

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

**APPLICATION OF MEWBOURNE OIL  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No. 21361**

**APPLICATION OF MEWBOURNE OIL  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No. 21362**

**APPLICATION OF MEWBOURNE OIL  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No. 21363**

**APPLICATION OF MEWBOURNE OIL  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No. 21364**

**ASCENT ENERGY, LLC'S RESPONSE TO MEWBOURNE OIL COMPANY'S  
MOTION FOR REFERRAL OF APPLICATIONS TO NEW MEXICO OIL  
CONSERVATION COMMISSION FOR HEARING IN CONJUNCTION WITH  
DE NOVO HEARING IN CASE NOS. 21277 - 21280**

In response to the Motion for Referral of Applications submitted by Mewbourne Oil Company ("Mewbourne") to the New Mexico Oil Conservation Commission ("Commission"), Ascent Energy, LLC ("Ascent") requests the Director of the New Mexico Oil Conservation Division ("Division) to consider the customary roles of the Division and Commission, when making the determination of the proper venue for each of the following pooling Applications filed by Mewbourne: Case Nos. 21361, 21362, 21363 and 21364. Ascent does not object to consolidating the two Case Nos. 21362 and 21364, since they cover the W/2 W/2 of Sections 28 and 33, Township 20 South, Range 30 East, Eddy County, New Mexico (referred to herein as the

“W/2 W/2 Lands”), as the interests have already been adjudicated, allowing the Commission to focus on its primary role at the appellate level.

However, Ascent objects to the consolidation of Case Nos. 21361 and 21363, because these two Cases present new initial pooling applications covering the E/2 W/2 of Sections 28 and 33 (referred herein to as the “E/2 W/2 Lands”) and, as such, necessarily entail the determination of unique considerations of interests in addition to review of waste, conservation and correlative rights for different lands.

Although concurrent jurisdiction is authorized by NMSA 1978 § 70-2-6(B) and NMAC 19.15.4.20.B, Ascent submits that under the two-tier process for handling pooling applications, the Division is the more efficient venue to decide Mewbourne’s Cases for the E/2 W/2 Lands due to the complexity and time constraints inherent in the *de novo* appeal. Therefore, Ascent requests that Case Nos. 21361 and 21363 be continued so that the Division can hear these Cases after the Commission makes its determinations in Case Nos. 21277 through 21280. In further support of its Motion, Ascent states the following:

**I. Procedural and Factual Background**

1. Ascent has, to date, successfully pooled all the interests in the W/2 W/2 Lands with respect to the Bone Spring and Wolfcamp formations pursuant to a hearing by the Division on August 20, 2019, after which the Division issued Order No. R-21258 approving the pooling of the Units and granting Ascent the right to drill the Anvil Federal Com Wells 401H, 501H, and 601H, for the Bone Spring, and Anvil Federal Com Wells 701H and 702H for the Wolfcamp.

2. Ascent began preparing for the development of these Units as early as February 2018, after acquisition of the property, proposing the Anvil Fed Com Wells on June 8, 2018, before Mewbourne decided it desired to pursue development of said Units, submitting its well

proposals for its Sidecar Wells at the late date of January 19, 2019.

3. Immediately upon acquisition of the property, Ascent followed the guidelines under the BLM Secretarial Order No. 3324, which provides procedures and guidelines for the co-development of oil, gas and potash deposits owned by the United States.

4. In February of 2018, Ascent and BLM met onsite to review Drill Island options, after which, Ascent received two Drill Island approvals in Section 4, Township 21 South, Range 29 East, NMPM, Eddy County. On March 30, 2018, Ascent notified offset owners through a Notification of Development Area (“DA”) for the Anvil DA proposal. Only Apache protested Ascent’s DA.

5. At the time of Ascent’s well proposals, through the time of the hearing, and six months thereafter, Ascent, with 34.01% working interest, was the largest single owner of working interest in the Units, more than twice the amount of the second largest owner who had 13.28% working interest. *See* Case Nos. 16481 and 16482, Ascent Hearing Exhibits A-5 and A-7, attached as Exhibit A.

6. Ascent filed its Pooling Applications for the W/2 W/2 Lands with the Division on October 2, 2018, long before Mewbourne proposed its Sidecar Wells. Apache Corporation (“Apache”) made an appearance after which it filed a Prehearing Statement on October 25, 2018, also prior to Mewbourne’s well proposals, announcing it had requested a continuance in preparation for a competing application. Apache’s Amended Application for Case No. 20171 was filed December 12, 2018, and its Application for Case No. 20202 was filed March 15, 2019, both of which initially sought orders for the creation of horizontal spacing units, and pooling, in the N/2 of Sections 28 and 29, and the NE/4 of Section 30, Township 20 South, Range 30 East in

Eddy County. At the hearing, Apache withdrew its request for compulsory pooling and requested only approval of its proposed development plan on federal acreage.

7. Apache does not hold an interest in the Units within the W/2 W/2 Lands or the E/2 W/2 Lands.

8. Ascent faced multiple filings of continuances, delaying its plans for development, as Apache pursued its competing Applications. Mewbourne did not make an appearance in any of Ascent's Cases until January 8, 2019, after Ascent had already been working with the Division for six months in an effort to bring its plans to fruition.

9. Upon receipt of Mewbourne's well proposal, Ascent and Mewbourne entered into discussions to address Mewbourne's late entry into the ongoing development of the Units, during which Mewbourne explained that they would be able to show an ownership of 50% working interest in the W/2 W/2 of Section 33. Based on such discussions Ascent and Mewbourne entered into a preliminary Acreage Swap Letter Agreement dated January 30, 2019 ("Letter Agreement").

10. At the time of the hearing, Mewbourne had not completed the curative matters for the W/2 W/2 Lands in controversy, and Ascent accurately testified that it was the largest working interest owner in the Units, and, consistent with its long history of pursuing the development of the W/2 W/2 Lands since February 18, 2018, it was working on a deal to acquire additional interest, planning "to have closer to 84% in this unit." *See* August 20, 2019, Hearing Transcript at 20:2-19, attached as Exhibit B.

11. In March of 2020, Ascent was willing, able and ready to close under the terms of the Letter Agreement. However, Mewbourne was unable to meet the conditions and

requirements set forth in the Letter Agreement between the parties and so the acreage swap was not completed.

12. On April 14, 2020, the Division issued Order No. R-21258 approving Ascent's applications in Case Nos. 16481 and 16482 and denying Apache's applications in Case Nos. 20171 and 20202.

13. On April 16, 2020, Ascent was granted federal approval and permitting for its Development Plan encompassing all of the W/2 of Sections 28 and 33.

14. Mewbourne filed applications for *de novo* hearings in Case Nos. 16481, 16482, 20171, and 20202 on May 4, 2020, and Apache filed applications for *de novo* hearings on May 7, 2020. The hearings have been provisionally set at the Commission for September 17, 2020.

15. In June of 2020, Mewbourne re-proposed its four Sidecar 33-28 wells and filed the applications for compulsory pooling on July 6, 2020, for both the W/2 W/2 Lands, already pooled by Ascent, and the E/2 W/2 Lands. Notably, Mewbourne simply replicated Ascent's Division-approved development plan.

16. On July 15, 2020, Mewbourne filed a motion for consolidation of its pooling Case Nos. 21361 through 21364, requesting that they be referred for hearing in conjunction with Commission Case Nos. 21277 through 21280 (Division Case Nos. 16481, 16482, 20171 and 20202).

## **II. Argument**

### **A. Segregating Mewbourne's Applications does not jeopardize or impair Mewbourne's correlative rights.**

17. Correlative rights are defined by the Oil and Gas Act as the opportunity afforded to "the owner of each property in a pool to produce without waste the owner's just and equitable share of the oil or gas or both in the pool" in an amount that can be practically determined and

obtained without waste, “substantially in the proportion that the quantity of recoverable oil and gas bears to the total recoverable oil or gas in the pool” and to use the owner’s just and equitable share of the reservoir energy. *See* NMSA 1978 § 70-2-33H. Mewbourne believed at the time Ascent pooled the W/2 W/2 Lands that it could acquire sufficient interest to qualify as an owner in the pooled Units. At the hearing on August 20, 2019, Mewbourne was present when Ascent presented to the Division the breakdown of ownership of the W/2 W/2 Lands. Mewbourne was not listed as an owner and did not inform the Division of its position or claim in the Units. Knowing it intended to acquire working interest in the amount of 50%, Mewbourne was fully cognizant during the hearing that its correlative rights could have been impacted by Ascent’s plans, yet failed to explain to the Division its claim of potential ownership or identify itself as the party to the pending acreage swap described by Ascent. Furthermore, at that hearing, Mewbourne was informed of the owners of property in the W/2 W/2 Lands, the exact percentages, and the exact percentage of what Mewbourne intended to claim. *See* Case Nos. 16481 and 16482, Ascent Hearing Exhibit A-5 and A-7, attached as Exhibit A. The Division thoroughly evaluated the correlative rights of the owners and their property, including the property of which Mewbourne now claims ownership, and the Division concluded that the “pooling of uncommitted interests in the Units will prevent waste and protect correlative rights, including the drilling of unnecessary wells.” *See* Order No. R-21258.

18. There is only one operator in a unit but often multiple property owners. The designation of operator has no bearing on, and is not a consideration in, the equation for protecting correlative rights. The Division determined that the correlative rights of the owners of mineral and leasehold interests within the proposed Units were fully protected; the fact that Mewbourne now claims ownership of some of that interest has no bearing on the Division’s

conclusion that these interests were protected. Mewbourne was present and participated in the evaluation of the correlative rights for the properties in the Units, and it made no objection or comment for the record regarding the correlative rights of the Hudson Group, et al., when it was fully aware that it planned later to claim such interests. *See* August 20, 2019, Hearing Transcript at 41:16-19, attached as Exhibit B. Based on these facts and Mewbourne's position at the time of the hearing, one can draw only one conclusion: that Mewbourne believed the correlative rights of the property for which it would later claim ownership were fully protected.

19. Consequently, the objective of Mewbourne's *de novo* appeal appears to have little, if anything, to do with protecting correlative rights that the Division properly adjudicated in Mewbourne's presence. Similarly, one must consider Mewbourne's pooling applications and its request to be the operator of its Sidecar Wells in the W/2 W/2 Lands, and in the E/2 W/2 Lands. In its Motion, Mewbourne correctly references Order No. R-20223, which lists the factors the Division considers in competing pooling applications: (1) the ownership interests of the parties; (2) ability of each property owner to prudently operate the property; and (3) the parties' negotiations prior to the pooling. The ability of Ascent to prudently operate the property of the W/2 W/2 Lands was thoroughly reviewed and evaluated at the hearing, with the Division determining the prerequisite prudence for Ascent to operate the Anvil Fed. Com Wells and the Units and pursue its development plan. *See, i.e.*, Order No. R-21258, ¶ 13 A-D. Furthermore, Mewbourne was present when the Division evaluated whether Ascent had the ability to prudently operate the property and again sat passively and failed to interpose any objection or express any concern whether Ascent could prudently operate the property and act as a responsible steward of the 50% working interest Mewbourne was planning to acquire in the

Units. Therefore, the only conclusion that can be derived from these facts is that Mewbourne had full faith, and no reservations, in Ascent's abilities as an operator.

20. Ascent has at present successfully drilled eight wells and successfully completed five horizontal wells in the Bone Spring and Wolfcamp formations, which have achieved production rates beyond the initial expectations. Currently, Ascent is completing two more horizontal wells, and operates several vintage vertical wells which it acquired under various acquisitions. Furthermore, the members of Ascent, collectively, have decades of experience successfully drilling and completing hundreds of wells, including hundreds of horizontal wells with multiple laterals more than one mile in length, across the United States prior to Ascent's venturing into New Mexico.

21. The final factor in the Division's criteria for designating an operator, as properly described by Mewbourne, concerns prior negotiations. Mewbourne claims it refrained from filing its competing pooling applications because of the prior negotiations that resulted in the Letter Agreement. Mewbourne's claim must be viewed in its proper context to appreciate it is a claim that lacks merit. Ascent has been working toward, and investing resources in, its plan to drill the Anvil Fed Com Wells in the W/2 W/2 Lands for the past two and a half years, having worked with the Division to actualize its plans for the past one and a half years since the time of its initial pooling applications on October 2, 2018. Mewbourne did not propose its wells around the time of Ascent's June 8, 2018, nor did Mewbourne inform Ascent that it was also planning to submit competing applications at the time Ascent filed its applications. Instead, Mewbourne itself delayed the filing of its own applications and did not make an appearance in the proceedings until January 8, 2019, sending its well proposals that same month, at a time when

Ascent was contending with Apache's competing application and numerous continuances designed to thwart Ascent's progress.

22. Despite Ascent's reservations about the motives behind Mewbourne's late entry into the contentious proceedings, Ascent entered into good faith negotiations with Mewbourne to resolve the matter, which resulted in a preliminary Acreage Swap Letter Agreement dated January 30, 2019. Unfortunately, Mewbourne failed to perform its side of the Letter Agreement when Ascent was ready, willing and able to consummate the deal pursuant to its terms. Because Mewbourne failed to perform its side of the Letter Agreement, the Letter Agreement terminated according to its terms on February 28, 2019. Although this Letter Agreement is irrelevant to Mewbourne's *de novo* appeal and Mewbourne's Motion to consolidate the Cases, the Division should recognize Ascent's willingness to enter into negotiations with Mewbourne in an effort to reach a resolution and should not penalize either Ascent or Mewbourne for any disagreements in this matter. *See, i.e.*, Order No. R-14187, ¶ 44 (The Commission "does not have jurisdiction to construe contracts or determine their validity.").

23. Companies such as Ascent are a vital part of the economic base in New Mexico's oil and gas industry. The Division should recognize Ascent for its extended efforts spanning two and one half years and its perseverance to develop the W/2 W/2 Lands. Ascent had the foresight, much earlier than any other party involved in the *de novo* appeal, to see the potential for development of the W/2 W/2 Lands, under the plans that it proposed, invested in, and for which it secured approvals. Ascent's informed assessment that a North-South orientation of the proposed wells would be the best orientation for development of the W/2 W/2 Lands has been validated, as Ascent had predicted, *see* Order No. R-21258, ¶ 13 C, by the successful production

of the wells in this same area recently drilled by XTO, the largest operator in the Delaware Basin.

**B. A joint hearing considering all of Mewbourne's pooling applications would undermine efficiency and waste the time and resources of the Division, the Commission and the parties.**

24. As recognized by the Division's Order No. R-21258, the "BLM has a large land ownership position within the Potash area, and is both charged and positioned to decide development schemes that are optimum for oil and gas development and for protecting potash reserves." *See* Order No. R-21258, ¶ 16. Because Ascent initiated its development plans with the BLM, as it did with the Division, at a much earlier date than Mewbourne and the other parties, the BLM has granted Ascent approval and permitting for its Development Area and Plan that covers the entire W/2 of Sections 28 and 33, as well as full access and rights to the optimally positioned drilling islands in the potash area. Under current rules and policy, the Commission and the Division view existing permits, granted to the permittee, as established and substantial rights held by the permittee. *See* Order No. R-12108-C, ¶ (f) (The Commission concludes that the approval of a permit "confers rights that should not be revoked arbitrarily.") Order No. R-12108 addressed the rights under a state-issued APD. In the present Cases, Ascent has been granted, and acquired, a federal right to its Development Area. Such an acquisition raises two questions: (1) what is the nature of the federal right? And (2) what is the proper method or venue for adjudicating such a right? Based on the manner in which such federal permits are used in the industry as instruments of value, trade and exchange, Ascent argues that the granting of such federal rights may very well confer, and meet the criteria of, a federal property interest. Furthermore, the venue may need to be altered or supplemented at some point in the proceedings in order to account for certain issues of federal jurisdiction. Regardless of how these questions

are addressed, Ascent asserts that under the circumstances, the Division should give substantial weight, consideration, and priority to the federal rights held by Ascent in its hierarchy of factors for the selection of an operator.

25. The transcript for the Division's hearing of Case Nos. 16481 and 16482 is 245 pages in length. Given the complexity and importance of the issues involved in Cases involving the W/2 W/2 Lands, a joint hearing would inhibit the Commission to properly focus its resources on the unresolved issues from the original hearing involving the Units in the W/2 W/2 Lands. The burden of hearing the additional pooling Case Nos. 21361 and 21363, covering the E/2 W/2 Lands, would distract the Commission's focus.

26. Furthermore, on July 13, 2020, Ascent proposed wells for the E/2 W/2 Lands. These Lands are within Ascent's federally approved Development Area covering the W/2 of Sections 28 and 33, evidencing Ascent's long term plans for its full development, which it was deliberately working toward prior to Mewbourne's intrusions in the area. Ascent plans to submit competing pooling applications in the very near future for the E/2 W/2 Lands and those applications would also have to be heard as part of Mewbourne's proposed joint hearing. Thus, granting Mewbourne's request would saddle the Commission with the burden of a cumbersome joint hearing on six applications covering two separate units, plus whatever applications are submitted by Apache, dissipating the Commission's focus on the W/2 W/2 Lands and undermining the goal of efficiently addressing important issues presented in the *de novo* appeal.

27. Ascent requests that the Division allow the Commission to focus its time and resources on the W/2 W/2 Lands and the substantial issues from the initial hearing that are unique and pertain only to such Lands. Certain issues should be addressed and resolved prior to a hearing of the competing applications in the E/2 W/2 Lands, such as the criteria for designating an operator

when federal rights are involved and infringed upon, the status and nature of certain federal rights, and ownership issues in the W/2 W/2 Lands which differ from ownership in the E/2 W/2 Lands. Once such issues are fully addressed by the Commission, the Division would be in the best position to perform its traditional role of adjudicating the new pooling applications for the E/2 W/2 Lands. Ascent asserts that Mewbourne's applications for the E/2 W/2 Lands are not ripe for consolidation, and the proposed approach would provide necessary time and resources for a well-focused and tempered evaluation by the Commission. Contrary to Mewbourne's objection regarding the necessity of including the applications for the E/2 W/2 Lands to account for Apache's interests in the N/2 of Section 28, the Commission would be able to sufficiently adjudicate Apache's applications by considering only the W/2 W/2 Lands. If the Commission determines that Apache's development plan is not feasible because it encroaches on the W/2 W/2 Lands, then it becomes a settled and moot point for the E/2 W/2 Lands in any subsequent pooling hearing.

For the foregoing reasons, Ascent respectfully requests the following relief: (1) the Division continue Mewbourne's Case Nos. 21361 and 21363, covering the E/2 W/2 Lands, to a proper date after the Commission concludes the *de novo* appeal for Cases Nos. 21277 through 21280, a date to be determined; and (2) the Division allow Mewbourne's Case Nos. 21362 and 21364, covering the W/2 W/2 Lands, to be heard by the Commission on the same date as the *de novo* appeal, since there is sufficient nexus between the pooled W/2 W/2 Lands and Mewbourne's applications in these Cases to avoid disruption and warrant review.

In the alternative, if the Division should decide to consolidate all four of Mewbourne's Cases for compulsory pooling to be heard by the Commission in the *de novo* appeal, then Ascent

requests leave to file a motion to consolidate and refer to the Commission the applications Ascent intends to submit pursuant to Ascent's well proposals dated July 13, 2020.

Respectfully Submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

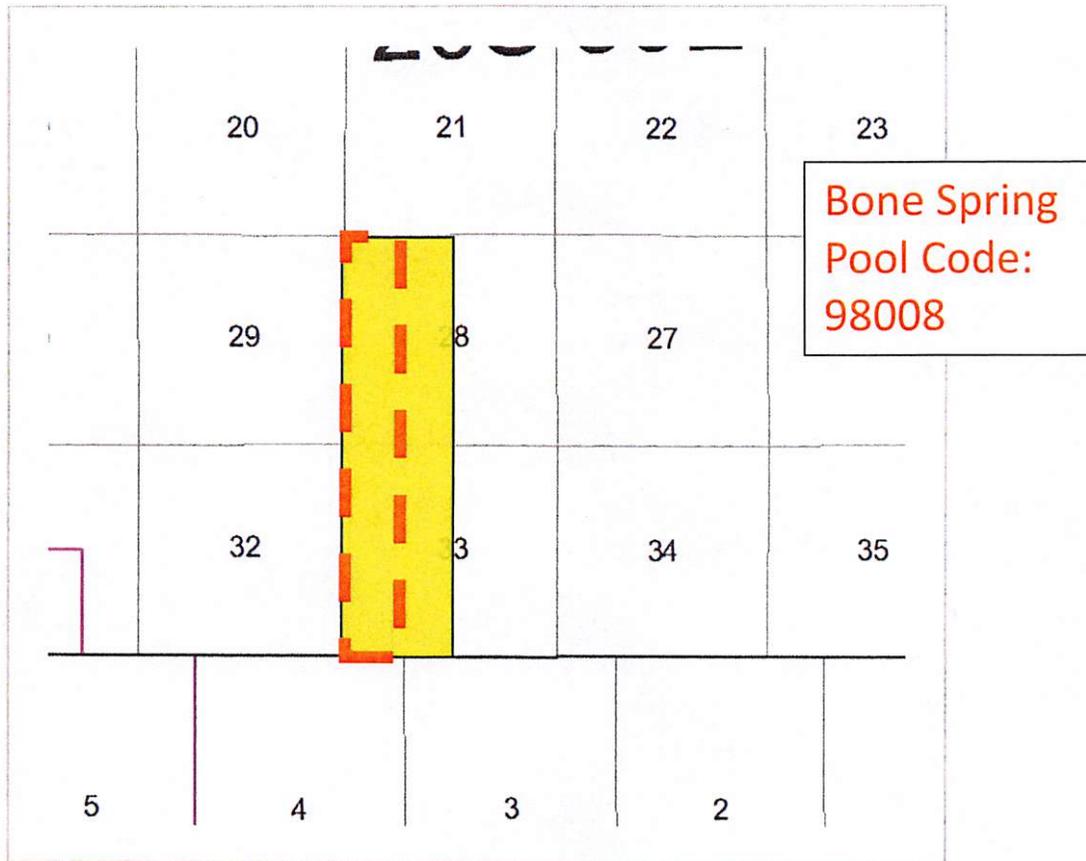
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Anvil Pooling Unit  
 Township 20 South, Range 30 East  
 Section 28: W2W2  
 Section 33: W2W2  
 320.00 Gross Acres  
 Eddy County, NM



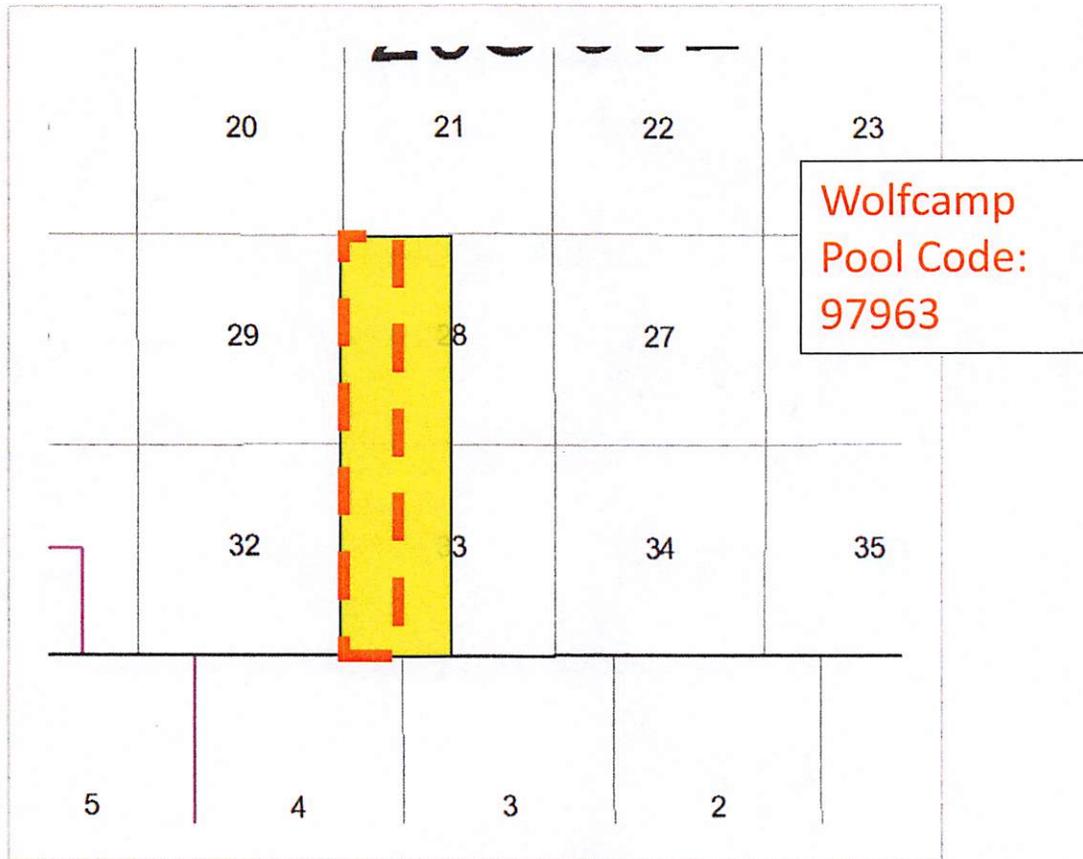
Working Interest for: Anvil Fed. Com #401H, Anvil Fed. Com #501H, and Anvil Fed. Com #601H

Ascent Energy, LLC	34.01%
Delmar Lewis Living Trust	13.28%
Lindys Living Trust	13.28%
Moore & Shelton Company Ltd.	9.38%
Javelina Partners	8.85%
Zorro Partners, Ltd.	8.85%
Ard Energy Group Ltd.	6.64%
EOG Y Resources	3.50%
Josephine T Hudson Testamentary Trust	<u>2.21%</u>
<b>Total</b>	<b>100%</b>

Ascent Energy, LLC	
<b>Exhibit</b>	
<b>T20S-R30E</b>	
Case No. 16481	

EXHIBIT  
A

Anvil Pooling Unit  
 Township 20 South, Range 30 East  
 Section 28: W2W2  
 Section 33: W2W2  
 320.00 Gross Acres  
 Eddy County, NM



Working Interest for: Anvil Fed. Com #701H and Anvil Fed. Com #702H

Ascent Energy, LLC	34.01%
Delmar Lewis Living Trust	13.28%
Lindys Living Trust	13.28%
Moore & Shelton Company Ltd.	9.38%
Javelina Partners	8.85%
Zorro Partners, Ltd.	8.85%
Ard Energy Group Ltd.	6.64%
EOG Y Resources	3.50%
Josephine T Hudson Testamentary Trust	<u>2.21%</u>
<b>Total</b>	<b>100%</b>

Ascent Energy, LLC	
<b>Exhibit</b>	
<b>T20S-R30E</b>	
Case No. 16482	

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

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

APPLICATION OF ASCENT ENERGY, LLC                   CASE NOS. 16481,  
FOR COMPULSORY POOLING, EDDY COUNTY,                   16482  
NEW MEXICO.

AMENDED APPLICATION OF APACHE                   CASE NO. 20171  
CORPORATION FOR COMPULSORY POOLING  
AND APPROVAL OF A HORIZONTAL SPACING  
UNIT AND POTASH AREA DEVELOPMENT AREA,  
EDDY COUNTY, NEW MEXICO.

APPLICATION OF APACHE CORPORATION FOR           CASE NO. 20202  
COMPULSORY POOLING AND APPROVAL OF A  
HORIZONTAL SPACING UNIT AND POTASH AREA  
DEVELOPMENT AREA, EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 20, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER  
DYLAN ROSE-COSS, TECHNICAL EXAMINER  
BILL BRANCARD, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William V. Jones,  
Chief Examiner; Dylan Rose-Coss, Technical Examiner; and  
Bill Brancard, Legal Examiner, on Tuesday, August 20,  
2019, at the New Mexico Energy, Minerals and Natural  
Resources Department, Wendell Chino Building, 1220 South  
St. Francis Drive, Porter Hall, Room 102, Santa Fe, New  
Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR  
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1 (9:04 a.m.)

2 EXAMINER JONES: Let's get started this  
3 morning. I understand this is a special examiner  
4 hearing for Tuesday, August 20th, 2019. They've labeled  
5 it Docket Number 30-19.

6 As far as the examiners go, I'm William V.  
7 Jones. Bill Brancard has graciously offered to sit with  
8 us again today, and as long as we don't go too long,  
9 we'll be okay. And we've got Dylan Coss here. We're  
10 glad to have him. Hopefully, he'll ask some questions.

11 The matter this morning, as far as  
12 continued, is Ascent -- two cases for Ascent and two  
13 cases for Apache. I'll just call Case 16481,  
14 application of Ascent Energy, LLC for compulsory pooling  
15 in Eddy County, New Mexico, and Case Number 16482, which  
16 is application of Ascent Energy, LLC for compulsory  
17 pooling in Eddy County, New Mexico.

18 Then we also have Case Number 20171,  
19 amended application of Apache Corporation for compulsory  
20 pooling and approval of a horizontal spacing unit and  
21 potash area development area, Eddy County, New Mexico,  
22 and Case Number 20202, application of Apache Corporation  
23 for compulsory pooling and approval of a horizontal  
24 spacing unit and potash area development area in Eddy  
25 County, New Mexico.

1 A. We are.

2 Q. What is the interest ownership in the proposed  
3 well units? And I refer you to pages 5 and 6.

4 A. Yup. Pages 5 and 6 are just listing the  
5 current working interest owners at this time. Ascent is  
6 the largest single owner in this unit. We are working  
7 with the other owners there, and we have a pending deal  
8 to acquire an additional 50 percent in that unit right  
9 now. So that has not been closed, but in the near  
10 future, we plan to have closer to 84 percent in this  
11 unit.

12 Q. Is the reason that there are some curative  
13 title issues?

14 A. There are some curative issues that we're --  
15 we're sorting through right now to -- to -- to be able  
16 to close that deal.

17 Q. So that would bring your working interest up to  
18 close to 85 percent?

19 A. That's correct, 84 percent.

20 Q. And you mentioned that you've been working with  
21 the interest owners. Is that reflected in Exhibit 7 --  
22 or page 7?

23 A. Yes. Page 7 is the summary of communications  
24 with the working interest owners in our unit. Today we  
25 have closed on three acquisitions within this

1 Q. -- with the BLM on their form?

2 A. Correct, and filed of record in Lea County as  
3 well -- I mean in Eddy County. Sorry.

4 Q. But the big lease that covers most of this --

5 A. Uh-huh.

6 Q. -- is split up into assignments or --

7 A. Yeah. There are some -- that lease has been  
8 heavily -- I shouldn't say -- it's been pretty severed.  
9 That lease covers about, I think, four different  
10 sections, and each section has kind of its own chain of  
11 title.

12 Q. Okay. Okay. So you're working with the  
13 Hudsons, you said?

14 A. The Hudson group, yeah, et al.

15 Q. They're not listed here?

16 A. Yeah. Sorry. The Hudson group, that's Delmar  
17 Lewis Living Trust. That's Lindy's Living Trust, Moore  
18 & Shelton, Javelina Partners, Zorro Partners, Ard Energy  
19 Group and Josephine T. Hudson Testamentary Trust.

20 Q. So you're working with Ard Energy?

21 A. Yes.

22 Q. But you expect to obtain --

23 A. We're waiting on some curative -- some title  
24 curative matters to make -- to get marketable title.

25 Q. Without the Hudson acreage, how much would you

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