

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

**APPLICATIONS OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

CASE NOS. 23176 & 23178

**MEWBOURNE OIL COMPANY'S
RESPONSE IN OPPOSITION TO PRIDE ENERGY COMPANY'S
AMENDED MOTIONS TO DISMISS**

For its response in opposition to Pride Energy Company's ("Pride") Amended Motions to Dismiss, Mewbourne Oil Company ("Mewbourne") states as follows.

I. INTRODUCTION

Mewbourne's applications in Case Nos. 23176-23179 collectively seek to develop the Bone Spring formation underlying the entirety of Section 16 and the N/2 of Section 21, Township 19 South, Range 33 East in Lea County. In Case No. 23176, Mewbourne applies for an order pooling interests in the E/2 NE/4 of Section 21 and the E/2 E/2 of Section 16, and in Case No. 23178, Mewbourne applies for an order pooling interests in the E/2 NW/4 of Section 21 and the E/2 W/2 of Section 16. Mewbourne's applications are part of its comprehensive development plan for this area, which involves extensive development in the surrounding sections and includes the operation of four wells.

In contrast, Pride's applications in Case Nos. 22789-22790 only seek to develop the E/2 of Section 16 and would strand acreage in the N/2 of Section 21. Pride's development plan would consequently result in waste and violate the correlative rights of the interest owners in the N/2 of Section 21, including Mewbourne. Although Pride has expressed an intent to amend its applications to include the NE/4 of Section 21, it has not yet done so. In addition, unlike

Mewbourne, Pride has no development in the surrounding sections and does not operate any wells in this area.

Although Pride's applications would strand acreage and Pride has proposed no development plan for the W/2 of Section 16 and the N/2 of Section 21, Pride seeks dismissal of Mewbourne's applications in Case Nos. 23176 and 23178 based on its claim that Mewbourne does not own an interest in those spacing units. Pride's motions should be denied. Pride ignores Mewbourne's right to develop the acreage at issue and disregards that Mewbourne proposes a superior, comprehensive development plan that should be heard in conjunction with Pride's applications to best prevent waste and protect correlative rights.

II. ARGUMENT

A. **Pride's motions must be denied because Mewbourne has the right to develop its proposed spacing units.**

Pride claims that Case Nos. 23176 and 23178 are subject to dismissal because Mewbourne does not own an interest in its proposed spacing units, and only "owners of royalty interests or undivided interests in oil and gas minerals...may validly pool their interests and develop their lands as a unit." *See* Pride's Motion at ¶ 2 (quoting NMSA 1978, § 70-2-17). As Pride recognizes, the Division's regulations define "[o]wner" as "the person who has the right to drill into and produce from a pool, and to appropriate the production either for the person or for the person and another." 19.15.2.7(O)(7) NMAC.

In accordance with the rule and statute, Mewbourne is an owner of interests in its proposed spacing units because it has the right to drill and produce in the units. With respect to the spacing unit at issue in Case No. 23178 (E/2 NW/4 of Section 21 and E/2 W/2 of Section 16), Mewbourne has written support from Marathon Oil Permian LLC and others that designates Mewbourne as the operator of the acreage in Section 16 and the N2 of Section 21. *See* T. Jolly Affidavit, attached as

Exh. A. Thus, contrary to Pride's claim, Mewbourne is an interest owner in the acreage and has the right to develop its proposed spacing unit.

With respect to the spacing unit at issue in Case No. 23176 (E/2 NE/4 of Section 21 and E/2 E/2 of Section 16), Marathon Oil Permian LLC ("Marathon") is a working interest owner in the N/2 of Section 21 and supports Mewbourne's development because it will best prevent waste and protect correlative rights, while Pride's development proposal would strand both Marathon's and Mewbourne's acreage in the N/2 of Section 21. *See id.* Accordingly, Mewbourne and Marathon are negotiating a JOA that encompasses the N/2 of Section 21 and all of Section 16. *See id.* Mewbourne anticipates that the JOA will be finalized prior to the March 16, 2023 hearing date in these matters. *See id.*

Contrary to Pride's claim, Mewbourne has or will have prior to hearing "the right to drill into and produce from a pool, and to appropriate the production" in its proposed units. *See* 19.15.2.7(O)(7) NMAC. Pride's motions must be denied.

B. Pride's motions must be denied because Mewbourne has proposed a superior development plan and should be permitted to present that plan at hearing.

The Oil Conservation Commission has recognized the importance of allowing competing pooling applications to be heard together to prevent waste and protect correlative rights, even when hearings must be delayed to accomplish that result. *See* Order No. R-21454-A (staying de novo hearing to allow Division to evaluate competing applications). This policy is particularly important here, where: (1) Mewbourne proposes to fully develop Section 16 and the N/2 of Section 21 and Pride proposes only to develop the E/2 of Section 16; (2) Pride's proposal would strand acreage in the N/2 of Section 21; and (3) Mewbourne has extensive development in the surrounding sections and has drilled and completed approximately 300 wells in Lea County, New Mexico, while Pride has drilled and completed approximately ten wells in Lea County, New Mexico. *See* Exh. A.

Because Pride's proposal would result in waste and violate correlative rights, Pride's motions should be denied and the competing applications should proceed to hearing.

III. CONCLUSION

For the foregoing reasons, Pride's motions should be denied.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

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Counsel for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that on December 22, 2022, I served a true and correct copy of the foregoing pleading on the following counsel of record by electronic mail:

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CASE NOS. 23176 & 23178

SELF-AFFIRMED STATEMENT OF TYLER JOLLY

1. I am over 18 years of age and am competent to provide this Self-Affirmed Statement. I have personal knowledge of the matters addressed herein.

2. I am employed by Mewbourne Oil Company (“Mewbourne”) as a Landman. I have previously testified before the New Mexico Oil Conservation Division (“Division”) and my qualifications as an expert in petroleum land matters were accepted as a matter of record.

3. I am familiar with the applications filed by Mewbourne in these cases, and I am familiar with the status of the lands in the subject area.

4. Mewbourne’s applications in Case Nos. 23176-23179 collectively seek to develop the Bone Spring formation underlying the entirety of Section 16 and the N/2 of Section 21, Township 19 South, Range 33 East in Lea County. Mewbourne’s proposal will not strand any acreage and Mewbourne will be able to consolidate surface facilities for the 960-acre development.

5. In Case No. 23176, Mewbourne applies for an order pooling all uncommitted interests in the Bone Spring formation underlying a 240-acre, more or less, standard horizontal spacing unit comprised of the E/2 NE/4 of Section 21 and the E/2 E/2 of Section 16, Township 19 South, Range 33 East, Lea County, New Mexico.

6. In Case No. 23178, Mewbourne applies for an order pooling all uncommitted interests in the Bone Spring formation underlying a 240-acre, more or less, standard horizontal

Exhibit A

spacing unit comprised of the E/2 NW/4 of Section 21 and the E/2 W/2 of Section 16, Township 19 South, Range 33 East, Lea County, New Mexico.

7. Mewbourne's applications are part of its comprehensive development plan for this area, which involves extensive development in the surrounding sections.

8. In Pride's Case Nos. 22879 and 22880, Pride applies for orders pooling uncommitted interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2 of Section 16, Township 19 South, Range 33 East, Lea County, New Mexico.

9. Pride's proposal only seeks to develop the E/2 of Section 16 and would strand acreage in the N/2 of Section 21.

10. With respect to the spacing unit at issue in Case No. 23178 (E/2 NW/4 of Section 21 and E/2 W/2 of Section 16), Mewbourne has obtained written support from Marathon Oil Permian LLC ("Marathon") and others that designates Mewbourne as the operator of the acreage in Section 16 and the N2 of Section 21. Thus, contrary to Pride's claim, Mewbourne is an interest owner in the acreage and has the right to develop its proposed spacing unit.

11. With respect to the spacing unit at issue in Case No. 23176 (E/2 NE/4 of Section 21 and E/2 E/2 of Section 16), Marathon is a working interest owner in the N/2 of Section 21 and supports Mewbourne's development because it will best prevent waste and protect correlative rights, while Pride's development proposal would strand both Marathon's and Mewbourne's acreage in the N/2 of Section 21. *See* 11/29/22 Correspondence from Marathon, attached as Exhibit 1.

12. Mewbourne and Marathon are negotiating a JOA that encompasses the N/2 of Section 21 and all of Section 16. Mewbourne anticipates that the JOA will be finalized prior to the March 16, 2023 hearing date in these matters.

13. Approval of Pride's proposal would violate Mewbourne's correlative rights and result in waste because: (1) Mewbourne proposes to fully develop Section 16 and the N/2 of Section 21 and Pride proposes only to develop the E/2 of Section 16; (2) Pride's proposal would strand acreage in the N/2 of Section 21; and (3) Mewbourne has extensive development in the surrounding sections and has drilled and completed approximately 300 horizontal wells in Lea County, New Mexico, while Pride has drilled and completed approximately 10 wells in Lea County, New Mexico.

14. In my opinion, the granting of Mewbourne's applications would serve the interests of conservation, the prevention of waste, and the protection of correlative rights.

15. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.


Tyler Jelly

12/22/22
Date



Samuel A. Cox
Senior Land Professional

Marathon Oil Permian LLC
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Houston, TX 77024
Telephone 713-296-3152
Scox1@marathonoil.com

November 29, 2022

**New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
Attn: Examiner**

**Re: Mewbourne Oil Company Letter of Support
Bushwood 21-16 Prospect
N/2 of Section 21 & All of Section 16
T19S, R33E, Lea County, New Mexico**

Dear Examiner:

Marathon Oil Permian LLC (“**Marathon**”) is a working interest owner in the N2 of Section 21, T19S, R33E, Lea County, New Mexico. Marathon and Mewbourne Oil Company (“**Mewbourne**”) are negotiating in good faith a mutually beneficial Operating Agreement covering the N2 of Section 21 and All of Section 16, T19S, R33E, Lea County, New Mexico naming Mewbourne Oil Company as Operator and supports Mewbourne’s development plan in this area as it protects correlative rights and prevents waste.

Sincerely,

Marathon Oil Permian LLC

A handwritten signature in blue ink, appearing to read "S. Cox", written over a light blue horizontal line.

Samuel A. Cox
Senior Land Professional
Oklahoma Resource Basin

Exhibit 1