

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

**APPLICATIONS OF PRIDE ENERGY
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NOS. 22879-22880, 23327-23328**

**APPLICATIONS OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NOS. 23176-23179, 23345**

**PRIDE ENERGY COMPANY'S RESPONSE TO MEWBOURNE OIL COMPANY'S
MOTION TO SUSPEND PRE-HEARING ORDER, ADD CASE NO. 23345 TO
CONTESTED HEARING, AND SET CASES FOR STATUS CONFERENCE**

Pride Energy Company ("Pride") submits this response to Mewbourne Oil Company's ("Mewbourne") Motion to Suspend Pre-Hearing Order, Add Case No. 23345 to Contested Hearing, and Set Cases for Status Conference ("Mewbourne's Motion"). Pride agrees that Case No. 23345 should be added to the Amended Pre-Hearing Order and included in the contested hearing. However, Mewbourne provides no justification for its request to further delay the contested hearing currently set for March 16, 2023. Mewbourne's request to suspend the Amended Pre-Hearing Order and set all of the cases for a status conference should therefore be denied.

1. On June 6, 2022, Pride filed its applications in Case Nos. 22879 and 22880, seeking orders pooling all uncommitted mineral interest owners in the Bone Spring formation underlying a standard 160-acre horizontal spacing unit ("HSU") comprised of the W/2 E/2 and a standard 160-acre HSU comprised of the E/2 E/2, respectively, of Section 16, Township 19 South, Range 33 East, in Lea County New Mexico. *See* Application of Pride Energy Company for Compulsory Pooling, Lea County, New Mexico, Case Nos. 22879-22880 (June 6, 2022).

2. On June 30, 2022, Jalapeño Corporation and Yates Energy Corporation filed a pre-hearing statement and motion for continuance of Pride's applications in Case Nos. 22879-22880 to allow Mewbourne additional time to file competing applications. *See* Pre-Hearing Statement and Motion for Continuance, Case Nos. 22879 & 22880 at 1 (June 30, 2022).

3. On July 7, 2022, the Division held a status conference in Case Nos. 22879-22880, at which time all parties agreed to a hearing date of October 20, 2022. *See* Pre-Hearing Order at 1 (July 11, 2022); Hr'g Tr. at 5-6 (July 7, 2022) (stating, *inter alia*, that Mewbourne would be sending out competing proposals within the next couple of weeks).

4. On October 12, 2022, Mewbourne filed an unopposed motion for continuance and to suspend the prehearing order in Case Nos. 22879-22880, requesting that the Division continue the cases to the December 1, 2022 hearing docket for a status conference, because Mewbourne had not yet filed its competing applications. *See* Mewbourne's Motion for Continuance and to Suspend Prehearing Order at 1, Case Nos. 22879-22880 (Oct. 12, 2022). The motion was granted. Amended Pre-Hearing Order, Case Nos. 22879-22880 (Oct. 12, 2022).

5. On October 18, 2022, Mewbourne filed its competing applications in Case Nos. 23176-23179, seeking orders pooling all uncommitted interests in the Bone Spring formation underlying four HSUs comprising, collectively, Section 16 and the N/2 of Section 21, all in Township 19 South, Range 33 East, Lea County, New Mexico. *See* Applications, Case Nos. 23176-23179 (Oct. 18, 2022).

6. On November 18, 2022, Mewbourne filed an unopposed motion for consolidation and status conference, seeking to consolidate its competing Case Nos. 23176-23179 with Pride's Case Nos. 22879 and 22880 for hearing and requesting that all of the cases be set for a status conference on December 1, 2022. The motion was granted, and the cases were set for hearing on

March 16, 2023. *See* Mewbourne's Motion for Consolidation and Status Conference at 1, Case Nos. 23176-23179, 22879-22880 (Nov. 18, 2022); Amended Prehearing Order, Case Nos. 22879-22880 & 23176-23179 (Dec. 2, 2022).

7. On November 29, 2022, Pride filed motions to dismiss the applications in Mewbourne's Case Nos. 23176 and 23178 because it appeared that Mewbourne had no interest in the proposed spacing units. *See* Motion to Dismiss, Case Nos. 23176 & 23178 (Nov. 29, 2022).

8. On January 5, 2023, at the hearing on Pride's motions to dismiss, Pride provided notice to all parties, including Mewbourne, that it would be filing amended applications to increase the size of the HSUs initially proposed in Pride's Case Nos. 22879 and 22880 and that the cases would be ready for hearing on March 16, 2023.

9. On January 11, 2023, Pride filed its amended applications in Case Nos. 23327-23328, seeking orders pooling all uncommitted mineral interests in the Bone Spring formation in a standard, 240-acre HSU comprised of the W/2 E/2 of Section 16 and the W/2 NE/4 of Section 21 and in a standard, 240-acre HSU comprised of the E/2 E/2 of Section 16 and the E/2 NE/4 of Section 21, respectively, all in Township 19 South, Range 33 East, Lea County, New Mexico. *See* Amended Applications, Case Nos. 23327-23328 (Jan. 11, 2023).

10. On January 25, 2023, Pride filed motions to add the amended applications in Case Nos. 23327 and 23328 to the pre-hearing order and contested hearing set for March 16, 2023. Motion to Add Amended Application to Pre-Hearing Order and Contested Hearing Set for March 16, 2023, Case Nos. 23327 & 23328 (Jan. 25, 2023). The motion was granted. Amended Pre-Hearing Order, Case Nos. 22879-22880, 23327-23328 & 23176-23179 (Jan. 25, 2023).

11. On January 27, 2023, without notice to the parties, Mewbourne filed an application in Case No. 23345, seeking approval of a 960-acre non-standard horizontal spacing unit comprised

of Section 16 and the N/2 of Section 21, Township 19 South Range 33 East, in Lea County, NM, and requesting an order forcepooling all uncommitted interests in the Bone Spring formation underlying the unit. *See* Application, Case No. 23345 (Jan. 27, 2023).

12. On February 7, 2023, the Division granted Pride's motions to dismiss Mewbourne's applications in Case Nos. 23176 and 23178 because Mewbourne offered no evidence that it had a working interest in the proposed HSUs. *See* Order No. R-22495, ¶ 12 (Feb. 7, 2023).

13. On February 8, 2023, Mewbourne filed the instant Motion, seeking to further delay the contested hearing set by the Division for March 16, 2023, and instead requesting that all of the cases be set for a status conference on March 2, 2023. *See* Mewbourne's Motion at 1 (Feb. 8, 2023).

14. Mewbourne argues that the March 16, 2023 hearing date is "premature" because Pride's motions to dismiss in Case Nos. 23176 and 23178 "remain pending." Mewbourne's Motion at 2, ¶ 8. This argument is moot for two reasons. First, the Division dismissed Case Nos. 23176 and 23178 on February 7. *See* Order No. R-22495. Second, Mewbourne's amended application filed January 27, 2023 in Case No. 23345 apparently supersedes the applications that were dismissed. The facts underlying the proposed development have not changed; Mewbourne simply seeks now to drill the same wells in the same location, but to identify the proposed spacing unit as a collective non-standard unit. Thus, Mewbourne has an adequate amount of time to prepare for the March 16, 2023 contested hearing.

15. The Motion should also be denied because Mewbourne's application in Case No. 23345 is clearly intended to evade the requirements of NMSA 1978, Section 70-2-17(C) (1953) and to avoid the consequences of its proposals to forcepool spacing units in which it has no working interest. Mewbourne has no other basis for proposing a HSU that does not comply with

the standard spacing requirements set forth in 19.15.16.15(B)(1) NMAC. Upon information and belief, Mewbourne's only interest in the proposed 960-acre non-standard HSU is the same interest that it holds in the two HSUs proposed in Case Nos. 23177 and 23179, 120 acres, or 12.5% of the 960 HSU. Under these circumstances, as a matter of law, the proposed non-standard HSU is not necessary to prevent waste or protect correlative rights. *See* 19.15.16.15(B)(5) NMAC.

16. Indeed, Mewbourne's proposal would adversely impact Pride's correlative rights. Pride has an interest in 160 acres of the 960-acre non-standard horizontal spacing unit, comprising 33.3% (W/2 E/2) and 50% (E/2 E/2) interest in Pride's two proposed spacing units, but only 16.7% of the horizontal spacing unit. Pride's correlative rights would be adversely impacted by Mewbourne's proposed 960-acre HSU because Pride's rights therein would be substantially diluted.

17. Mewbourne's dilatory conduct in these proceedings is contrary to the Division's duty to prevent waste and to protect correlative rights under NMSA 1978, Section 70-2-11(A) (1977). By requesting further delay of the contested hearing, Mewbourne effectively delays recovery of hydrocarbons that could benefit the state.

For the foregoing reasons, Pride respectfully requests that the Division add Case No. 23345 to the Amended Pre-Hearing Order and set it for hearing with all competing applications on March 16, 2023. The Motion should otherwise be denied.

Respectfully submitted,

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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 on February 10, 2023:

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