversations with Ms. Anderson.

9 Q. Okay. Okay. Thank you.

10 Madam Examiner, could I just have a minute
11 to contact my clients briefly?

12 HEARING EXAMINER ORTH: Yes.

13 (Note: In recess from 9:22 a.m. to 9:24 a.m.)

14 MR. BRUCE: Madam Chair, that's all the
15 questions I have for Ms. Stanford.

16 HEARING EXAMINER ORTH: Thank you very much, Mr.
17 Bruce. I have one question and that then I'm going to ask
18 Mr. Simmons, our technical examiner, if he has any
19 questions.

20 I did not find Exhibit 8 attached to Ms.
21 Shaheen's email, and I did hear the description of it,
22 which was it was a communication from Mr. Insalaco, which
23 was a response, I guess, to something that Mr. Ragsdale
24 sent, but I -- I didn't see it as an attachment. Okay.

25 Sharon?

1 MS. SHAHEEN: Yes. My apologies for that,
2 Madam Examiner. I will double check when we are done with
3 the hearing here and get that to you as soon as possible.

4 HEARING EXAMINER ORTH: All right. Thank you.
5 Email is fine. I just didn't see the attachment.

6 All right. Let's see. Mr. Simmons do you
7 have questions of Ms. Stanford based on her testimony?
8 (Note: Pause.)

9 Mr. Simmons?

10 MR. SIMMONS: Yeah. I'm sorry.

11 Yes. I did have a question. Can you hear
12 me?

13 HEARING EXAMINER ORTH: Yes.

14 MS. SHAHEEN: Yes.

15 CROSS EXAMINATION

16 BY EXAMINER SIMMONS:

17 Q. You know, I was wondering about this JOA, the
18 interest that Mr. Ragsdale acquired from Tracy Anderson.

19 What is that? Is that for the 2H well, or
20 the 1H, or both, or can you describe that for us?

21 A. It's for both wells. She -- Mr. Ragsdale has
22 several partners that have interests in several properties
23 that he had over the years, and this was one of them.
24 Tracy has partnered with him for years, and she had
25 decided at a certain point to get out of all of her

1 interests, and worked with Mr. Ragsdale on not just these
2 properties but a lot of properties.

3 Q. Okay. And by the terms of that JOA, that would
4 require him to make an election to participate in these
5 wells?

6 A. Yeah. She participated through the JOA.

7 Q. So he stepped into her shoes and was a willing
8 participant. Are these the 15/10 wells or the 10/15 or
9 both?

10 A. Both. It's her -- any interest. Right.
11 Mr. Ragsdale acquired all of her interests in both 10 and
12 15, Sections 10 and 15. So yes, all four wells. Right.

13 Q. And he acquired that interest subsequent to the
14 junked wells. He would have known that the two junked
15 wells (inaudible) and acquired that interest in any event.

16 A. Correct.

17 Q. Okay. Now, in your testimony I believe you said
18 you -- that Mr. Ragsdale had no objection to participating
19 in the 10/15 wells, the original two wells, and therefore
20 did not make an appearance. Do I understand that
21 correctly?

22 A. No, he would have -- he has elected, except for
23 there's one exception where he has signed a JOA with
24 Mewbourne, but all subsequent wells with Mewbourne he has
25 elected to go the force pooled route. He was going to

1 follow the forced pool.

2 He didn't object to anything in the Hearing
3 Notice, so there was no reason for him to participate in
4 the hearing.

5 Q. So his intention was to, uhm, allow himself to
6 be force pooled, and then elect to participate in the
7 wells willingly?

8 A. More than hopefully. He was waiting for the
9 Order to come out, of course, but the Order had not come
10 out prior to Mewbourne spudding the well.

11 Q. All right. When he did acquire the interest in
12 the JOA he had full knowledge of the fact that the wells
13 had junked, and that did not hinder his interest in
14 purchasing, picking up Ms. Tracy Anderson's interest in
15 the JOA. Am I correct in that?

16 A. Correct. I mean, they had an arrangement with
17 regards to that, but he was aware of the wells that were
18 not able to be completed.

19 Q. So with knowledge that these wells had junked,
20 when the second case was then filed by Mewbourne to force
21 pool the 15/10 wells coming from the other direction, he
22 knew that there had been two unsuccessful attempts to
23 develop that same property; is that correct?

24 A. Correct.

25 Q. And he knew, or maybe should have known, that

1 there would be some costs associated with developing these
2 wells that Mewbourne would attempt to recover from the
3 failed wells. Yes?

4 A. Uh, well, he hadn't elected to participate in
5 those wells because the Order -- he wasn't -- the Order
6 was not issued prior to them spudding, prior to them
7 drilling, prior to them plugging those wells. He never
8 had the opportunity to participate and was never required
9 to.

10 Q. Nevertheless, when the second case was filed he
11 did know that there had been two failed attempts, and yet
12 made no attempt to join in or make an appearance in the
13 second case.

14 A. The --

15 Q. A simple yes or no I think would answer that.

16 A. During Notice -- we didn't receive a Well
17 Proposal for the new wells, for the 15/10 wells, which I'm
18 not sure why that didn't happen, but we did receive a
19 Notice for the hearing, and the Hearing Notice read like
20 any other Hearing Notice we've received from Mewbourne
21 that they were proposing two new wells, and didn't mention
22 anything about the 10/15 wells. And, uhm, we had -- to
23 force pool all four wells.

24 So when we received -- the answer to your
25 question: When we received the Hearing Notice there was

1 no reason for us to think these two wells were any
2 different from any new Well Proposals. They weren't
3 explained as substitute wells, they weren't explained --
4 it seemed as if they were just two new wells proposed.

5 Q. And is it your understanding, then, that had he
6 had the Notice for the case proposed to recoup the costs
7 of the two failed wells, had that been explained in the
8 pleadings of the second case that Mr. Ragsdale would then
9 have made an appearance?

10 A. Absolutely. Absolutely.

11 Q. Why is that?

12 A. Well, for the reason of this hearing. I mean,
13 we've never received Notice of the forced pooling. The
14 Force Pooling Order had not been issued; therefore, he was
15 not subjected to any of the costs. He never elected to
16 participate in those wells.

17 Q. Other than the purchase of Ms. Tracy Anderson's
18 interest in the JOAs, he had no further --

19 A. This was well after the fact. The wells were
20 already plugged.

21 MR. SIMMONS: All right. No further questions.
22 Thank you.

23 HEARING EXAMINER ORTH: Thank you. Mr. Garcia,
24 will you be asking questions this morning, and do you have
25 any of Ms. Stanford?

1 MR. GARCIA: I will be asking this morning but I
2 do not have any as of right now.

3 HEARING EXAMINER ORTH: All right. Thank you.

4 Mr. Bruce, do you have anything -- I'm
5 sorry. Ms. Shaheen, do you have any follow up based on
6 the questioning that's been done?

7 MS. SHAHEEN: I --

8 MR. BRUCE: No, I do not.

9 HEARING EXAMINER ORTH: Okay. Thank you,
10 Mr. Bruce.

11 Ms. Shaheen, do you have redirect?

12 MS. SHAHEEN: I have a little bit of redirect
13 with respect to Mr. Simmons' questions, and I think it
14 would be helpful if we took a look at the Undisputed
15 Material Facts. (Note: Pause.)

16 Everyone ready for us to...

17 REDIRECT EXAMINATION

18 BY MS. SHAHEEN:

19 Q. If we turn to page 3 of the facts, this is the
20 timeline for drilling and plugging the two attempts to
21 drill the 10/15 2H, and you'll see on paragraph 15, and
22 I'll ask -- actually, Ms. Stanford, i'll ask you to go
23 through this with me.

24 Paragraph 15 I believe establishes when
25 Mewbourne received it's APDs to drill the 10/15 wells. Is

1 that right?

2 A. That's correct.

3 Q. And what date was that?

4 A. July 3rd. When they received the permits?

5 Q. Yes, the applications for permits to drill.

6 A. Okay. That would be July 3rd, 2019.

7 Q. That's right. And then subsequently just taking
8 a look, take some time there to look at the rest of the
9 facts that are identified there that the parties have
10 agreed to.

11 And I read these to indicate that Mewbourne
12 attempted to drill those wells, and plugged and abandoned
13 the 10/15 2H and 2Y during the month of July; is that
14 correct?

15 A. That's correct.

16 Q. And then it was shortly thereafter, only a month
17 later Mewbourne applied for permits to drill the 15/10 2H
18 and the 15/10 1H; is that right?

19 A. That's correct.

20 Q. And then only a few days later it filed its
21 application in Case No. 20809. That would be on September
22 3rd of 2019; is that right?

23 A. Yes, that's correct.

24 Q. And my understanding from your responses to
25 Mr. Bruce's testimony is that Mr. Ragsdale did not have

1 **knowledge of those junked wells until about six months**
2 **later. Is that right?**

3 A. Six months later than...

4 **Q. When the application for Case 20809 was filed.**

5 A. You know, honestly I don't know exactly when he
6 knew about the junked wells, to tell you the truth. I
7 would imagine he -- he may have known around that time. I
8 don't know. I don't think that we knew right away that it
9 happened, and perhaps not before the filing of that, but I
10 honestly don't remember exactly when he knew about those
11 wells.

12 **Q. Okay. So we don't know whether he knew when the**
13 **application in Case No. 20- -- whether he knew about the**
14 **junked wells when the application in Case 20809 was filed.**

15 A. I would -- I would say he -- we probably did,
16 but I don't -- I don't know for sure.

17 **Q. But Mewbourne obviously knew about its failed**
18 **attempts to drill the 10/15 2H.**

19 A. Correct.

20 **Q. And they made no mention of this in the**
21 **application in Case No. 20809; is that right?**

22 A. Right.

23 **Q. And then --**

24 A. So that even if we were aware of the junked
25 wells, the application, the new application for the new

1 wells didn't specify anything with regard to the 10/15
2 wells, if they were substitute wells, if they were -- they
3 didn't reference them at all. So again it seemed to us it
4 was just two new well proposals like any other two new
5 well proposals they would have sent. Nothing unusual.

6 Q. So, bottom line, Mewbourne -- excuse me,
7 Mr. Ragsdale did not have Notice that Mewbourne was going
8 to attempt to recover these costs in the estimated costs
9 for the 15/10 2H, until he received the Election Letter on
10 March 10t of 2020; is that right?

11 A. That's correct. No Notice. We did not have any
12 understanding of the costs or the pooling for all four
13 wells.

14 MS. SHAHEEN: Thank you for that clarification.
15 No further questions at this time.

16 HEARING EXAMINER ORTH: Mr. Bruce, anything
17 further at all with respect to Ms. Stanford?

18 MR. BRUCE: Just one question.

19 RECROSS EXAMINATION

20 BY MR. BRUCE:

21 Q. You were working for Mr. Ragsdale last July,
22 August, September, were you not?

23 A. July, August, September of 2019?

24 Q. 2019.

25 A. I'm sorry?

1 Q. 2019.

2 A. Yes, sir. Yes.

3 Q. And Mr. Ragsdale received the Notice of the
4 hearing on the 15/10 wells in mid September of 2019, --

5 A. Correct.

6 Q. -- isn't that correct?

7 A. Correct. Uh-huh.

8 Q. So he had knowledge of all four of the wells,
9 not in March or April of 2020 but by September of 2019;
10 isn't that correct?

11 A. Yes. He had knowledge that the 10/15 wells were
12 proposed. Likely he knew, I don't know for sure, about
13 the junked wells. But, again, receiving the Notice, uhm,
14 for the hearing, it didn't mention anything about the
15 15/10. We didn't think of that as anything unusual that
16 they were starting over with some new Well Proposals,
17 because it didn't mention what the plan was with regard to
18 that hearing and what they were trying to force pool.

19 We didn't understand that they were trying
20 to force pool these wells with previous wells that had
21 been attempted.

22 MR. BRUCE: Thank you, Ms. Stanford.

23 THE WITNESS: Uh-huh.

24 HEARING EXAMINER ORTH: All right. Thank you.

25 Mr. Bruce?

1 MR. BRUCE: No, that's all I have. I'm sorry.

2 HEARING EXAMINER ORTH: Okay. Thank you. Thank
3 you, Ms. Stanford.

4 Mr. Bruce and Ms. Shaheen, is there any
5 reason not to excuse Ms. Stanford now?

6 MR. BRUCE: No.

7 MS. SHAHEEN: No.

8 Madam Examiner, yes, I would like to keep
9 Ms. Stanford available for rebuttal after we hear the
10 testimony of Mr. Robb and Mr. Cude.

11 HEARING EXAMINER ORTH: ALL right. Thank you.

12 So, Ms. Stanford, you may be called upon
13 again.

14 Ms. Shaheen, would you like a short break
15 before you call your next witness, or would you like to
16 call your next witness?

17 MS. SHAHEEN: Ms. Stanford is my only witness
18 today.

19 HEARING EXAMINER ORTH: Okay. Thank you.

20 In that case, Mr. Bruce would you like a
21 short break before you make your opening statement and
22 call your witnesses?

23 MR. BRUCE: Yes, if I may. I would appreciate
24 that, even 5 or 10 minutes, just so I can talk with my
25 client briefly.

1 HEARING EXAMINER ORTH: Sure. Let's take 10
2 minutes.

3 MR. BRUCE: Thank you.

4 (Note: In recess.)

5 HEARING EXAMINER ORTH: All right. This
6 Felicia Orth again. We are back after a short break. I
7 will say that throughout the hearing I have been
8 monitoring those who have appeared on this attendee list,
9 unmuted everyone, and allowed everyone to be a panelist.
10 In the event you're finding a challenge with anything on
11 the virtual platform, please reach out in the Chat if we
12 haven't resolved it.

13 So Mr. Bruce.

14 MR. BRUCE: Yes.

15 HEARING EXAMINER ORTH: If you'd like to start
16 with an opening statement.

17 Mr. BRUCE: Yeah. Thank you.

18 First I'd like to point out that under
19 70-2-17C, the main pooling statute, the Pooling Order
20 pools -- it only speaks in terms of a well unit and
21 formation, not a specific well. Furthermore, you can pool
22 at any time before, during, or after drilling a well.

23 Secondly, and Ms. Shaheen pointed out this
24 provision in the Regulations, 19.15.13.8.B about a well
25 that's junked, you can move within 300 feet within 10

1 days. First, I'd like to point out that this was adopted
2 when vertical wells were the only wells drilled, and I
3 think there has to be some flexibility in the Division's
4 regulations.

5 Now, in the current situation, yeah, were
6 the surfaces locations moved? Yep, they're obviously
7 almost a couple of miles apart. However, the well paths
8 are the same; they're the same length; the target zones
9 are the same in the two wells; the take points are the
10 same, effectively the same; and there's the same
11 ownership.

12 And my first witness can tell you that if
13 he had been able to just move the well location, he would
14 have done so as quickly as possible, but they had to get a
15 federal APD, which takes months to obtain, so he couldn't
16 commence drilling the 15/10 wells within that 10 days. It
17 took, you know, a half a year to get those APDs. But
18 Mewbourne insists that the 10/15 and the 15/10 wells is
19 one continuous drilling application. They are substitute
20 wells.

21 I would also note that as Ms. Stanford
22 admitted, Mr. Ragsdale did not timely elect to join in
23 either the B-1 or B-3 wells. So we don't think he has
24 grounds to object. Mewbourne even allowed Mr. Ragsdale
25 into the undisputed costs to pay his share of the

1 undisputed costs on the third Bone Spring well, the B-3
2 well late. So we believe he was treated fairly. We just
3 don't understand why he didn't timely elect. There was no
4 interdependence between the elections on the two wells.

5 We believe that a Pooling Order is the
6 state's equivalent of the JOA, as bare bones as it may be,
7 and Mr. Ragsdale was treated like other JOA -- was treated
8 like the other JOA owners who paid their proportionate
9 share of the junked wells costs. He should be subject to
10 all well costs, just like the JOA owners.

11 Mewbourne in this prospect had to deal with
12 about 50 interest owners in the east half/east half of 10
13 and 15, and to get them on board to drill these wells. No
14 one else has objected to the original B-1, the first Bone
15 Well Spring well pass, and we no reason to rescind the
16 Order and have to repool these many people.

17 Insofar as the pooling application, just
18 like court pleadings these are just Notice pleadings.
19 When the 15/10 pooling was heard no Order had yet been
20 issued on the 10/15 wells, which took about four months to
21 issue, and substitute wells are being successfully drilled
22 by Mewbourne, so Mewbourne made a prudent operator's
23 decision to move the surface locations.

24 Finally I would say that even if the
25 Division held that the \$3 million in costs for the first

1 two junked holes was disallowed, he still wasn't timely on
2 his election on the B-1 well, so he would still be force
3 pooled as a nonconsenting interest owner for the well
4 costs less that three million bucks.

5 We think he waived any rights to object,
6 and we would request that Mr. Ragsdale's application be
7 denied.

8 HEARING EXAMINER ORTH: Thank you.

9 Would you like to call your witness,
10 please.

11 MR. BRUCE: Yes. I have two witnesses. The
12 first one is Travis Cude, C-u-d-e. If he could be sworn
13 in, please.

14 HEARING EXAMINER ORTH: All right.

15 TRAVIS CUDE,
16 having been duly sworn, testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Mr. Cude, could you please state your name and
20 city of residence for the record.

21 A. Travis Cude, Midland, Texas.

22 Q. And what is your job and who do you work for?

23 A. I'm a reservoir engineer for Mewbourne Oil
24 Company.

25 Q. And have you previously been qualified by the

1 Division as an expert petroleum engineer?

2 A. Yes, sir, I have.

3 Q. And your Verified Statement, relatively brief
4 statement, has been marked Mewbourne Exhibit 1. Was that
5 prepared by you or under your supervision?

6 A. Yes, sir.

7 Q. And do you adopt that as your testimony in this
8 case?

9 A. Yes, sir, I think with one clarification.

10 Q. Okay. Let's -- I believe if you look at
11 Exhibit 1, does it have to do with paragraph 6 on page 2
12 of your affidavit?

13 A. Yes, sir.

14 Q. What is incorrect there?

15 A. Mewbourne has drilled the Ibex 15/10 B3PA Fed.
16 Com. Well No. 1H to TD, and we are currently drilling the
17 Ibex 15/10 B1PA Fed. Com No. 2H. We are in the curve
18 portion of that as we speak.

19 So we have successfully made it past any
20 shallow drilling hazards here, unlike our previous
21 attempts to the north.

22 Q. So the two well names were transposed and that
23 paragraph should state 15/10 B3PA Well No. 1H.

24 A. Yes, sir.

25 Q. And with that, do you have anything -- let me

1 ask you then -- I do have a follow-up question.

2 If it had not been for the length of
3 time -- in your work do you deal obtaining APDs from the
4 BLM and other agencies?

5 A. Yes, sir.

6 Q. And does it take time to process APDs through
7 the Bureau of Land Management?

8 A. Yes, sir. Typically a state or fee permit takes
9 a matter of just a couple of days, but federal APD
10 generally takes, you know, a number of months.

11 Q. So it would have been impossible to move a rig
12 and commence one of 15/10 wells within 10 days of the
13 junking of the 10/15 2HY hole?

14 A. Yes, sir, that's correct.

15 Q. But do you consider drilling all of these wells
16 a continuous operation?

17 A. Yes, sir.

18 Q. Mr. Cude?

19 A. Yes, sir.

20 MR. BRUCE: Okay. Madam Examiner, with that I
21 move the admission of Mewbourne Exhibit 1 and pass the
22 witness.

23 HEARING EXAMINER ORTH: All right. Ms. Shaheen,
24 any objection to the admission of Exhibit 1?

25 (Note: No audible response.)

1 HEARING EXAMINER ORTH: Let's see. We are
2 muted.

3 Now you're unmuted.

4 MS. SHAHEEN: No, Madam Examiner, no objections.

5 HEARING EXAMINER ORTH: All right. Do you have
6 any questions of Mr. Cude?

7 MS. SHAHEEN: I have one question, which may
8 lead to more. And that's -- are you ready Mr. Cude?

9 THE WITNESS: Yes, ma'am.

10 MS. SHAHEEN: Okay. For some reason I don't see
11 you anymore.

12 CROSS EXAMINATION

13 BY MS. SHAHEEN:

14 Q. How often has Mewbourne determined that a well
15 such as the 15 2H is a substitute well for a well such as
16 10 2H? Has that been done by Mewbourne before?

17 A. I'm not entirely certain. I know we don't have
18 a large number of junked wellbores in certainly my history
19 of working here out of the Midland office the last six
20 years.

21 Q. So here's my question for you.

22 I don't believe -- were you the engineer in
23 the 20809 matter?

24 A. I don't know that we had introduced any
25 testimony.

1 Q. If these wells were intended to be substitute
2 wells, why did Mewbourne ask the Division to force pool
3 all four wells individually and submit four different AFEs
4 to the Division in Case No. 20809?

5 A. I believe I just need to defer that to our
6 attorney Mr. Bruce.

7 Q. I'll try with Mr. Robb.

8 MR. BRUCE: I think Mr. Robb could better answer
9 that question since he's -- that's more of a land
10 question.

11 MS. SHAHEEN: Okay. I'll save it for Mr. Robb.

12 That's all my questions for you, Mr. Cude.
13 Thank you.

14 HEARING EXAMINER ORTH: Thank you, Ms. Shaheen.

15 Mr. Simmons, do you have questions of Mr.
16 Cude?

17 EXAMINER. SIMMONS: I do.

18 CROSS EXAMINATION

19 BY EXAMINER SIMMONS:

20 Q. Good morning, Mr. Cude.

21 So the initial drill of the 10/15 2H was
22 unsuccessful, and then they attempted to drill -- they
23 received permission to skid the well, am I correct, and
24 they tried to drill the 2Y, the 10/15 2Y?

25 A. Yes, sir.

1 Q. What are the limitations on distance in
2 drilling? Is the Y well then, a skid well considered a
3 substitute well?

4 A. Yes, sir, it is. I believe, you know, our
5 package for the rig allows us to skid 150 feet at maximum.
6 And so, right, we skidded and respud the well, I guess
7 that was within about 30 feet of the original hole, ran
8 into the same, you know, shallow drilling issues that we
9 had on the original well, and determined it was more
10 prudent to attempt that from the south rather than
11 drilling in a third well another 30 feet off of that.

12 Q. All right. And how long was it between drilling
13 the 2H and the 2Y? How much time elapsed there? Was
14 there a few weeks, a month, or do you recall?

15 A. No, sir, it was just a few days. Uhm, we -- I
16 have a fax here that we plugged the 2H -- where's the date
17 here. It was within just a couple of days after plugging
18 the 2H we commenced the 2HY.

19 So we plugged the 2H on -- let's see.

20 So we plugged the 2H on July 24, 2019, and
21 we spud the 2HY on July 26th. So just two days.

22 Q. And are there -- are you familiar with the
23 statutory limits, or the Division rules on what actually
24 qualifies as a substitute well? Is there some criteria
25 that has to be met in terms of time and distance?

1 A. Yes, I believe the well needs to be located
2 within 330 feet and 10 days.

3 Q. Okay. So it really is contemplating like the
4 situation that we had here with a skid well being a
5 substitute well; is that correct?

6 Or within your understanding.

7 A. Yes, sir.

8 Q. So when we -- so technically the 10/15 2H, the
9 wells that are the subject of this hearing, they really
10 don't qualify statutorily, at least in that first
11 definition of a substitute well, but can they be deemed
12 replacement wells by industry custom or usage?

13 A. Are you refer- -- the 15/10 wells?

14 Q. Yes.

15 A. The wells that are coming from the south?

16 Q. Yes.

17 A. Yeah. You know, I think with horizontal wells,
18 you know there's spacing concerns to deal with, and
19 obviously trying to optimize lateral length, and so
20 generally we'll refer to where our first take points are,
21 where our last take points are. You know, where the
22 completion interval starts, where the completion interval
23 ends, and that is where the well is completed.

24 So yes, in this case, you know, as far as
25 the distance requirements, our take points are within

1 those confines. And so yes, we're kind of deeming this as
2 a replacement well in that sense.

3 Q. Okay. Yeah, it's probably a question of law
4 what the specific definition of a substitute well is, but
5 in the practical, you couldn't flip the well site and
6 drill from the two miles away without a permit. You had
7 to wait for BLM to issue these permits, and that took
8 several months; is that correct?

9 A. Yes, sir. They have to do a review of the
10 surface, and then there's a posting period, I believe, for
11 your APD. You know, it's at least 30 days, generally
12 takes longer than that. So, yeah, it takes a considerable
13 amount of time to get a federal APD approved.

14 So in the case of the 2HY we were able to
15 receive permission from the BLM to immediately spud that
16 well due to its location. Because we moved the location
17 to the south we can't get that immediate approval.

18 Q. Right. Okay. But so industry custom in this
19 case is not to completely abandon the project entirely but
20 to go to Plan B, which in this case was to attempt to
21 drill from the south two miles away, or whatever the
22 distance was, once the required permits were obtained. Is
23 that correct?

24 A. Yes, sir. We deemed that the most prudent thing
25 to do to avoid another issue there.

1 Q. So despite the break in time necessary to
2 acquire the APDs from BLM, this was -- in Mewbourne's
3 estimation this was still one continuous project, one
4 continuous drilling program to develop the acreage.

5 A. Yes, sir.

6 Q. Was there at any time, by -- any of the interest
7 owners, uh, to your knowledge, complain that there was
8 some lack of due diligence on Mewbourne's part in
9 adjusting its drilling program after the 2Y failed and
10 moving the location two miles away?

11 A. No, sir, not to my knowledge.

12 Q. They acted with as much speed as circumstances
13 allowed?

14 A. Yes, sir.

15 MR. SIMMONS: Okay. I think that's all I have
16 for the moment. Thank you.

17 HEARING EXAMINER ORTH: All right. Thank you,
18 Mr. Simmons.

19 Mr. Garcia, do you have questions of
20 Mr. Cude?

21 MR. GARCIA: I have a few.

22 CROSS EXAMINATION

23 BY EXAMINER GARCIA:

24 Q. The original wells, the 10 and 15Hs, those were
25 drilled well in advance of receiving the Order for the CP.

1 I'm just curious as to did you guys -- why did you guys
2 drill so early before receiving this Compulsory Pooling
3 Order?

4 A. We had lease obligations to meet.

5 Q. So did you guys have consent of all the working
6 interest owners, or at least one per tract?

7 A. Yes, sir, we had standing in every tract.

8 Q. Okay. And then the original wells were spudded
9 and plugged and abandoned July-ish, and then you guys
10 filed your new CP Order in September. I guess, why wasn't
11 the cost of plugging those wells reflected in the new CP
12 case, because they are just blank on the
13 plugged-and-abandoned category.

14 A. Usually that's a -- that's -- I mean, most of
15 our AFEs don't have a prebilled plugging for that
16 particular well.

17 Q. I guess can you rephrase that?

18 A. We generally don't prebill partners on the
19 drilling of a well for the final plugging of that well,
20 and so that's why those were not included on that.

21 Q. But in the AFEs that Mr. Ragsdale received there
22 was a plug-and-abandon cost. This is what the issue is.

23 You were aware that there would be costs.
24 Why wasn't it in the hearing, I guess is my question.

25 A. I don't know that at the time we had -- that we

1 sent out those new costs, that we had all of those costs
2 in as to what the final number there would be.

3 Q. Okay. But a CP affidavit normally just are
4 estimates, and I'm sure Mewbourne has a rough estimate on
5 the cost of plugging a well.

6 A. Yes. I mean, when we submitted the AFE with the
7 Order to Mr. Ragsdale, those costs are included on that.

8 EXAMINER GARCIA: Okay. I guess I was more
9 curious about the one that went to hearing, the one that
10 was Noticed and stuff.

11 That's all my questions for now.

12 HEARING EXAMINER ORTH: Thank you, Mr. Garcia.

13 Mr. Bruce do you have any follow-up with
14 Mr. Cude?

15 MR. BRUCE: Uhm, I don't believe I do. Thank
16 you.

17 HEARING EXAMINER ORTH: All right. Anything
18 further at all? No? All right.

19 Thank you very much, Mr. Cude.

20 Mr. Bruce, your second witness.

21 MR. BRUCE: Yes. I'd like to call Mitch Robb,
22 landman from Mewbourne.

23 And for the court reporter, the name is
24 spelled R-o-b-b.

25 HEARING EXAMINER ORTH: Yes.

1 (Note: Whereupon the hearing examiner swore in
2 the witness, who responded affirmatively.)

3 THE WITNESS: If you would give me on second. My
4 computer says it's trying to restart.

5 HEARING EXAMINER ORTH: I can see you very
6 clearly.

7 (Note: Pause.)

8 THE WITNESS: Okay.

9 HEARING EXAMINER ORTH: All right. Go ahead,
10 Mr. Bruce.

11 MR. BRUCE: Has he been sworn in?

12 HEARING EXAMINER ORTH: Yes.

13 MR. BRUCE: Okay. I was just writing something
14 down, wasn't paying attention.

15 MITCHELL ROBB,
16 having been duly sworn, testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BRUCE:

19 Q. Mr. Robb, could you please state your name and
20 city of residence.

21 A. Mitchell Robb, Midland, Texas.

22 Q. And who do you work for and in what capacity?

23 A. I'm a landman with Mewbourne Oil Company.

24 Q. Have you previously testified before the
25 Division?

1 A. Yes, I have.

2 Q. And were your credentials as an expert petroleum
3 landman accepted as a matter of record?

4 A. Yes, they were.

5 Q. And are you familiar with the land matters
6 involved in this case?

7 A. Yes, I am.

8 MR. BRUCE: Madam Examiner, I tender Mr. Robb as
9 an expert petroleum landman.

10 HEARING EXAMINER ORTH: Any objection, Ms.
11 Shaheen?

12 MS. SHAHEEN: No objection. Thank you.

13 HEARING EXAMINER ORTH: All right. Thank you.
14 He is so recognized.

15 Q. Mr. Robb, your testimony in this matter was
16 submitted as Mewbourne Exhibit 2. Was this Self-Affirmed
17 Statement prepared by you, and the attachments thereto
18 prepared by you or under your supervision or compiled from
19 company business records?

20 A. Yes, they were.

21 Q. And do you adopt it as your testimony here?

22 A. Yes, I do.

23 Q. Let me ask just a few questions about some of
24 this stuff.

25 Let's go first of all -- this goes back to

1 some questions I asked of Ms. Stanford, but over the years
2 has Mewbourne had a number of contacts with Mr. Ragsdale
3 over the pooling of land in Southeast New Mexico?

4 A. Yes, we have.

5 Q. And they go back a number of years, don't they?
6 I looked through my files and I couldn't find the exact
7 date, but it's more than a few years, is it not?

8 A. Yes, that's correct. He's been in multiple
9 cases with us.

10 Q. And so at least through the cases with you, and
11 you don't even know -- you don't know who else he has been
12 force pooled, do you.

13 A. I do not.

14 Q. But at least with the cases that you're aware of
15 that Mewbourne is aware of, he's -- he's actually shown up
16 and appeared in certain cases, has he not?

17 A. Yes. Actually for our Ibex 10B3 and -C, well
18 Case No. 15888, he showed up and contested the well costs
19 for that well, as well.

20 Q. And that was after the well was drilled, I
21 believe.

22 A. That's correct.

23 Q. But he's -- he's obviously dealt with you in
24 force pooling situations, so he has knowledge of
25 compulsory pooling --

1 A. Yes, sir.

2 Q. -- so far as you can tell.

3 A. Yes, he's familiar with it so far as I can tell.

4 Q. And the well you just mentioned, the Ibex 10,
5 that is in that Section 10, the same Township and Range as
6 the 10/15 wells are located in. Correct?

7 A. Yes, that's correct, sir. They are just one
8 mile. It's a one-mile lateral.

9 Q. Let's just go over a few things. A couple of
10 these might have been covered by Mr. Cude, but regarding
11 the 10/15 wells or the 15/10 wells, is the owner --
12 both -- all of those wells involve the east half/east half
13 of Sections 10 and 15; is that correct?

14 A. Yes, that's correct.

15 Q. And so the ownership is the same.

16 A. Yes.

17 Q. And the target zones in both wells is the same.

18 A. Yes, that's correct.

19 Q. And the well lengths are the same.

20 A. Yes.

21 Q. And again just to verify, there is federal
22 acreage in this well unit, so you had to obtain APDs from
23 the Bureau of Land Management.

24 A. Yes. It's 100 percent federal.

25 Q. And to confirm, Mr. Ragsdale did not timely

1 elect -- when he was given the Election Notice in March of
2 this year, he did not timely elect to join in either the
3 B-1 or B-3 wells, correct?

4 A. Yes.

5 Q. If you are going to elect to join in a well of
6 Mewbourne, whether under a Pooling Order or under a JOA,
7 and Mewbourne is going to join in a well, how much time
8 does it take to either write a letter or send an email
9 saying that Mewbourne elects to join in the well?

10 A. Uhm, you just have to sign the AFE and you can
11 email it back to the operator, or mail it. You could take
12 a picture and send it to him if you wanted to.

13 Q. So just a matter of minutes.

14 A. Yes.

15 Q. And from what we've heard Mr. Ragsdale was in
16 the office during March, was he not? His office.

17 A. From Ms. Stanford's testimony, yes.

18 Q. And so he's dealt with elections before with
19 you, and he's been able to make elections whether to elect
20 or to not elect. Correct?

21 A. Right.

22 Q. And just to confirm he -- during March did he
23 also -- did Mewbourne also have contact with him regarding
24 other prospects in which -- Mewbourne prospects in which
25 he is an interest owner?

1 A. Yes. We received contacts, or we had
2 communication with him during that 30-day period.

3 Q. So he was in the office and could have made a
4 timely well election?

5 A. Yes.

6 Q. And if he had made a timely election on the B-3
7 well, which is not the well at issue today, you would have
8 had no choice but to accept it. Correct?

9 A. Yes.

10 Q. And you didn't withhold, meaning you or
11 Mewbourne in general, didn't withhold any information from
12 Mr. Ragsdale, did you?

13 A. No, I did not.

14 Q. And furthermore, any well information, whether
15 on the initial two junked holes or anything else, was
16 communicated to Tracy Anderson, Mr. Ragsdale's assignor,
17 was it not?

18 A. Yes. I had multiple phone conversation with her
19 regarding the first junked well and second junked well and
20 our plans to flip to a two-mile -- flip to the south and
21 drill north, and that being the replacement well for the
22 second well that we had to junk.

23 So she knew everything.

24 Q. Okay. And under the JOA people who were sub- --
25 again, approximately how many working interest owners are

1 **there in these wells?**

2 A. In the wells around 50, a little more.

3 Q. And Mewbourne had to force pool 15 or 20 of
4 **them, I think, roughly.**

5 A. Closer to --

6 Q. What's that?

7 A. It was closer to 10 people.

8 Q. Ten people?

9 A. Yes.

10 Q. But you were in touch with all of these people,
11 **whether JOA parties or forced pool parties, to get them on**
12 **board to drill the 10/15 and the 15/10 wells. Is that a**
13 **fair statement?**

14 A. Yes. We sent Well Proposals to all the parties
15 that owned working interests in our wells.

16 Q. Has anyone else to date objected to the well
17 **costs for the B-1 well other than Mr. Ragsdale?**

18 A. No. Everyone has made their elections.

19 Q. Has Mr. Ragsdale -- Mr. Ragsdale partici- -- to
20 **clarify, Mr. Ragsdale has participated or did elect to**
21 **participate in the B-3 well.**

22 A. Yes. He elected to participate and paid on time
23 after we -- after Mr. Insalaco's letter that was
24 conditional that he paid all of the estimated costs.

25 Q. Okay. Which was after the initial election

1 period.

2 A. Yes. After he had already been force pooled we
3 gave him another opportunity to participate. So he was
4 force pooled.

5 Q. And when you say force pooled you mean he was a
6 nonconsenting interest owner but you gave him a chance to
7 be a consenting owner.

8 A. Yes, correct.

9 Q. Has he sold his interest in the B-3 well?

10 A. Yes, he has, and he tried to sell the B-1 well,
11 as well. Since it was force pooled they did not buy it.

12 Q. Now, Mr. Cude testified about the -- one well,
13 one of the 15/10 wells has been drilled and you're
14 drilling the second 15/10 well, uhm then they'll be
15 completed later; is that correct? Kind of probably same
16 time/same rig, roughly.

17 A. Yes.

18 Q. And doesn't it generally take quite a while, at
19 least two to three months, to get all the well costs in
20 for these wells so that you have a final well cost you can
21 send out to the working interest owners?

22 A. Yes.

23 Q. So it will be a while before the final well
24 costs are known?

25 A. Yes.

1 MR. BRUCE: Madam Examiner, I would move the
2 admission of Mewbourne Exhibit 2, and pass the witness.

3 HEARING EXAMINER ORTH: All right. Thank you,
4 Mr. Bruce.

5 Ms. Shaheen, do you have any objection to
6 the admission of Mewbourne Exhibit 2?

7 MS. SHAHEEN: I do not.

8 HEARING EXAMINER ORTH: All right. Exhibit 2 is
9 admitted.

10 Did you have questions, of Mr. Robb?

11 MS. SHAHEEN: I do.

12 CROSS EXAMINATION

13 BY MS. SHAHEEN:

14 Q. Good morning, Mr. Robb.

15 A. Good morning.

16 Q. I have quite a few questions for you and I think
17 I want to start first with your testimony that you just
18 gave us.

19 You testified about Mr. Ragsdale's
20 participation in the Ibex wells and his objection to well
21 costs in that matter; is that correct?

22 A. Yes.

23 Q. And in that case Mr. Ragsdale had Notice of the
24 forced pooling of those wells and he elected to
25 participate before they were drilled. Correct?

1 A. Yes. Before the 30-day time period after our
2 proposed under the Order, he sent a signed AFE.

3 Q. And had Mewbourne drilled any of the Ibex wells
4 prior to Mr. Ragsdale's electing to participate?

5 A. I'm not sure -- are you talking about the mud
6 (phonetic) wells?

7 Q. Whichever Ibex wells you were talking about
8 earlier.

9 So different circumstances there, wouldn't
10 you agree?

11 A. I'd have to go check. I'm not sure. I mean
12 yes. Yes, there are different circumstances, because last
13 time he elected within the 30-day period and this time did
14 not.

15 Q. Well, and were there any failed attempts to
16 drill with respect to the Ibex wells?

17 A. Ibex 10 B-3 and C, no, there were not.

18 Q. So there was no need to file a second
19 application for replacement wells for the Ibex wells; is
20 that correct?

21 A. We did not have to flip the service and
22 bottomhole location, no.

23 Q. You also testified that you had communications
24 with Mr. Ragsdale during that 30-day period. Do you
25 recall that?

1 A. Yes. Mewbourne did.

2 Q. And can you tell me, describe those
3 communications with Mr. Ragsdale during that time period?

4 A. Uhm, it looks like it want was an email from
5 Karen Stanford to one of the other landmen here regarding
6 a different Mewbourne prospect. And that was on March
7 23rd.

8 Q. Okay. And did you have any other communications
9 with Mr. Ragsdale during that 30-day time period?

10 A. Not that I (inaudible).

11 Q. So you don't know of any communications, other
12 communications with Mr. Ragsdale during that 30-day time
13 period.

14 A. Outside of this one, no, and the initial one I
15 had with Karen within that 30-day period.

16 Q. And going back to the Ibex wells for -- well,
17 actually now I'm rethinking this.

18 Mr. Bruce asked you -- uh, he said -- he
19 asked you whether you had withheld any information from
20 Mr. Ragsdale. Do you recall that question and your
21 answer?

22 A. Yes, I do.

23 Q. And is that your position, that you didn't
24 withhold any information from Mr. Ragsdale during the
25 proceedings for Case No. 20809?

1 A. No information that he was entitled to.

2 Q. Are you saying he wasn't entitled to know that
3 the 15/10 wells were supposedly replacement wells for the
4 10/15 wells?

5 A. I communicated that to Tracy Anderson, who was
6 in communication with Mr. Ragsdale.

7 Q. When did you speak with Mr. An -- excuse me,
8 Ms. Anderson.

9 A. Shortly after -- so after July 26th, 2019.

10 Q. And do you have any record of speaking with
11 Ms. Anderson about those wells?

12 A. I could go pull my notes.

13 Q. Do you have any record of Ms. Anderson having
14 communicated to Mr. Ragsdale about the junked wells and
15 the 15/10 wells being replacement wells for the 10/15
16 wells?

17 A. No, I do not.

18 Q. So you don't know, one way or another, whether
19 that was communicated to Mr. Ragsdale prior to the time
20 you filed the application for Case No. 20809.

21 A. I don't know exactly, no, but, like I said,
22 they've been in communication. I don't know exactly what
23 they talked about.

24 Q. Who is "they"?

25 A. Uhm, Karen. That's what she testified.

1 Q. That she was in communication with Ms. Anderson.

2 My understanding, though, is that those
3 communications were in the early part of January of 2020.
4 Do you have some other information that indicates
5 Mr. Ragsdale --

6 A. No, I do not.

7 Q. Okay. Thank you.

8 So you don't know one way or another --

9 A. No.

10 Q. -- whether -- okay.

11 But you admit that the application for Case
12 No. 20809 did not indicate that the 15/10 wells were
13 replacement wells for the 10/15 wells. Correct?

14 A. All four wells are the same unit, same lateral
15 length, same everything.

16 Q. That's not my question. My question is: Did
17 the application reference the 10/15 wells or the previous
18 case which was 20580? Did the application in 20809 refer
19 to either of those things?

20 A. Refer to the -- did it explicitly state that
21 they were substitute wells? Is that what you're asking?

22 Q. That's one way to look at it, yes.

23 A. Okay. It did not say that exactly, no.

24 Q. Did it reference the previous case at all?

25 A. I believe it's something that was (inaudible).

1 **Q. The application says that?**

2 A. Uhm --

3 MS. SHAHEEN: And Madam Examiner I apologize we
4 did not include the applications as exhibits, and I wish
5 we had, but they are of record in two other cases. Uhm,
6 it's of record in 20809, and I would note that, and the
7 Division can take judicial notice of those.

8 A. Yeah. I would have to look at it.

9 **Q. Okay. Would it surprise you to know that the**
10 **application does not refer to Case No. 20580?**

11 A. Uhm, I'll just defer that one to Mr. Bruce.

12 **Q. Mr. Bruce is not testifying today.**

13 A. I don't have them in --

14 **Q. So you don't know one way or another whether the**
15 **application referenced the original Case No. 20580.**

16 A. I guess I don't have that in front of me so I
17 can't speak to that, but --

18 **Q. And you don't know one way or the other whether**
19 **the application in 20809 referenced the 10/15 wells at**
20 **all, do you?**

21 A. I'm still not sure what you're asking, but
22 Mr. Bruce filed the application so I will defer that
23 question to him.

24 **Q. Well, as I said, Mr. Bruce is not testifying**
25 **here, so...**

1 HEARING EXAMINER ORTH: I believe, Ms. Shaheen,
2 the applications will speak for themselves. It will be
3 clear on the face what they referenced or didn't
4 reference, and I agree with you that the Division can take
5 administrative notice of the pleadings and applications in
6 any of its cases.

7 MS. SHAHEEN: Thank you for that.

8 Q. Mr. Robb, going back to your testimony in
9 response to Mr. Bruce's questions, he asked you about how
10 many working interest owners are in this spacing unit, and
11 you replied that there are 50 and that only 10 were force
12 pooled.

13 Now, is that because there are 50 working
14 interest owners in this under the JOA or 40 under the JOA,
15 because there's a -- the unit -- excuse me, the JOA covers
16 1,280 acres.

17 Is that correct?

18 A. Yes, that's what the JOA covers.

19 Q. So all of those working interest owners in the
20 JOA don't actually have an interest in the spacing unit
21 that was force pooled in Case No. 20809, right?

22 A. That is incorrect.

23 Q. Okay. Is there only interest, a contractual
24 interest under the JOA?

25 A. It depends on the tract, but yes, they own a

1 working interest in every single tract under the 280-acre
2 spacing (inaudible).

3 **Q. That would contract --**

4 A. Sorry. The 1280.

5 **Q. That would --**

6 A. It's a working interest.

7 **Q. If you had -- but if you had no JOA you would**
8 **have been force pooling --**

9 A. That's --

10 **Q. -- less than 50. I'm sorry?**

11 A. Sorry.

12 **Q. If you had no JOA you would not have been force**
13 **pooling 50 working interest owners, correct?**

14 A. I'd have to look, but for these wells we had
15 previous JOAs covering Sections 10 and 15. So actually
16 yes, all of those owners would have had to be force pooled
17 because they had contractual interests from older JOAs
18 that we combined, uhm, for -- Mr. Ragsdale being one of
19 the JOA owners in Section 15.

20 So yes, we would have had to pool all of
21 those owners assuming there was no new JOA.

22 **Q. You would have had to pool the owners that had**
23 **interests in the two JOAs, one for Section 10 and one or**
24 **Section 15. Correct?**

25 A. I'm not sure where this is going. I mean, there

1 is a JOA in place, so...

2 Q. You also testified about Mr. Ragsdale selling
3 the 15/10, his interest in the 15/10 1H, and then you
4 testified that he attempted to sell his interest in the
5 10- -- excuse me, the 15/10 2H, But they did not buy it
6 because it was force pooled.

7 Where do you have this information from?

8 A. From the people he sold it to.

9 Q. What did they tell you exactly?

10 A. That they were purchasing his interest because
11 he reached out to sell it, and that they were going to buy
12 it but they heard that there was an issue with him being
13 force pooled on the B-1, so they did not buy it since he
14 was force pooled.

15 Q. But wasn't he force pooled in what you refer to
16 as the B-3 well, as well?

17 A. At the time that they approached me we had
18 already let him in and let him participate pursuant to
19 Mr. Insalaco's letter.

20 Q. But he was participating in that well as a force
21 pooled owner, correct?

22 A. In the B-3, yes.

23 Q. I'm getting confused when you say the B-3 and
24 the B-1. Is the --

25 A. That's the --

1 Q. -- B-3 the 15/10? I'm sorry?

2 A. The B-3 is the 1H.

3 Q. Okay. And so he was force pooled in that well
4 in addition to being force pooled in the 15/10 2H,
5 correct?

6 A. Yes. He missed his election date. He then
7 approached us. We sent a letter that said if he complied
8 with the conditions of this letter then we would take him
9 out of force pool status and allow him to participate.

10 And for the B-3 well, the 1H, he met all of
11 those conditions so we said yes, he can participate with
12 us.

13 Q. And the condition that wasn't met with respect
14 to the 15/10 2H is the big issue that's at hand in this
15 proceeding, correct?

16 A. Uhm, yes. I mean, he was already force pooled.

17 Q. But the reason he was deemed nonconsenting in
18 the 15/10 2H is because he didn't tender his share of the
19 costs that he believes are improper; isn't that correct?

20 A. That is incorrect. He was deemed force pooled
21 because he did not make an election within the allotted
22 30-day time period after receiving the forced pooling
23 Notice. After that 30-day period had elapsed, he
24 approached us. We said, "You can" -- Mr. Insalaco's
25 letter, it says: You were force pooled a percent. If you

1 would like to participate with us we will allow you to, if
2 you pay all of the estimated costs of the AFE of the 1H
3 and 2H wells.

4 So he was already force pooled. This was
5 just --

6 Q. That's what I'm trying to get at. That's what
7 I'm trying to get at. Because I hear you saying he was
8 deemed force pulled, but he was already --

9 MR. BRUCE: I would object.

10 Q. (Continued) -- force pooled.

11 MR. BRUCE: I would object.

12 I mean, you've asked and he's answered as
13 he has. The fact of the matter is he was force pooled in
14 the wells. The only issue is whether he was consent or
15 nonconsent. He was force pooled into all of the wells by
16 the various Orders.

17 MS. SHAHEEN: I was trying to get that verified.
18 Thank you, Mr. Bruce.

19 HEARING EXAMINER ORTH: Do you have other
20 questions of Mr. Robb?

21 MS. SHAHEEN: I sure do.

22 HEARING EXAMINER ORTH: Okay.

23 Q. So turning to your Direct Written Testimony, in
24 Mewbourne's Exhibit 2, paragraph 6 states that due to
25 drilling issues the original case was reopened in case

1 **No. 20809.**

2 **And here again I apologize if I'm beating a**
3 **dead horse here, because we did touch on this briefly**
4 **earlier.**

5 **Did the application in Case No. 20809 state**
6 **that Mewbourne was reopening Case No. 20580?**

7 HEARING EXAMINER ORTH: Ms. Shaheen, I'm going
8 to stop you here. He has already given you the best
9 answer he has, which is that he does not have the
10 applications in front of him, cannot speak to what they
11 say. I have already agreed with you that the Division can
12 take administrative notice. Would you move on, please.

13 MS. SHAHEEN: Okay.

14 **Q. Mr. Robb, isn't it true that Case No. 20580 was**
15 **still open at the time the application case was filed in**
16 **Case No. 20890 -- oh, sorry, 09.**

17 A. Yep.

18 **Q. So there would actually be no need to reopen**
19 **Case No. 20580; isn't that right?**

20 MS. BRUCE: Calls for a legal conclusion.
21 Object.

22 HEARING EXAMINER ORTH: Ms. Shaheen, I think I
23 agree with Mr. Bruce. Mr. Robb has not been qualified to
24 offer legal opinions here.

25 **Q. Do you know, Mr. Robb, whether the application**

1 requested the Division to approve costs for anything other
2 than the 15/10 wells?

3 A. I still don't have the applications. I'm sorry.

4 Q. Moving to do your paragraph 7 in your Direct
5 Testimony, your written testimony, you state that Order
6 No. 20924 was entered in Case No. 20580 on October 19,
7 2019. Do you see that written testimony.

8 A. Yes, I do.

9 Q. And this was only 12 days after the hearing in
10 Case No. 20809; is that right?

11 (Note: No response.)

12 MR. BRUCE: I will stimulate that it was.
13 That's correct.

14 A. So yes.

15 Q. Okay. And then you further state that the Order
16 was issued after the first two wells were junked.

17 A. Yes.

18 Q. And here again I'm going through the questions
19 that I had prior to us going through this testimony today,
20 so they may be redundant, and I apologize for that.

21 So Mewbourne spud the 10/15 No. 2 well
22 prior to receiving the Pooling Order for this well; is
23 that right?

24 A. Yes, that's correct.

25 Q. And when were the wells junked?

1 A. The 10/15 2H was July 24, 2019.

2 Q. And I won't ask you any more questions about the
3 application, but I do want to turn to Exhibit 4.

4 Let's see. Exhibit 4 is attached to Ms.
5 Stanford's testimony. Do you have that handy?

6 A. Yes. The letter from Mr. Ragsdale?

7 Q. No, this is Exhibit 4 to her testimony. It is
8 the exhibit package in Case No. 20809. It starts with
9 your Verified Statement in Case 20809.

10 Are you looking at hard copies or at the
11 .pdf? Because I may be able to direct you.

12 A. Hard copies. What is Exhibit 4 again?

13 Q. Exhibit 4 is the exhibits from Case No. 20809,
14 Mewbourne's exhibits Case No. 20809, and the first page is
15 your Verified Statement from that case.

16 A. Okay. Uhm, I don't think I have that in front
17 of me, but you can continue with your question.

18 Q. Well, I'm concerned that if you don't have the
19 exhibit in front of you you are not going to be able to
20 answer my questions.

21 A. Hold on a second. (Note: Pause.)

22 Okay. Yeah, I actually have Exhibit 4 in
23 front of me now.

24 Q. Okay. Good.

25 So I'd like to go a little ways into that

1 exhibit. It's just past the Self-Affirmed Statement on
2 Notice, the Notice Letter in this case. It's at the
3 bottom of the page identified as Attachment A.

4 So we are talking 1, 2, 3, 4, 5, 6, 7, 8,
5 9, 10, 11 pages into Exhibit 4.

6 A. Sorry, I just have the first three pages here.

7 Q. Well, that's a start, because I'm going to come
8 back to those first three pages.

9 A. Okay. Is that the Application from Mr. Bruce?

10 Q. It's the Notice Letter from Mr. Bruce.

11 A. Yes.

12 Q. So my question for you -- and you can take a
13 minute to look at this -- does the Notice Letter provide
14 any information about the 15/10 wells being replacement
15 wells for the 10/15 wells?

16 A. This is just Notice of a case regarding two Bone
17 Spring wells in the east half/east half of 10.

18 Q. So it doesn't indicate that the 15/10 wells that
19 were being proposed in this application are replacement
20 wells for the 10/15 wells, does it?

21 MR. BRUCE: Mewbourne will stipulate that the
22 letter does not use the word "replacement".

23 Q. Is there any indication in this letter that the
24 15/10 wells would be drilled instead of the 10/15 wells?

25 A. Like I said, this is just Notice of a case. I'm

1 not really sure what all has to go into the Notices.

2 That's not my expertise.

3 Q. Does the letter make any indication? I'm just
4 asking you to take a look at it now.

5 A. It does not list any well names, no.

6 Q. So if you were Mr. Ragsdale looking at this
7 letter, you would not know from this letter what
8 Mewbourne's intent was in this case. Correct?

9 A. I would know that there is intent to drill in
10 east half/east half of Sections 10 and 15.

11 Q. So you would not know that --

12 MR. BRUCE: I would object. The question has
13 been asked and answered about 10 times.

14 MS. SHAHEEN: Well --

15 HEARING EXAMINER ORTH: Ms. Shaheen -- first of
16 all, Mr. Robb, I understand that you will not be
17 testifying about the legal significance of what is in or
18 not in that Notice Letter, and yet I think we might go a
19 little faster if you acknowledge the facts that Ms.
20 Shaheen is trying to elicit from you in terms of what is
21 in or not in the letter, regardless of the legal
22 significance.

23 MR. BRUCE: Mad- --

24 HEARING EXAMINER ORTH: And, Ms. Shaheen, I
25 will just ask if you would please try to avoid redundancy.

1 Mr. Bruce, did I hear you trying to say
2 something? I'm sorry.

3 MR. BRUCE: No. I have no objection to your
4 request is all -- or your statement, is all I said.

5 HEARING EXAMINER ORTH: Okay. Thank you very
6 much.

7 MR. BRUCE: And I would ask Mr. Robb to answer
8 the question you requested.

9 HEARING EXAMINER ORTH: All right. Thank you
10 very much.

11 If you would repeat whatever question is
12 pending here, Ms. Shaheen.

13 **Q. Does the letter indicate that Mewbourne intends**
14 **to drill the 15/10 wells instead of drilling the 10/15**
15 **wells?**

16 A. It does not.

17 **Q. Thank you. That's all I was trying to get.**

18 I will do my best to avoid redundancy.

19 At the hearing in Case No. 20580 did
20 Mewbourne inform the Division that the first two wells had
21 been junked?

22 A. No.

23 **Q. Why not?**

24 A. Case 28520 (sic) --

25 MR. BRUCE: If that's the first case, I would

1 object because it's in the Stipulated Facts that that
2 case, the initial case was heard in June of 2019, and
3 Mr. Cude's affidavit says that the wells were junked in
4 July of 2019. So that question is irrelevant.

5 MS. SHAHEEN: Yes, that question is my mistake.
6 I should be referring to the second case.

7 Did the application in Case No. 20809 --
8 oh, sorry. In Case No. 20809 did Mewbourne inform the
9 Division that the first two wells had been junked?

10 A. No.

11 Q. Why not?

12 A. Uhm, I'm not sure.

13 Q. And yet the Division asked -- excuse me,
14 Mewbourne asked the Division to force pool all four wells,
15 suggesting that they intended to drill all four wells;
16 isn't that correct?

17 A. Uhm, we did drill, and like we've said a few
18 times, these were just replacement wells for the original
19 No. 2H, and since we could not get APDs within the
20 required timelines under the Pooling Orders we had to wait
21 for (inaudible) spacing unit as those wells. So that's
22 why they were replacement wells, the 15/10.

23 Q. And why did you ask them to force pool a well --
24 why did you ask them to force pool four wells when you
25 knew you were not going to be drilling the 10/15 wells?

1 MR. BRUCE: I would object. Mewbourne has
2 already testified that they did commence the drilling of
3 the two 10/15 wells.

4 HEARING EXAMINER ORTH: Ms. Shaheen?

5 MS. SHAHEEN: Okay.

6 Q. They commenced the drilling of the 10/15 2H,
7 correct?

8 A. Yes.

9 Q. They never commenced the drilling of the
10 10/151H; is that correct?

11 A. Correct.

12 Q. If the wells were drilled, the 10/15 2H and 2Y
13 were drilled and junked prior to issuance of the Order in
14 Case No. 20580, doesn't this mean that Mr. Ragsdale never
15 had the opportunity to elect to participate in the 10/15
16 well under the Forced Pooling Order?

17 A. Given that the Order wasn't issued?

18 Q. Yes.

19 A. Uhm, yes. There was no Order issued at the time
20 we drilled the wells. Like we've testified, we had lease
21 obligations that we had to meet, and if we would have
22 waited until the Order was issued then we would not have
23 met those obligations.

24 Q. Uhm --

25 A. And Mr. Ragsdale --

1 Q. Excuse me. Excuse me. Just answer the question
2 that I asked you, please.

3 And in fact Mr. Ragsdale was never provided
4 with an opportunity to elect to participate in the 10/15
5 wells under a Forced Pooling Order; isn't that right?

6 A. Uhm, given that those wells are still part of
7 this 15/10 well, yes, he's -- he was given an opportunity.

8 And we proposed -- we proposed this well
9 back in. -- let's see. March 19 of 2019 Mr. Ragsdale was
10 given the opportunity to participate in this well, he had
11 signed a JOA with Mewbourne.

12 So he was given every opportunity to
13 participate, he just didn't want to until an Order was
14 issued.

15 Q. And he has every right to do that; isn't that
16 correct?

17 A. Yes, he does.

18 Q. But he never had that opportunity; isn't that
19 correct?

20 MR. BRUCE: I object. Mr. Robb just testified
21 opposite to that.

22 HEARING EXAMINER ORTH: That's right. Ms.
23 Shaheen, he has answered your question already.

24 MS. SHAHEEN: Well, with all due respect I don't
25 believe he has answered the question, because it's -- it

1 cannot be disputed that Mr. Ragsdale never had an
2 opportunity to elect to participate in the drilling of the
3 10/15 2H.

4 HEARING EXAMINER ORTH: Okay.

5 MR. BRUCE: And I would state that he was given
6 that opportunity in March of this year under the Election
7 Letter. So it is disputed.

8 HEARING EXAMINER ORTH: It is disputed, Ms.
9 Shaheen, and I think you've heard Mewbourne's perspective
10 on this now already.

11 MS. SHAHEEN: I will move on. Thank you.

12 Q. Going back to Exhibit 4, your Verified Statement
13 in the 20809 matter.

14 A. Yes.

15 Q. And in paragraph 2(c)(i)(iv), do you see that?

16 A. Yes, I do.

17 Q. And there you explicitly state that the unit
18 will be dedicated to four different wells; isn't that
19 correct?

20 A. Yes.

21 Q. And it states that those four wells are the two
22 10/15 wells and the two 15/10 wells; is that correct?

23 A. Yes.

24 Q. If drilling all of these four wells -- oh,
25 excuse me. Wait. I'm backing up for a minute.

1 Why did Mewbourne -- I think I've asked you
2 that.

3 Did Mewbourne tell the examiners that they
4 may drill all four wells?

5 A. Yes. When we pooled it your are pooling all
6 four wells.

7 Q. Did you tell the Division that you planned to
8 drill all four wells?

9 A. Yes, we reopened --

10 Q. Excuse me. Excuse me. Just answer my question,
11 please.

12 If drilling all four wells was a scenario,
13 why did Mewbourne not include AFEs for all four wells when
14 they notified Mr. Ragsdale of the Pooling Order in March
15 of 2020?

16 A. We were reopening the case to add the two 15/10
17 wells to the first two 10/15 that were in the initial
18 case.

19 Q. Let me ask that again, because I don't think you
20 answered my question.

21 If drilling all four wells was the
22 scenario, why did Mewbourne not include AFEs for all four
23 wells when they notified Mr. Ragsdale of the Pooling Order
24 in March, 2020?

25 A. Because they were substitute wells, so we lumped

1 the first two junked wells into the third substitute well.

2 Q. Nowhere in your Verified Statement here do you
3 represent that the 15/10 wells are to be drilled in lieu
4 of the 10/15 wells, do you?

5 A. I mean it's not in lieu. We tried to drill the
6 10/15 but it didn't work.

7 Q. And nowhere in your Verified Statement does it
8 say that you would not be drilling the 10/15 wells in the
9 future but instead you would be drilling the 15/10 wells.
10 Isn't that right?

11 A. We did -- I don't know why we would say we
12 wouldn't drill those wells when we did.

13 So no, it does not say that. Sorry.

14 Q. In your statement did you inform the Division
15 that you had attempted to drill the 10/15 2H and 2Y but
16 that those two wells had been junked?

17 A. No, that was not in the statement.

18 Q. Why not?

19 A. Uhm, I feel like I have answered this already.

20 HEARING EXAMINER ORTH: Ms. Shaheen, I'm
21 agreeing with Mr. Robb.

22 MS. SHAHEEN: Okay.

23 Q. Turning back that your Self-Affirmed Statement
24 in this case. I believe this is Exhibit 2, Mewbourne's
25 Exhibit 2, paragraph 11. (Note: Pause.)

1 A. Yes.

2 Q. Here you state that Mr. Ragsdale did not raise
3 an issue regarding the costs of the 15/10 2H after receipt
4 of the Election Letter on March 10, 2020. Do you see
5 that?

6 A. Yes.

7 Q. In light of Ms. Stanford's testimony earlier, do
8 you have any clarification with respect to paragraph 11?

9 A. She asked me about the costs and I explained
10 them.

11 Q. Okay. So is paragraph 11 correct?

12 A. Yes.

13 Q. Are you saying it's correct because it wasn't
14 Mr. Ragsdale it was Ms. Stanford who raised an issue about
15 the cost?

16 A. I mean she just had a question about why the AFE
17 was higher, and I explained it.

18 Q. Isn't that an issue regarding the costs?

19 A. It's a question.

20 Q. So wouldn't you agree that Mr. Ragsdale did
21 raise an issue about the costs after he received the
22 Election Letter?

23 A. Uhm, they asked about it, yes, and I explained
24 the reasoning for it. I mean, it was never protested or
25 anything like that within the election period of time.

1 Q. Let's turn to Rebuttal Exhibit No. 1. Do you
2 have that handy? It's Applicant's Rebuttal Exhibit 1,
3 your email exchange with Ms. Stanford in her notes
4 regarding your March 18th call.

5 A. Yes. I believe the was on the 12th, but...

6 Q. Do you have any notes that would indicate that's
7 the case?

8 A. I take notes.

9 Q. Do you have those handy?

10 A. On my computer.

11 Q. Then you have an indication that the call took
12 place on March 12th, as opposed to March 18th, as
13 indicated in Ms. Stanford's notes?

14 A. Yes. It says, "If you can call me tomorrow,
15 here's my number, I would appreciate it."

16 That's on the 11th. I called on the 12th.

17 Q. And did you speak with Ms. Stanford on the 12th
18 or did you speak with her on the 18th?

19 A. I have it in my notes as the 12th. If we need
20 to pull phone records or something, we can do that. I
21 don't know what to tell you.

22 Q. Okay. So on the 12th, at least, after March
23 10th, you spoke with Ms. Stanford or you had an email
24 exchange with her where she raised an issue about the cost
25 of the first well. Isn't that correct?

1 A. Yes, she had a question about it.

2 Q. And then you spoke with her after that email.

3 Correct?

4 A. Yes.

5 Q. And you talked about why the costs were imposed
6 on the 15/10 well; is that correct?

7 A. Yes.

8 Q. And did you explain to her why they were imposed
9 on the 15/10 well?

10 A. Yes.

11 Q. And what did you tell her?

12 A. That we had problems with the first well, uhm we
13 had to -- we skid over the replacement well, and this was
14 the third replacement, or the second replacement for the
15 initial well. Uhm, that as a separation unit we treated
16 it as the same well, essentially everything that we've
17 testified to today.

18 Q. Why did you refer her to Mr. Bruce?

19 A. (Note: No response.)

20 MS. SHAHEEN: Sorry?

21 HEARING EXAMINER ORTH: Mr. Robb, your sound
22 broke up. If you would repeat your answer, please.

23 A. Sorry. She had legal questions about the
24 Pooling Orders and I thought Mr. Bruce would be the best
25 contact for her to talk to about that.

1 Q. In paragraph 13 you state that in your
2 experience a Pooling Order is the equivalent of an
3 operating agreement. What is the basis for that
4 statement?

5 A. It's -- I mean, it's the -- I mean, it's the
6 governing document that we operator under for those that
7 don't sign the JOA.

8 Q. What is the governing document for parties that
9 don't sign the JOA?

10 A. The Pooling Order.

11 Q. Okay. So help me understand what you mean by
12 "equivalent".

13 A. Well, we operate under the JOA and we operate
14 under the Pooling Order.

15 Q. Okay.

16 A. That's --

17 Q. So are you saying that you should treat everyone
18 under the Forced Pooling Order the same way you treat
19 everyone under the JOA?

20 A. That's not what I'm saying.

21 Q. Okay. Because that's the way I read it, okay,
22 especially because it goes on to say that Mr. Ragsdale has
23 not been treated any differently than the interest owners
24 subject to the JOA. Do you see that?

25 A. Uhm --

1 Q. We are still in paragraph 13.

2 A. Yes. He was actually given a second chance to
3 participate in the wells, so...

4 Q. But that suggests to me that you're saying a
5 Pooling Order is the same thing as an operating agreement.
6 He was treated the same as the other owners under the JOA.

7 And, uhm, is that your understanding, that
8 he should be treated the same as the other owners under
9 the JOA?

10 A. I mean there are two governing documents that we
11 operate under, but they do not say the same thing, if
12 that's what you're asking.

13 Q. That's -- that is what I'm asking, because I
14 just got a different impression from your statement there.
15 You're suggesting that Mr. Ragsdale should be treated the
16 same way that everyone is treated under the JOA.

17 That's how I read your statement there. Is
18 that what you're saying?

19 HEARING EXAMINER ORTH: He has already said,
20 Ms. Shaheen, that that is not what he's saying. He
21 explained what he's saying. Would you move on, please.

22 MS. SHAHEEN: Yes, I will.

23 THE WITNESS: Madam Examiner?

24 HEARING EXAMINER ORTH: Yes.

25 THE WITNESS: My computer is saying it's going

1 to restart in three minutes and I can't use it. I'm going
2 to try to, but it might cut out.

3 It's restarting.

4 MS. SHAHEEN: Madam Examiner, this may be a good
5 time for a break. I could refocus and hopefully shorten
6 the remaining questions I have.

7 HEARING EXAMINER ORTH: That would be terrific.
8 Let's take another 10 minutes.

9 Mr. Robb, do you think you would be able to
10 rejoin us in 10 minutes?

11 THE WITNESS: Yes. I don't see any problem with
12 that.

13 HEARING EXAMINER ORTH: All right. Let's take
14 10 minutes. We will come back at 11:25.

15 MR. BRUCE: Thank you.

16 MS. SHAHEEN: Thank you.

17 (Note: In recess from 11:14 a.m. to 11:26 a.m.)

18 HEARING EXAMINER ORTH: We are back on the
19 record.

20 Ms. Shaheen, go ahead.

21 MS. SHAHEEN: Thank you.

22 **Q. Mr. Robb, you previously talked about the**
23 **interests that Mr. Ragsdale acquired from Tracy Anderson.**
24 **Do you recall that testimony?**

25 A. Yes.

1 Q. And those are two different types of interest,
2 right, Mr. Ragsdale has. He has the Tracy Anderson
3 interest which is subject to the JOA and the interest at
4 issue in this proceeding which are subject to the Forced
5 Pooling Order. Correct?

6 A. Yes, that's correct.

7 Q. If I understand your previous testimony you
8 agree that there's a difference between the two.

9 A. Yes.

10 Q. And isn't it correct that Ms. Anderson paid her
11 share of the costs for the 10/15 wells months and months
12 ago, perhaps even prior to the time those wells were
13 spudded?

14 A. I'd have to check with accounting, but yes, she
15 was obligated to pay for those under the JOA.

16 Q. So that issue about the costs for the 10/15
17 wells wouldn't necessarily have come up with respect to
18 Ms. Anderson because she had already paid those costs.
19 Correct?

20 A. Wouldn't have come up when?

21 Q. With Mr. Ragsdale.

22 A. I'm not sure if he -- if Ms. Anderson paid those
23 costs, or kind of what her deal with Mr. Ragsdale was.

24 Q. But didn't you just say that Ms. Anderson would
25 have paid those costs for the 10/15 --

1 A. She was --

2 **Q. -- prior to the time it was spudded?**

3 A. She was obligated under the JOA. I'm not sure
4 if she did or Mr. Ragsdale did.

5 **Q. Why would Mr. Ragsdale have paid those costs if**
6 **he didn't acquire the interests until the first part of**
7 **2020?**

8 A. Uh, didn't Ms. Stanford testify that they
9 acquired all of the wells?

10 **Q. Well, they may have acquired all of her wells,**
11 **but -- all of her interests in all of the wells, but that**
12 **doesn't mean that Mr. Ragsdale would have paid the costs**
13 **for the 10/15 wells with respect to Ms. Anderson's**
14 **interests, would it?**

15 A. I'm not sure if he has paid, but he's obligated
16 to, yes.

17 **Q. Under Ms. Anderson's, with --**

18 A. Yes.

19 **Q. -- respect to Mrs. Anderson's interests.**

20 A. Yes. He's obligated to pay under the JOA.

21 **Q. For the 10/15 well.**

22 A. Yes.

23 **Q. That's if --**

24 A. Any well drilled under the JOA.

25 **Q. I guess I'm trying to make this distinction**

1 between Ms. Anderson already did that, and so Mr. Ragsdale
2 has no -- it doesn't matter to him with respect to those
3 costs in the JOA.

4 A. Like I said, I'm not sure what deal he made with
5 Ms. Anderson when he took over, or if he paid her share.
6 That's something you can ask Ms. Stanford.

7 Q. Would you agree that if Ms. Anderson had
8 previously paid those costs Mr. Ragsdale would not have to
9 pay them for his interest he acquired from Ms. Anderson.

10 A. Yes, if they were paid. We're not going to --

11 Q. That's all I need.

12 Did Mewbourne inform Mr. Ragsdale about the
13 two junked wells prior to the Elections Letter in March of
14 2020?

15 A. No.

16 Q. Did Mewbourne ever send the Order issued in Case
17 No. 20580 to Mr. Ragsdale?

18 A. That's the first Order?

19 Q. Yes, it is.

20 A. No. We filed to reopen it before the Order was
21 issued. So the new one would supersede it, so I wasn't
22 sure, uhm, why we would need to send that out.

23 Q. Prior to filing the application to force pool
24 the 15/10 wells did Mewbourne send out Well Proposals?

25 A. Uh yes.

1 Q. Did Mewbourne send out a Well Proposal to
2 Mr. Ragsdale?

3 A. Yeah, on March 19th, 2019.

4 Q. That was with respect to the 10/15 wells. Did I
5 misspeak? I'm asking about the 15/10 wells.

6 Did Mewbourne send out Well Proposals
7 regarding the 15/10 wells?

8 A. I --

9 Q. To anyone.

10 A. Yes. Yes, we sent over proposals.

11 Q. For the 15/10 wells.

12 A. Yes, we've sent those out. Mr. Ragsdale
13 received his on March 10th. Yeah.

14 Q. Maybe I'm confusing you.

15 With respect to Well Proposals that are due
16 before an application is filed, do you understand as a
17 landman in your experience, that prior to filing Force
18 Pooling Applications you are required to send a Well
19 Proposal Letter to any party who is going to be force
20 pooled 30 days to filing of the application?

21 A. Yes. And we proposed 10/15 wells to
22 Mr. Ragsdale, then the subsequent wells were replacement
23 wells.

24 Q. So you never actually sent a Well Proposal prior
25 to filing the application in 20809 proposing the 15/10

1 **wells; is that correct? Yes or no.**

2 A. I'm not sure I was required to.

3 **Q. And my --**

4 A. As a substitute well, uhm -- I'd have to look at
5 an Order. But I'm not sure, because --

6 **Q. This is a yes-or-no question, yes-or-no answer.**

7 HEARING EXAMINER ORTH: Folks, Ms. Shaheen and
8 Mr. Robb. Mr. Robb, it is a yes-or-no answer as to
9 whether you sent that to Mr. Ragsdale, regardless of what
10 the legal significance of that might be or arguments that
11 might be made about it.

12 But I do ask both of you, Ms. Shaheen and
13 Mr. Robb, not to speak on top of one another. It makes it
14 impossible to make a transcript.

15 So Mr. Robb, if you would, if you remember
16 the question, please answer it.

17 MS. SHAHEEN: Would you like for me to restate
18 it?

19 A. No, we did not propose the 10/15 wells to
20 Mr. Ragsdale before the Order was issued.

21 **Q. Do you mean you didn't propose the 15/10 wells?**

22 A. Yes. Sorry. 15/10.

23 **Q. Before the application was filed?**

24 A. Yes.

25 **Q. Thank you. At what point did Mewbourne decide**

1 it was going to pool all four wells in Case No. 20809?

2 A. I guess whenever we filed it.

3 Q. Who at Mewbourne made the decision to do that?

4 A. To file the pooling?

5 Q. To pool all four wells in Case No. 20809.

6 A. It was just a Mewbourne management decision.

7 Q. No one in particular who made that decision?

8 A. I'm not sure the person or the team or everyone
9 that was involved, no.

10 Q. In Mewbourne's communications with Mr. Ragsdale
11 it referenced 19.15.13.8 in the Division regulations in
12 support of its position. Are you familiar with these
13 provisions?

14 A. Yes.

15 Q. Are you familiar with the costs that are
16 included in well costs under the compulsory pooling
17 regulations?

18 A. Uhm, not 100 percent.

19 Q. Are you aware that costs for drilling a
20 substitute well are included in well costs only under two
21 conditions?

22 A. Uhm, what are the two conditions?

23 Q. Uhm, the first condition is that the substitute
24 well must be located within 330 feet of the original well,
25 and the second is that the drilling of the substitute well

1 must commence within 10 days of abandoning the original
2 well.

3 MR. BRUCE: I would object to this. I believe
4 Mr. Cude has already answered those questions.

5 HEARING EXAMINER ORTH: Yeah, I remember that,
6 as well, Ms. Shaheen.

7 Q. If Mewbourne had not decided to drill the
8 15/10 2H after the 10/15 2H failed attempts, would
9 Mewbourne be entitled to recoup the cost of the two failed
10 attempts from Mr. Ragsdale?

11 A. Yes.

12 Q. Under what authority?

13 A. The Well Proposals. And I believe that's why we
14 are here today.

15 Q. I'm a little confused, because I have the
16 predicate if Mewbourne had not decided to drill the 15/10
17 2H after the 10/15 2H attempts.

18 So if you had not filed that application
19 for Case 20809 and proposed the 15/10 wells, would
20 Mewbourne be entitled to recoup the costs of the two
21 failed attempts from Mr. Ragsdale for the 10/15 2H?

22 A. I'm not sure how that question is relevant to
23 this case as that's not what we did.

24 Q. Mr. Bruce hasn't objected on your behalf. In my
25 opinion you need to answer the question. It's not your

1 **call as to whether it's relevant.**

2 HEARING EXAMINER ORTH: Mr. Bruce, do you have
3 an observation?

4 MR. BRUCE: You know, I suppose we could get
5 hypertechnical about it, but I've had witnesses object
6 before on both sides, and if somebody objects, the
7 Division normally rules on it. And I think that whatever
8 the answer is, once again I think we're kind of beating a
9 dead horse again. It's all the same -- it's been going on
10 for two hours now. It's been asked and answered.

11 HEARING EXAMINER ORTH: Ms. Shaheen, I'm going
12 to invite you to make the arguments you would like to make
13 about that hypothetical in your closing arguments, same
14 with Mr. Bruce.

15 Let me ask you if you have other questions
16 of Mr. Robb.

17 MR. BRUCE: Well, first, if Ms. Shaheen has more
18 questions, that's fine. I do have a few questions of Mr.
19 Robb, but I would certainly like to wrap this up.

20 HEARING EXAMINER ORTH: So again I'm asking if
21 Ms. Shaheen has other topics to explore, and to move on
22 from this hypothetical. Again, not that you can't make
23 arguments around this hypothetical as you wish, but if you
24 would move on from here, please.

25 MS. SHAHEEN: I have one last question, at least

1 at this point.

2 Q. The Pooling Order states that Mewbourne is to
3 provide actual well costs to the Division and pool owners
4 within 180 days.

5 Did Mewbourne provide actual well costs to
6 Mr. Ragsdale for the two failed attempts for the two 10/15
7 2H?

8 A. Yes. It's in the AFEs.

9 Q. And did it do that within 180 days of incurring
10 those costs?

11 A. We're still drilling the wells right now.

12 Q. I'm talking about the costs for the two failed
13 attempts to drill the 10/15 2H. Were those provided to
14 Mr. Ragsdale within 180 days of incurring those costs?

15 A. Uhm, yes, it looks like it. That's, what, six
16 months?

17 Q. And he was provided with the AFE in March but
18 the costs were incurred in July of 2019?

19 A. I'd have to see when we got the actual costs,
20 but it's right around there. Doesn't it say we have to
21 inform the OCD?

22 Q. Yes, it does.

23 A. I'd have to look into the dates.

24 MS. SHAHEEN: I have no further questions at
25 this time.

1 HEARING EXAMINER ORTH: Thank you, Ms. Shaheen.

2 Let's see. Mr. Simmons, do you have
3 questions of Mr. Robb?

4 MR. SIMMONS: I did have a few for Mr. Robb.

5 Thank you for your patience in this war of
6 attrition that we've been going through.

7 CROSS EXAMINATION

8 BY EXAMINER SIMMONS:

9 Q. So we've heard -- it looks like, uh, the
10 testimony is that there was standing to drill in every
11 tract, that Mewbourne did not need a CP in order to drill.
12 Is that correct?

13 A. That's correct. We had a standing in every
14 single 40, every tract that we drilled through.

15 Q. Okay. So they didn't need to wait to force pool
16 the interest owners in order to lawfully drill the well.

17 Can you explain to me what difference it
18 does make when they are force pooled? I'm trying to
19 understand the change of relationship between an
20 individual like Mr. Ragsdale before he's force pooled and
21 after he's force pooled, because we've heard it said over
22 and over again he had no chance to make an election in the
23 10/15 2H well. That's a fair observation they have made,
24 but how does that change? What does acquiring a CP do in
25 terms of his relationship to those wells before and after?

1 Do you understand my question? Can you
2 **explain that?**

3 A. When you when you say CP, meaning compulsory
4 pooling?

5 Q. Yeah, Compulsory Pooling Order. So Mewbourne
6 didn't need to wait to get a Compulsory Pooling Order to
7 drill those wells. He had some interest before, but how
8 does getting a Forced Pooling Order change that interest
9 in his obligations and his liabilities?

10 A. Uhm, I guess under the Pooling Order he's
11 required to pay for the costs up front, not through JIBS.

12 I'm not sure if I'm answering this
13 correctly, but is that kind of what you were looking for?

14 Q. So forced pooling requires that he pay up front;
15 he has to make an election and then he pays up front or he
16 becomes a nonconsenting. Okay. We understand that.

17 What was his relationship before that?
18 What were his obligations and his liabilities prior to
19 being force pooled? Did he have some interest in these
20 wells? Could Mewbourne come to him and try to recoup some
21 of the costs associated with drilling these wells?

22 A. So he was not an owner under our joint operating
23 agreements so we had to go to force pooling, and that's
24 the governing documents where we bill through, we
25 distribute revenue. It's how all the owners are kind of

1 governed in what we pay, what you receive in revenue. And
2 before the Pooling Order there was no document that
3 governed that for these two-mile laterals.

4 So Mewbourne -- in the absence of a Compulsory
5 Pooling Order Mewbourne had no recourse against
6 Mr. Ragsdale for any of the costs associated with those
7 wells?

8 A. Yes, that's correct.

9 MR. BRUCE: If I could interject.

10 I mean that's a kind of a legal question,
11 and there's actually a case out there that I could provide
12 to the Division and to Ms. Shaheen. It's a New Mexico
13 Supreme Court case that said that a person in
14 Mr. Ragsdale's condition would be considered a co-tenant
15 and would be subject to his share of costs. It's an odd
16 decision, I will state that up front, but it doesn't
17 prevent Mewbourne from drilling. It's just a matter of
18 cost recovery. But that would have to be enforced
19 privately in district court.

20 HEARING EXAMINER ORTH: Fine. So, Mr. Bruce,
21 I'll invite you to put that into your closing arguments,
22 if you would, please.

23 MR. BRUCE: Okay. I'm sorry to interrupt you,
24 Mr. Simmons.

25 MR. SIMMONS: No, I appreciate it. No, that

1 would be very helpful for us to have that in closing
2 argument or written closing statements.

3 Okay. That's all my questions for the
4 time. Thank you.

5 HEARING EXAMINER ORTH: Thank you, Mr. Simmons.

6 Mr. Garcia, do you have questions of Mr.
7 Robb?

8 MR. GARCIA: I just have one question.

9 Mr. Robb, you may have answered this. I
10 just want to clarify for me. I'm not a lawyer like my
11 peers up here.

12 CROSS EXAMINATION

13 BY EXAMINER GARCIA:

14 Q. In Case 20809 an Order was issued which
15 superseded Case 20580's Order. There were four wells on
16 that Order. How many Election Letters were sent out to
17 the working interests and interest owners of that
18 compulsory pooling?

19 A. Uhm, there's two after the second case.

20 EXAMINER GARCIA: Okay. That's all the
21 questions I had.

22 HEARING EXAMINER ORTH: Thank you, Mr. Garcia.

23 Mr. Bruce, do you have redirect?

24 MR. BRUCE: Yeah, some. I'll try to keep it
25 short.

1 REDIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q. Mr. Robb, you listened to Ms. Stanford
4 testifying today, correct?

5 A. Yes.

6 Q. And do you recall her testifying that Ms.
7 Anderson had communitized with -- communitized? Shows
8 what I'm thinking of.

9 -- communicated with Mr. Ragsdale sometime
10 in 2019 about the junked wells?

11 A. Yes.

12 Q. So he had Notice quite a while before March,
13 2020.

14 A. Yes, that's correct.

15 Q. And then the provision in a Pooling Order about
16 providing well costs to the interest owners within 180
17 days, certainly, as I believe you said, while the total
18 well costs aren't known so they haven't been provided to
19 the Division. And that's a matter of debate, and I
20 understand how Ms. Shaheen can object to that
21 characterization, but certainly within that 180 days from
22 July, late July, 2019, based on what Ms. Stanford
23 testified about, Mr. Ragsdale had knowledge of the junked
24 well costs.

25 Would that be a fair statement?

1 A. Uh, yes, he would have knowledge of the junked
2 wells. Uhm...

3 Q. And then just to clarify again: You referred to
4 a couple of things about whether people were force pooled
5 or not. Basically as to all of the four wells Mr.
6 Ragsdale was force pooled into the well unit in all of the
7 four wells; is that correct?

8 A. Yes.

9 Q. The only question is whether he was consent or
10 nonconsent in any of the wells.

11 A. Yes, correct. I was using the wrong terminology
12 earlier.

13 Q. And then when -- the question about 50 interest
14 owners in this well, you said there's a JOA covering the
15 two sections, Section 10 and 15, 1280 acres.

16 As to the people who signed that JOA, each
17 and every one of the people who signed that JOA has an
18 interest, whether a working interest or a contractual
19 working interest, in every well drilled in those two
20 sections; is that correct?

21 A. Yes, that is correct.

22 Q. So even if, say, a well was drilled in
23 the southeast -- a vertical well, 40-acre spacing, drilled
24 in the southeast quarter/southeast quarter of Section 15,
25 anybody in that 1280 acres would share in the well costs

1 and well production; is that correct?

2 A. Yes, as to the parties that signed the JOA.

3 Q. But then as to people who didn't sign the JOA,
4 you had to file the forced pooling applications against
5 them, and that's where the 10 or 15 interest owners who
6 didn't sign the JOAs, that's where they came in. They had
7 to be force pooled into the specific east half/east half
8 of Sections 15 and 10, or 10 and 15.

9 A. Yes, that's correct.

10 Q. And again, Mewbourne commenced drilling because
11 it had certain deadlines under voluntary agreements where
12 they had to commence the wells in order to save
13 Mewbourne's interest in the acreage?

14 A. Yes, that is correct.

15 Q. One other, uh, item: When a party subject to a
16 JOA, if he or she elects to join in a well, they do have
17 to elect within a certain period of time, probably 30
18 days, correct?

19 A. Yes. 30 days is the standard.

20 Q. But are they elected to pay up front or are they
21 elected to pay once billed under joint interest billings?

22 A. Through joint interest billings.

23 Q. And so that's a difference between JOAs and OCD
24 Pooling Orders where under an OCD Pooling Order there is a
25 certain time period where you have to pay your money.

1 A. Correct.

2 Q. A set date.

3 A. Yes.

4 Q. And now -- it used to be, if you will recall,
5 you've been around long enough, Mr. Robb, where you had to
6 elect and pay within 30 days. Is that a fair statement?

7 A. It's changed two or three times in my time doing
8 this.

9 Q. Yeah. And so now you have to elect within 30
10 days, but you still have an additional period, and I don't
11 even remember right now what it is, to pay your
12 proportionate share of well costs.

13 A. Yes.

14 Q. And so really in joining in these wells,
15 electing to join in these wells under a Pooling Order, all
16 Mr. Ragsdale had to do by whatever the due date was,
17 April 10, April 8, whatever it is, all he had to do is
18 send an AFE in saying I elect to join in, say, the B-3
19 well. That's all he had to do, correct?

20 A. Yes, just sign an AFE and send it to me.

21 Q. No time at all involved in that.

22 A. No. I wouldn't think so.

23 MR. BRUCE: Thank you, Madam Examiner. That's
24 all the questions I have.

25 HEARING EXAMINER ORTH: All right. Thank you,

1 Mr. Bruce.

2 Is there anything else before we are
3 finished with Mr. Robb here?

4 No? All right. Thank you very much,
5 Mr. Robb. And thank you for your testimony.

6 THE WITNESS: Thank you.

7 HEARING EXAMINER ORTH: So Ms. Shaheen, let me
8 turn to you to ask if there will be any further evidence
9 or testimony on the Applicant's behalf.

10 MS. SHAHEEN: Not from me. Thank you, Madam
11 Examiner.

12 HEARING EXAMINER ORTH: Thank you, Ms. Shaheen.

13 Mr. Bruce, anything further?

14 MR. BRUCE: No, ma'am.

15 HEARING EXAMINER ORTH: All right. In that
16 case, let's talk about the post-hearing process for a
17 moment.

18 Typically the transcript is prepared within
19 two weeks. How long would you counsel like after receipt
20 of the transcript to prepare written closing argument and
21 proposed findings and/or conclusions?

22 MR. BRUCE: I will defer to Ms. Shaheen.

23 HEARING EXAMINER ORTH: Thank you, Mr. Bruce.

24 So let's see. Today is the 11th. Let's
25 say we'll have the transcript in hand by the 25th, which

1 is another Friday. Ms. Shaheen, after September 25th how
2 long would you like?

3 MS. SHAHEEN: If Mr. Bruce doesn't object, I
4 would like to have an additional 30 days after we receive
5 the transcript, because I will be traveling out of state
6 for family.

7 MR. BRUCE: I have no problem. No problem.

8 MS. SHAHEEN: Thank you, Mr. Bruce.

9 HEARING EXAMINER ORTH: Okay. So there's the
10 23rd of October, which is a Friday, or the 26th of October
11 is a Monday.

12 MR. BRUCE: Either one is fine with me.

13 MS. SHAHEEN: Either one is fine with me, as
14 well.

15 THE COURT: All right. So let's do it on the
16 26th, it's not a holiday, and the Division at that point
17 will take the matter under advisement.

18 Are there any questions about the
19 post-hearing process?

20 If you would please submit those documents
21 to -- well, first, you will be notified when the
22 transcript is received so that everyone knows what that
23 date is, and then if you would please make your
24 post-hearing submittals to the hearings office. And I
25 always appreciate a copy so that I know it's been received

1 and I'm not continuously monitoring the imaging Web page.

2 MR. BRUCE: Will do.

3 HEARING EXAMINER ORTH: All right.

4 MS. SHAHEEN: May I clarify?

5 We're looking at closing statements. Did
6 you also want findings and conclusions, or closings?

7 HEARING EXAMINER ORTH: I think they're helpful.
8 Certainly the findings and conclusions that would be
9 important to you on disputed issues. Obviously the staff
10 has plenty of experience drafting Orders and no trouble
11 with the regular stuff, but if there's a proposed finding
12 that you would really want and more than likely disputed,
13 I think it would be worth adding it to your closing
14 argument.

15 MS. SHAHEEN: Thank you.

16 HEARING EXAMINER ORTH: Anything else from
17 anyone?

18 MR. BRUCE: Have a good weekend.

19 HEARING EXAMINER ORTH: Thank you. All of you,
20 as well.

21 MS. SHAHEEN: Same here.

22 (Note: Proceedings concluded at 11:57 a.m.)
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24
25

1 STATE OF NEW MEXICO)
 2 : SS
 3 COUNTY OF TAOS)

4

5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
 7 CCR No. 122, DO HEREBY CERTIFY that on Friday, September
 8 11, 2020, the proceedings in the above-captioned matter
 9 were taken before me; that I did report in stenographic
 10 shorthand the proceedings set forth herein, and the
 11 foregoing pages are a true and correct transcription to
 12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
 14 nor related to nor contracted with (unless excepted by the
 15 rules) any of the parties or attorneys in this case, and
 16 that I have no interest whatsoever in the final
 17 disposition of this case in any court.

18

/s/ Mary Macfarlane

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