

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

**IN THE MATTER OF THE HEARINGS CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF EARTHSTONE OPERATING,
LLC FOR A SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 23475

**APPLICATION OF EARTHSTONE OPERATING,
LLC FOR A SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 23477

MOTION TO DISMISS

Mewbourne Oil Company ("Mewbourne") moves the Division for an order dismissing the above compulsory pooling applications, and in support thereof, states:

A. FACTS.

1. Mewbourne is the operator of the North Wilson Deep Unit ("NWDU"), which covers 12,142.39 acres of State lands. **See Order No. R-21721** (the Division's order approving the NWDU). The unitized interval is the Bone Spring formation. The Unit includes the E/2 of Section 7, Township 21 South, Range 35 East, NMPM.

2. Mewbourne has filed applications seeking to pool the Bone Spring formation underlying (a) the W/2E/2 of Section 7 and the W/2E/2 of Section 18 (Case No. 23365), and (b) the E/2E/2 of Section 7 and the E/2E/2 of Section 18 (Case No. 23366), in Township 21 South, Range 35 East, NMPM.

3. Earthstone Operating, LLC (“Earthstone”) has also filed applications seeking to pool the Bone Spring formation underlying (a) the W/2E/2 of Section 7 and the W/2E/2 of Section 18 (Case No. 23477), and (b) the E/2E/2 of Section 7 and the E/2E/2 of Section 18 (Case No. 23475), in Township 21 South, Range 35 East, NMPM.

4. The E/2 of Section 18 (which is also State land) is not committed to the NWDU. Mewbourne seeks to pool the E/2 of Section 18 because Bone Spring development has already occurred south of Section 18, and including the land with NWDU lands will prevent that land from being drilled with only one mile laterals. **See Exhibit A**, which shows existing Bone Spring wells adjoining Section 18.

5. These cases are set for hearing on May 4, 2023.

B. RULES AND CONCLUSION.

6. NMAC 19.15.16.15.B 6), regarding horizontal wells, states in part:

No horizontal spacing unit may be designated that lies partly within, and partly outside of, a state exploratory unit, or a federal exploratory unit or participating area if the horizontal spacing unit includes state trust lands, **without the written consent of the commissioner of public lands.**

7. Mewbourne has the approval of the Commissioner of Public Lands (the “Commissioner”) to drill its wells. **See Exhibit B**. Earthstone does not have the Commissioner’s approval to do so, and thus allowing Earthstone to proceed with its pooling applications is a futile act.

8. Mewbourne notes that Earthstone has also filed applications in Case Nos. 23476 and 23478, collectively seeking to pool the W/2 of Section 7 with the W/2 of Section 18. Those cases do not involve lands committed to the NWDU, and they may proceed.

WHEREFORE, Mewbourne requests that the Division (i) set a schedule so that Earthstone may respond to this motion, (ii) subsequently, dismissing Case Nos. 23475 and 23477, and (iii) allow Mewbourne's two cases to proceed to hearing.

Respectfully submitted,



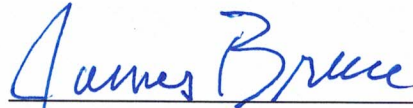
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

Attorney for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 17th day of April, 2023 by e-mail:

Darin Savage - Darin@abadieschill.com



James Bruce

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

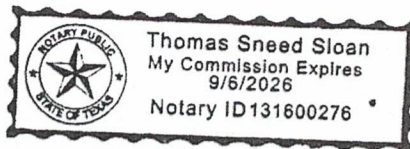
Adriana Salgado, being duly sworn upon her oath, deposes and states that: She is a landman for Mewbourne Oil Company; she is authorized to make this verification on its behalf; she has read the foregoing motion, and knows that the facts set forth in Paragraphs 1-5 and 7 are true and correct to the best of her knowledge, information, and belief.

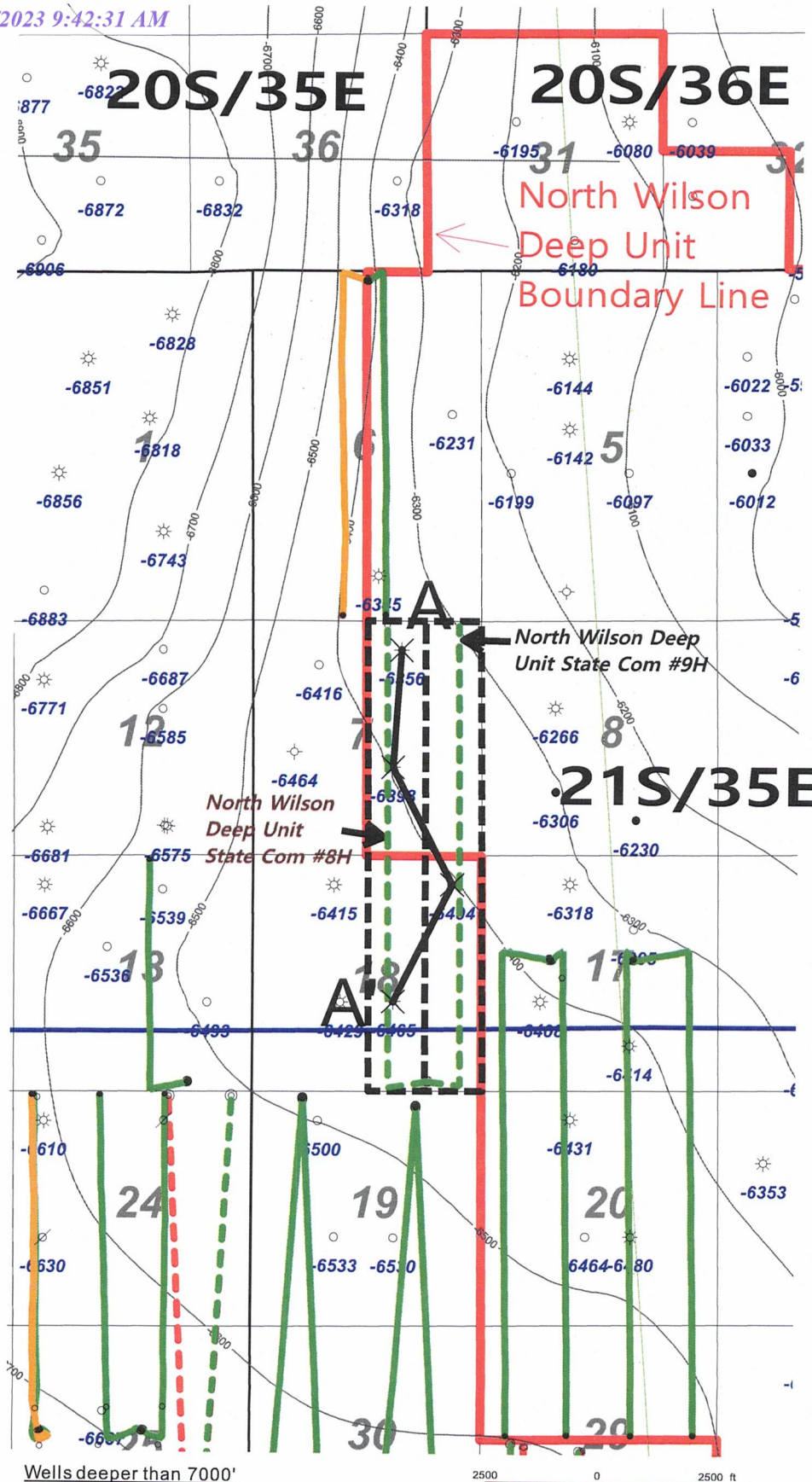
ASalgado
Adriana Salgado

SUBSCRIBED AND SWORN TO before me this 17th day of April, 2023 by Adriana Salgado.

My Commission Expires: 9/6/2026

[Signature]
Notary Public





North Wilson
Deep Unit
Boundary Line

North Wilson Deep
Unit State Com #9H

North Wilson
Deep Unit
State Com #8H

Wells deeper than 7000'

2nd BSPG Base
(sub sea ft)

- BSPG Horizontal Color Code
- 1st BSPG Sand Well
 - 2nd BSPG Sand Permit
 - 2nd BSPG Sand Well
 - 3rd BSPG Sand Permit

A

EXHIBIT



Mewbourne Oil Company		
North Wilson Deep Unit State Com #8H & #9H Base of 2 nd BSPG Structure Map C.I. = 100'		
2/24/23	Lea County	New Mexico

Adriana Salgado

From: Dawson, Scott <sdawson@slo.state.nm.us>
Sent: Tuesday, April 11, 2023 3:48 PM
To: Adriana Salgado
Subject: [EXT] RE: North Wilson Deep Unit

Hi Adriana,

The Unit Agreement is an pooling agreement only between the SLO and Mewbourne. Earthstone is not a part of the Unit Agreement; therefore, they cannot drill into or beneath the North Wilson Deep Unit.

I am sending this e-mail to Paul Kautz (Hobbs NMOCD) – so he will be aware of this situation. I am also respectfully asking Paul not to approve Earthstone’s Outland State Com APD’s because they are trying to drill into Mewbourne’s unit.

After further review of the complications and development plans with this unit, Mewbourne can drill across the North Wilson Deep Unit boundary. Please try to minimize the need to drill across the unit boundary in the future for subsequent wells within your unit(s).

We discourage drilling across unit boundaries, but understand and agree to Mewbourne’s request for doing so in this case.

If you have any questions, or need further assistance, please contact me.

Thanks,

Scott Dawson

*Petroleum Specialist Advanced
Units Manager/Geologist
Oil, Gas and Minerals Division
505.827.5791
New Mexico State Land Office
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, NM 87504-1148
sdawson@slo.state.nm.us
nmstatelands.org*



EXHIBIT

B

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