

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

**APPLICATIONS OF PRIDE ENERGY COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case Nos. 22879, 22880

PRE-HEARING STATEMENT AND MOTION FOR CONTINUANCE

MOTION TO CONTINUE

NMSA 1978, § 70-2-17(C) authorizes the Division to approve a force pooling application only where an interest owner has not agreed to pool its interest. Both Jalapeño Corporation (“Jalapeño”) and Yates Energy Corporation (“Yates Energy”) agreed to pool their interests affected by Pride Energy Company’s applications in Case Nos. 22879 and 22880 to Mewbourne Oil Company (“Mewbourne”), and not to Pride Energy Company (“Pride”). Jalapeño and Yates Energy understand that Mewbourne has not yet applied to the Division for compulsory pooling, but intends to. Under 19.15.4.13(C) NMAC, therefore, Jalapeño and Yates Energy move the Division to continue the July 7, 2022 hearing in cases 22789 and 22880 to allow Mewbourne and Pride to decide who is going to operate the affected acreage.

PRE-HEARING STATEMENT

Jalapeño and Yates Energy provide this Pre-Hearing Statement, under 19.15.4.13(B) NMAC. The issues in the above-referenced cases are related as they are applications by the same applicant for contiguous portions of Section 16, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

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STATEMENT OF THE CASES

Pride filed applications in cases 22789 and 22880 in order to develop the Bone Spring formation in Section 16, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico. The applications seek orders to pool all uncommitted mineral interest owners. Jalapeño and Yates Energy own interests in the affected acreage.

Pride provided well proposals and AFEs to Jalapeño and Yates Energy for each of its proposed wells. Pride served Jalapeño and Yates Energy with notice of its force pooling applications.

However, Jalapeño and Yates Energy have successfully negotiated agreements regarding their interests in the acreage that Pride seeks to pool in these cases with Mewbourne, which will drill horizontally the acreage that Pride proposes to pool in Case Nos. 22879 and 22880.

Jalapeño and Yates Energy understand that Mewbourne hasn't yet submitted the competing applications. Consequently, Jalapeño and Yates Energy oppose and object to Pride's applications in these cases, and move the Division to continue the hearing on these cases.

JALAPEÑO'S AND YATES ENERGY'S OBJECTIONS TO PRIDE'S APPLICATIONS

Jalapeño and Yates Energy contend the Pride applications should be denied as having any force or effect on them for the following reasons:

1. NMSA 1978, § 70-2-17(C) authorizes the Division to approve a force pooling application only where an interest owner has not agreed to pool its interest. Both Jalapeño and Yates Energy pooled their interests – to Mewbourne, and not to Pride. Thus, the Division lacks the authority under the statute to force pool Jalapeño or Yates Energy in these cases.

2. The Bone Spring formation underlying the acreage at issue is a resource play extensively developed by horizontal wells and presents a dependable low risk, highly favorable return on investment. The very fact that two operators, so far, have proposed to drill wells in the affected acreage is a testament to the low-risk to develop the acreage. Under these facts, a 200% non-consent penalty is not warranted.

3. Mewbourne proposes horizontal drilling that will result in 1.5 mile-wells. Pride proposes horizontal drilling that will result in less-productive and less-efficient 1 mile wells. That's a primary reason that Jalapeño and Yates Energy signed Mewbourne's AFEs, and, under

19.15.4.13(B)(2) NMAC, Jalapeño and Yates Energy therefore oppose Pride's applications in these cases.

PROPOSED EVIDENCE

WITNESSES	EST. TIME	EXHIBITS
Emmons Yates (practical oil man/landman)	20 min.	None Anticipated

Mr. Yates is the Vice President of Jalapeño. He has worked for Jalapeño for 12 years in various capacities supporting Jalapeño's oil and gas operations in the Permian Basin. He is currently in charge of Jalapeño's field operations, is responsible for analyzing Jalapeño's drilling and investment opportunities and Jalapeño's financial planning.

Jalapeño will present evidence through Mr. Yates of the history of the communications between Pride, Mewbourne, and Jalapeño regarding participation. He will testify to the matters reflected above and the basis for Jalapeño's and Yates Energy's objections.

PROCEDURAL ISSUES

Mewbourne has not yet applied for compulsory pooling of the interests affected by these Case Nos. 22789 and 22880. Both Jalapeño and Yates Energy signed and agreed to Mewbourne's AFEs. Under 19.15.4.13(B)(1)(e) NMAC, therefore, the competing applications to drill this acreage are to be resolved prior to the hearing.

Respectfully submitted,

PEIFER, HANSON, MULLINS & BAKER, P.A.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail this 30th day of June, 2022.

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QUESTIONS

Action 122129

QUESTIONS

Operator: JALAPENO CORPORATION P.O. Box 1608 Albuquerque, NM 87103	OGRID: 26307
	Action Number: 122129
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	1
Testimony time (in minutes)	0