

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

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

**APPLICATION OF TOM M. RAGSDALE TO REVOKE
ORDER NOS. R-20924 & R-20924-A OR, IN THE ALTERNATIVE,
TO DECLARE UNREASONABLE CERTAIN COSTS
IMPOSED BY MEWBOURNE OIL COMPANY**

de novo Case No. 21902
(Division Case No. 21324)

MEWBOURNE OIL COMPANY'S EXHIBIT LIST

1. Engineer's Affidavit (Travis Cude0
2. Landman's Affidavit (Mitch Robb)
3. Division Order No. R-21631 in Case No. 21324

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VERIFIED STATEMENT OF TRAVIS CUDE

COUNTY OF MIDLAND)
) ss.
STATE OF TEXAS)

Travis Cude, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am a petroleum engineer for Mewbourne Oil Company ("Mewbourne"), and I am familiar with the engineering matters involved in this case. I have been qualified by the Division at numerous hearings as an expert petroleum engineer.
3. Regarding the Ibox 10/15 B1AP Fed. Com. Well No. 2H, Mewbourne encountered lost circulation below 13-3/8th inch surface casing drilling in the intermediate hole from 1107'-2632' MD. That well was commenced on July 7th, 2019. Mewbourne stuck the drilling string in the hole, backed off, and left a 285' fish in the hole consisting of part of the 554' bottom hole assembly. After multiple attempts, Mewbourne was unable to recover the fish and subsequently parted 35' of the fishing tools which were left in the hole. Given the circumstances, Mewbourne believed it is was prudent to junk the initial wellbore and skid the rig to 375' FNL & 1107' FEL, Sec. 10, Township 23 South, Range 34 East, NMPM, and spud the Ibox 10/15 B1AP Fed. Com. Well No. 2HY.
4. Regarding the Ibox 10/15 B1AP Fed. Com. Well No. 2HY, Mewbourne planned an additional string of intermediate casing based on the lost circulation experienced on the aforementioned well, and set 20 inch surface casing. That well was commenced on July 26th, 2019. Mewbourne again encountered lost circulation from 837'-1623' MD. Mewbourne stuck the drilling string in the hole at 1129' MD. After multiple attempts to trip out of the hole, Mewbourne backed off the drill string at 718' and junked the well.

EXHIBIT /


5. After two failed attempts, and an analysis of the shallow drilling hazard, Mewbourne believed it most prudent to move the surface hole location of a replacement well to the south line of Sec. 15, Township 23 South, Range 34 East, NMPM, and drill South to North rather than to re-spud near the junked wellbores.

5. Due to the time it takes for the Bureau for Land Management to approve APDs, it was impossible to commence the well immediately after the Ibex 10/15 B1AP Fed. Com. Well No. 2HY well was junked. The Ibex 15/10 B1PA Fed. Com. Well No. 2 is simply a mirror well to the Ibex 10/15 B1AP Fed. Com. Well Nos. 2H and 2HY.

6. Mewbourne has successfully drilled and completed the Ibex 15/10 B1PA Fed. Com. Well No. 2H. Thus, Mewbourne made a prudent decision to re-locate the surface of the well to the south line of Sec. 15.

7. I understand that this Self-Affirmed Statement will be used as written testimony in these cases. I affirm that my testimony in paragraphs 1 through 6 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.

Date: 1/6/22


Travis Cude

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

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Case No. 21902
(Division Case No. 21324)

SELF-AFFIRMED STATEMENT OF MITCH ROBB

Mitch Robb, being duly sworn upon his oath, deposes and states:

1. I am a landman for Mewbourne Oil Company (“Mewbourne”), and have personal knowledge of the matters stated herein. My educational and work experience is as follows:

I graduated from the University of Oklahoma in December of 2014, with degrees in Energy Management and Finance. I interned for Mewbourne Oil Company in the Summer of 2014 and started working full time with them as a Landman in January of 2015.

2. By letter dated March 15, 2019 Mewbourne proposed the drilling of Bone Spring wells in the E/2E/2 of Section 15 and the E/2E/2 of Section 10, Township 23 South, Range 34 East, NMPM. **Attachment A.**

3. Tom R. Ragsdale (“Mr. Ragsdale”) owns working interests in the well unit, as follows: (a) an original interest not subject to the Joint Operating Agreement on the subject acreage, dated March 1, 2019 (the “JOA”); and (b) an interest subject to the JOA, subsequently acquired from Tracy Anderson. Mr. Ragsdale’s interests in the well unit are shown on **Attachment B.**

4. Because Mr. Ragsdale did not sign the JOA as to his original interest, a pooling application was filed against him (and other parties) in Case No. 20580.

5. Case No. 20580 was heard and taken under advisement on June 27, 2019, before the drilling problems with the Ibex 10/15 wells occurred.

6. Due to drilling issues for the North-South Ibex 10/15 wells (**See Exhibit 1**, the verified statement of Travis Cude), the original case was re-opened in Case No. 20809, pooling the same acreage as in Case 20580 for the South-North Ibex 15/10 wells. It was heard on October 3, 2019, before the entry of an order in Case No. 20580.

EXHIBIT

2

7. Order No. R-20294 in Case No. 20580 (**Attachment C**) was entered on October 15, 2019, after the first two wells were junked and Mewbourne had begun permitting the Ibex 15/10 wells. Order No. R-20904-A in Case No. 20890 (**Attachment D**) was entered on February 19, 2020.

8. Mr. Ragsdale did not enter an appearance in either Case No. 20580 or Case No. 20809, despite receiving notice for each case by certified mail.

9. Due to the federal APD process Mewbourne was not able to get an approved APD for the Ibex 15/10 B1PA Fed. Com. Well No. 2H within 10 days of plugging the previous well, but pursuant to Section 19.15.13.8.B(4), was still drilled as a substitute or replacement well.

10. Mewbourne satisfied the pooling notice requirements of Section 9.15.4.8 in Case No. 20809 when notifying Mr. Ragsdale of the common source of supply and the area affected by the proposed wells.

11. Tracy Anderson received an election letter dated January 23, 2020, under the JOA. **Attachment E**. Mr. Ragsdale received a similar letter dated February 13, 2020. **Attachment F**.

12. Mr. Ragsdale received an election letter dated March 5, 2020, and a copy of Order R-20924-A, from Mewbourne on March 10, 2020 regarding his interest not subject to the JOA. **Attachment G**. Thus, his election to participate in the Ibex 15/10 B3PA Fed. Com. Well No. 1H and the Ibex 15/10 B1PA Fed. Com. Well No. 2H, pursuant to the terms of the pooling order, was due on April 10, 2020. He did not timely make an election to join in either well within 30 days.

13. Mr. Ragsdale did not raise any issue regarding the costs of the Ibex 15/10 B1PA Fed. Com. Well No. 2H after receipt of the election letter on March 10, 2020.

14. As set out in the List of Material Facts, Mewbourne offered Mr. Ragsdale an opportunity, after the election period expired, to join in both Ibex 15/10 wells. Because he did not meet the terms of Mewbourne's extension offer, Mewbourne has considered his non-JOA interest force pooled as to the Ibex 15/10 B1PA Fed. Com. Well No. 2H.

15. In my experience, a pooling order is the equivalent of an operating agreement, and Mr. Ragsdale has not been treated any different than the interest owners subject to the JOA.

16. The Form C-102s for the Ibex 10/15 wells and Ibex 15/10 wells are attached hereto as **Attachment H**. They show that the well units are identical and the only difference between the wells is North-South vs. South-North orientation.

17. I understand that this Self-Affirmed Statement will be used as written testimony in these cases. I affirm that my testimony in paragraphs 1 through 16 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.

Date: 01/06/2022



Mitch Robb

MEWBOURNE OIL COMPANY

FASKEN CENTER
500 WEST TEXAS, SUITE 1020
MIDLAND, TX 79701

TELEPHONE (432) 682-3715

March 15, 2019

Via Certified Mail

Tom M. Ragsdale
400 N. Sam Houston Parkway East, Suite 601
Houston, Texas 77060
Attn: Karen Stanford

Re: Ibex 10/15 B1AP Fed Com #2H & Ibex 10/15 B3AP Fed Com #1H
400' FNL & 1010' FEL (SL : Sec. 10) 393' FNL & 1039' FEL (SL : Sec. 10)
100' FSL & 450' FEL (BHL : Sec. 15) 100' FSL & 600' FEL (BHL : Sec. 15)
Sections 10/15, T23S, R34E Sections 10/15, T23S, R34E
Lea County, New Mexico Lea County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company ("Mewbourne") as Operator hereby proposes to form a 1280.00 acre Working Interest Unit ("WIU") covering the all of the captioned Sections 10 & 15 for oil and gas production. The targeted intervals for the proposed unit are the Bone Spring and Wolfcamp formations.

Mewbourne as Operator hereby proposes to drill the captioned Ibex 10/15 B1AP Fed Com #2H well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 9,636 feet subsurface to evaluate the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 19,918 feet. The E/2E/2 of the captioned Sections 10 & 15 will be dedicated to the well as the proration unit.

In addition, Mewbourne as Operator hereby proposes to drill the captioned Ibex 10/15 B3AP Fed Com #1H well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 11,266 feet subsurface to evaluate the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 21,533 feet. The E/2E/2 of the captioned Sections 10 & 15 will be dedicated to the well as the proration unit.


Regarding the above, enclosed for your further handling are our AFEs dated March 8, 2019 for the captioned proposed wells. Please sign and return said AFEs at your earliest convenience if you elect to participate in the captioned wells and WIU and return to me within thirty (30) days.

Should you elect to participate under a Joint Operating Agreement ("JOA"), a copy of our JOA follow under a separate cover letter for your further handling and review in the near future.

Should you have any questions regarding the above, please email me at mrobb@mewbourne.com or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY


Mitch Robb
Landman

ATTACHMENT

A



March 21, 2019

Dear Simple Certified:

The following is in response to your request for proof of delivery on your item with the tracking number:
9402 8106 9994 5039 3331 35.

Item Details

Status: Delivered, Left with Individual
Status Date / Time: March 21, 2019, 12:10 pm
Location: HOUSTON, TX 77060
Postal Product: Priority Mail®
Extra Services: Certified Mail™
Return Receipt Electronic
Up to \$50 insurance included
Recipient Name: Tom Ragsdale

Shipment Details

Weight: 1lb, 0.0oz

Recipient Signature

Signature of Recipient:	<i>Tom Ragsdale</i>
Address of Recipient:	<i>400 N SAM HOUSTON # 601</i>

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,
United States Postal Service®
475 L'Enfant Plaza SW
Washington, D.C. 20260-0004

Tom Ragsdale
400 N SAM HOUSTON PKWY E STE 601
HOUSTON, TX 77060
Reference #: IBEX 10 15 B3AP 1H B1AP2H MR
Item ID: IBEX 10 15 B3AP 1H B1AP2H

Tom Ragsdale Working Interest
 E/2E/2 of Sections 10 & 15-T23S-R34E, Lea County, NM

<p align="center">E/2E/2 of Section 10 E/2NE/4 - 4.009729% NE/4SE/4 - 3.751777% SE/4SE/4 - 0.000000%</p> <p>*MOC, et al. - Remainder (All elections in)</p>	<p>Federal Lease NM 35164 80 acres</p>
	<p>Federal Lease NM 35164 40 acres</p>
	<p>Federal Lease NM 13641 40 acres</p>
<p align="center">E/2E/2 of Section 15 All - 3.4187375%</p> <p>*MOC, et al. - Remainder (All elections in)</p>	<p>Federal Lease NM 13838 80 acres</p>
	<p>Federal Lease NM 13641 80 acres</p>

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 TO
CONSIDER:

CASE NO. 20580
ORDER NO. R-20924

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, 2019, at Santa Fe, New Mexico, before Examiner Leonard R. Lowe.

NOW, on this 15th day of October 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) Applicant seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit, as that unit is described in the attached Exhibit "A".
- (3) Applicant seeks to dedicate the Proposed Well(s) detailed in Exhibit "A" to the Unit.
- (4) COG Operating, LLC made an appearance. No other party appeared or otherwise opposed the case.
- (5) Applicant appeared at the hearing through counsel and presented evidence to the effect that:
 - (a) All completed well locations are expected to be standard or Applicant will apply administratively for approval of location exceptions.

ATTACHMENT

C

- (b) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.
- (c) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

- (6) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.
- (7) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.
- (8) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).
- (9) There are interest owners in the Unit that have not agreed to pool their interests.
- (10) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the pooled depth interval within the Unit.
- (11) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.
- (12) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.
- (13) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional reasonable charge [see Exhibit "A"] for the risk involved in drilling the Well(s).

IT IS THEREFORE ORDERED THAT

- (1) All uncommitted interests, whatever they may be, in the oil and gas within the spacing unit (or the portion thereof within the pooled vertical extent) described in Exhibit "A" are hereby pooled. Exhibit "A" hereto is incorporated herein by this reference and made a part of this order for all purposes.
- (2) The Unit shall be dedicated to the proposed "Well(s)".
- (3) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.
- (4) The operator of the Unit shall commence drilling the Well(s) on or before the end of the month corresponding to the date of this order, in the year following the date of issuance of this order and shall thereafter continue drilling the Well(s) with due diligence to test the pooled formation or pooled vertical depths. The Well(s) shall be drilled approximately to the proposed true vertical and measured depths.
- (5) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.
- (6) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.
- (7) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.
- (8) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.
- (9) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.
- (10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the

Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 30 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, the percent (shown in Exhibit "A") of the above costs.

(15) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs"

reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(16) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(17) Reasonable charges for supervision (combined fixed rates) are hereby fixed at the rates shown in Exhibit "A" per month, per well, while drilling and while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(18) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

(19) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(20) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(21) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(22) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in blue ink, appearing to read "ASandoval".

ADRIENNE SANDOVAL
Director

Exhibit "A"
Case No. 20580

Applicant: Mewbourne Oil Company
Operator: Mewbourne Oil Company (OGRID 90712)

Spacing Unit: Horizontal Oil
Building Blocks: quarter-quarter sections
Spacing Unit Size: 320 acres, more or less
Orientation of Unit: North to South

Spacing Unit Description:
E/2 E/2 of Section 10 and E/2 E/2 of Section 15,
Township 23 South, Range 34 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation
Depth Severance? (Yes/No): No

Pool: Antelope Ridge; Bone Springs, NW (Pool code 2207)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply

Proximity Tracts: None Included

Monthly charge for supervision: While drilling: \$8000, While producing: \$800
As the charge for risk, 200 percent of reasonable well costs

Proposed Wells:

Ibex 10 15 B2AP Federal Com Well No. 1H, API No. 30-025-PENDING

SHL: 393 feet from the North line and 1039 feet from the East line,
(Unit A) of Section 10, Township 23 South, Range 34 East, NMPM
BHL: 100 feet from the South line and 600 feet from the East line,
(Unit P) of Section 15, Township 23 South, Range 34 East, NMPM

Completion Target: Upper Wolfcamp at approx. 11,266 feet TVD
Well Orientation: North to South
Completion Location expected to be: standard

Ibex 10 15 B1AP Federal Com Well No. 2H, API No. 30-025-PENDING

SHL: 400 feet from the North line and 1010 feet from the East line,
(Unit A) of Section 10, Township 23 South, Range 34 East, NMPM
BHL: 100 feet from the South line and 450 feet from the East line,
(Unit P) of Section 15, Township 23 South, Range 34 East, NMPM

Completion Target: Bone Spring at approx. 9,636 feet TVD
Well Orientation: North to South
Completion Location expected to be: standard

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

IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MEWBOURNE OIL COMPANY

CASE NO. 20809
ORDER NO. R-20924-A

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on October 3, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Mewbourne Oil Company ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. On June 27, 2019, OCD heard this matter as Case 20580, and on October 15, 2019, issued Order No. R-20924 approving the following wells:

IBEX 10/15 B3AP FED COM 1H
IBEX 10/15 B1AP FED COM 2H
3. On October 3, 2019, OCD reheard this matter which added the following wells:

IBEX 15/10 B3PA FED COM 1H
IBEX 15/10 B1PA FED COM 2H
4. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
5. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
6. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
7. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

ATTACHMENT

D

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
9. Operator is the owner of an oil and gas working interest within the Unit.
10. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
11. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
12. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
13. The Unit contains separately owned uncommitted interests in oil and gas minerals.
14. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
15. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
16. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

17. This Order supersedes and replaces Order No. R-20924.
18. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
19. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
20. Operator is designated as operator of the Unit and the Well(s).
21. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
22. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

CASE NO. 20809
ORDER NO. R-20924-A

23. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
24. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
25. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
26. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
27. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
28. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
29. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

CASE NO. 20809
ORDER NO. R-20924-A

Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

30. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
31. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
32. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
33. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
34. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
35. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
36. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978,

Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*

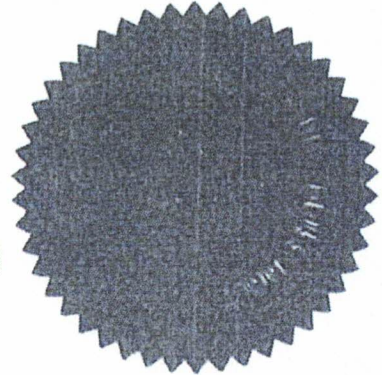
37. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
38. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR
AS/jag

Date: February 19, 2020



CASE NO. 20809
ORDER NO. R-20924-A

Exhibit "A"

Applicant: Mewbourne Oil Company
Operator: Mewbourne Company (OGRID 14744)

Spacing Unit: Horizontal oil
Building Blocks: Quarter-quarter sections
Spacing Unit Size: 320 acres, more or less
Orientation of Unit: South to North

Spacing Unit Description:
E/2E/2 of Section 10 and E/2E/2 of Section 15,
Township 23 South, Range 34 East, NMPM, Lea County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation
Depth Severance? (Yes/No): No

Pool: Antelope Ridge; Bone Spring, NW (Pool Code 2207)
Pool Spacing Unit Size: Quarter-quarter sections
Governing Well Setbacks: Horizontal oil well rules
Pool Rules: Latest horizontal rules apply

Proximity Tracts: None Included

Monthly charge for supervision: While drilling: \$8000, While producing: \$800
As the charge for risk, 200 percent of reasonable well costs

Proposed Wells:

Ibex 10/15 B3AP Fed.Com. Well No. 1H, API No. 30-025-46189
SHL: 393 feet from the North line and 1039 feet from the East line
(Unit A) of Section 10, Township 23 South, Range 34 East, NMPM
BHL: 100 feet from the South line and 600 feet from the East line
(Unit P) of Section 15, Township 23 South, Range 34 East, NMPM

Completion Target: Third Bone Spring Sand at approx. 11266 feet TVD
Well Orientation: North to South
Completion Location expected to be: Standard

Ibex 10/15 B1AP Fed.Com. Well No. 2H, API No. 30-025-46260
SHL: 375 feet from the North line and 1107 feet from the East line
(Unit A) of Section 10, Township 23 South, Range 34 East, NMPM
BHL: 100 feet from the South line and 450 feet from the East line
(Unit P) of Section 15, Township 23 South, Range 34 East, NMPM

CASE NO. 20809
ORDER NO. R-20924-A

Completion Target: First Bone Spring Sand at approx. 9636 feet TVD
Well Orientation: North to South
Completion Location expected to be: Standard

Ibex 15/10 B3PA Fed.Com. Well No. 1H, API No. 30-025-PENDING

SHL: 140 feet from the South line and 305 feet from the East line
(Unit P) of Section 15, Township 23 South, Range 34 East, NMPM
BHL: 100 feet from the North line and 600 feet from the East line
(Unit A) of Section 10, Township 23 South, Range 34 East, NMPM

Completion Target: Third Bone Spring Sand at approx. 11304 feet TVD
Well Orientation: South to North
Completion Location expected to be: Standard

Ibex 15/10 BIPA Fed.Com. Well No. 2H, API No. 30-025-PENDING

SHL: 140 feet from the South line and 275 feet from the East line
(Unit P) of Section 15, Township 23 South, Range 34 East, NMPM
BHL: 100 feet from the North line and 450 feet from the East line
(Unit A) of Section 10, Township 23 South, Range 34 East, NMPM

Completion Target: First Bone Spring Sand at approx. 9684 feet TVD
Well Orientation: South to North
Completion Location expected to be: Standard

CASE NO. 20809
ORDER NO. R-20924-A

MEWBOURNE OIL COMPANY

FASKEN CENTER
500 WEST TEXAS, SUITE 1020
MIDLAND, TX 79701

TELEPHONE (432) 682-3715

January 23, 2020

Via Certified Mail

See Attached List

Re: Ibex 15/10 B1PA Fed Com #2H & Ibex 15/10 B3PA Fed Com #1H
140' FSL & 275' FEL (SL: Sec. 15) 140' FSL & 305' FEL (SL: Sec. 15)
100' FNL & 450' FEL (BHL: Sec. 10) 100' FNL & 600' FEL (BHL: Sec. 10)
Sections 15/10, T23S, R34E Sections 15/10, T23S, R34E
Lea County, New Mexico Lea County, New Mexico

Ladies and Gentlemen:

Under the terms of the governing operating agreement, dated March 1, 2019 ("JOA"), Mewbourne Oil Company ("Mewbourne") as Operator hereby proposes to drill the captioned Ibex 15/10 B1PA Fed Com #2H well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 9,684 feet subsurface to evaluate the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 19,900 feet. The E/2E/2 of the captioned Sections 15 & 10 will be dedicated to the well as the proration unit.

In addition, Mewbourne as Operator hereby proposes to drill the captioned Ibex 15/10 B3PA Fed Com #1H well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 11,304 feet subsurface to evaluate the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 21,523 feet. The E/2E/2 of the captioned Sections 15 & 10 will be dedicated to the well as the proration unit.

Regarding the above, enclosed for your further handling our AFEs dated September 10, 2019 for the captioned proposed wells and replacement pages to the JOA. Please sign and return said AFEs at your earliest convenience if you elect to participate in the captioned wells return to me within thirty (30) days.

Should you have any questions regarding the above, please email me at mrobb@mewbourne.com or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Mitch Robb
Landman

ATTACHMENT

E



January 27, 2020

Dear Simple Certified:

The following is in response to your request for proof of delivery on your item with the tracking number: 9414 8106 9994 5047 2002 19.

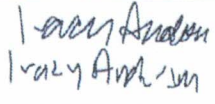
Item Details

Status: Delivered, Left with Individual
Status Date / Time: January 27, 2020, 3:39 pm
Location: MISSOURI CITY, TX 77459
Postal Product: First-Class Mail®
Extra Services: Certified Mail™
Return Receipt Electronic
Recipient Name: Tracy Anderson

Shipment Details

Weight: 3.0oz

Recipient Signature

Signature of Recipient:	
Address of Recipient:	6315 MISTY CRK MISSOURI CITY, TX 77459

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,
United States Postal Service®
475 L'Enfant Plaza SW
Washington, D.C. 20260-0004

Tracy Anderson
6315 Misty Creek
Missouri City, TX 77459
Reference #: Ibex 15 10

MEWBOURNE OIL COMPANY

FASKEN CENTER
500 WEST TEXAS, SUITE 1020
MIDLAND, TX 79701

TELEPHONE (432) 682-3715

February 13, 2020

Via Certified Mail

Tom M. Ragsdale
400 N Sam Houston Pkwy E, Suite 601
Houston, TX 77060
Attn: Karen Stanford

Re: Ibex 15/10 B1PA Fed Com #2H & Ibex 15/10 B3PA Fed Com #1II
140' FSL & 275' FEL (SL: Sec. 15) 140' FSL & 305' FEL (SL: Sec. 15)
100' FNL & 450' FEL (BHL: Sec. 10) 100' FNL & 600' FEL (BHL: Sec. 10)
Sections 15/10, T23S, R34E Sections 15/10, T23S, R34E
Lea County, New Mexico Lea County, New Mexico

Ladies and Gentlemen:

Under the terms of the governing operating agreement, dated March 1, 2019 ("JOA"), Mewbourne Oil Company ("Mewbourne") as Operator hereby proposes to drill the captioned Ibex 15/10 B1PA Fed Com #2H well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 9,684 feet subsurface to evaluate the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 19,900 feet. The E/2E/2 of the captioned Sections 15 & 10 will be dedicated to the well as the proration unit.

In addition, Mewbourne as Operator hereby proposes to drill the captioned Ibex 15/10 B3PA Fed Com #1H well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 11,304 feet subsurface to evaluate the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 21,523 feet. The E/2E/2 of the captioned Sections 15 & 10 will be dedicated to the well as the proration unit.

Regarding the above, enclosed for your further handling our AFEs dated September 10, 2019 for the captioned proposed wells and replacement pages to the JOA. Please sign and return said AFEs at your earliest convenience if you elect to participate in the captioned wells return to me within thirty (30) days.

Should you have any questions regarding the above, please email me at mrobb@mewbourne.com or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Mitch Robb
Landman

ATTACHMENT

F



February 18, 2020

Dear Simple Certified:

The following is in response to your request for proof of delivery on your item with the tracking number: 9414 8106 9994 5047 9570 90.

Item Details

Status: Delivered, Left with Individual
Status Date / Time: February 18, 2020, 11:59 am
Location: HOUSTON, TX 77060
Postal Product: First-Class Mail®
Extra Services: Certified Mail™
Return Receipt Electronic
Recipient Name: Karen Stanford

Shipment Details

Weight: 2.0oz

Recipient Signature

Signature of Recipient:	El H, Elizabeth R. R. R. H.
Address of Recipient:	400 N Sam Houston #601

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

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Sincerely,
United States Postal Service®
475 L'Enfant Plaza SW
Washington, D.C. 20260-0004

Karen Stanford
Tom M. Ragsdale
400 N SAM HOUSTON PKWY E STE 601
HOUSTON, TX 77060
Reference #: Ibex 15 10 B1PA #2H

MEWBOURNE OIL COMPANY
500 West Texas, Suite 1020
Midland, Texas 79701
Phone (432) 682-3715

March 5, 2020

Via Certified Mail

Tom M. Ragsdale
400 N Sam Houston Pkwy E, Suite 601
Houston, TX 77060
Attn: Karen Stanford

Re: Ibex 15/10 B1PA Fed Com #2H
Ibex 15/10 B3PA Fed Com #1H
Order No. R-20924-A
Sections 10/15, T23S, R34E
Lea County, New Mexico

Ladies and Gentlemen:

Attached for your information and further handling is a copy of the referenced pooling order dated February 19, 2020 regarding the captioned Ibex 15/10 B1PA Fed Com #2H and Ibex 15/10 B3PA Fed Com #1H wells.


As required by paragraph No. 26 on page 3 of the order, enclosed is a copy of our AFE dated March 3, 2020 regarding your 4.890142% working interest in the captioned Ibex 15/10 B1PA Fed Com #2H well. The AFE is an estimated well cost for the captioned well and the realized cost of the drilling, plugging and abandoning of the Ibex 10/15 B1AP Fed Com #2H well and the substitute Ibex 10/15 B1AP Fed Com #2HY well which was drilled in accordance with 19.15.13.8(4) NMAC. As required by paragraph No. 27 on page 3 of the pooling order, please sign and return the AFE within 30 days of your receipt of same in the event you elect to participate in the proposed well. Should you elect to participate in the well, your check for \$610,852.09 made payable to Mewbourne Oil Company must be received by Mewbourne Oil Company no later than 30 days after the expiration of the election period.

As required by paragraph No. 26 on page 3 of the order, enclosed is a copy of our AFE dated September 12, 2019 regarding your 4.890142% working interest in the captioned Ibex 15/10 B3PA Fed Com #1H well. The AFE is an estimated well cost for the captioned Ibex 15/10 B3AP Fed Com #1H well. As required by paragraph No. 27 on page 3 of the pooling order, please sign and return the AFE within 30 days of your receipt of same in the event you elect to participate in the proposed well. Should you elect to participate in the well, your check for \$465,996.30 made payable to Mewbourne Oil Company must be received by Mewbourne Oil Company no later than 30 days after the expiration of the election period.

Should you have any questions regarding the above, please email me at mrobb@mewbourne.com or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY


Mitch Robb
Landman

ATTACHMENT 



March 10, 2020

Dear Simple Certified:

The following is in response to your request for proof of delivery on your item with the tracking number: **9414 8106 9994 5048 5492 94**.

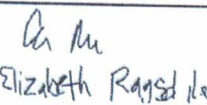
Item Details

Status: Delivered, Left with Individual
Status Date / Time: March 10, 2020, 11:16 am
Location: HOUSTON, TX 77060
Postal Product: First-Class Mail®
Extra Services: Certified Mail™
Return Receipt Electronic
Recipient Name: Karen Stanford

Shipment Details

Weight: 2.0oz

Recipient Signature

Signature of Recipient:	
Address of Recipient:	4160 USAM HOUSTON # 601

Note: Scanned image may reflect a different destination address due to Intended Recipient's delivery instructions on file.

Thank you for selecting the United States Postal Service® for your mailing needs. If you require additional assistance, please contact your local Post Office™ or a Postal representative at 1-800-222-1811.

Sincerely,
United States Postal Service®
475 L'Enfant Plaza SW
Washington, D.C. 20260-0004

Karen Stanford
Tom M. Ragsdale
400 N. Sam Houston Pkwy East, Suite 601
Houston, tx 77060
Reference #: Ibex 15/10

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name IBEX 10/15 B1AP FED COM			⁶ Well Number 2H
⁷ GRID NO.		⁸ Operator Name MEWBOURNE OIL COMPANY			⁹ Elevation 3369'

¹⁰ Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet From the	East/West line	County
A	10	23S	34E		400	NORTH	1010	EAST	LEA

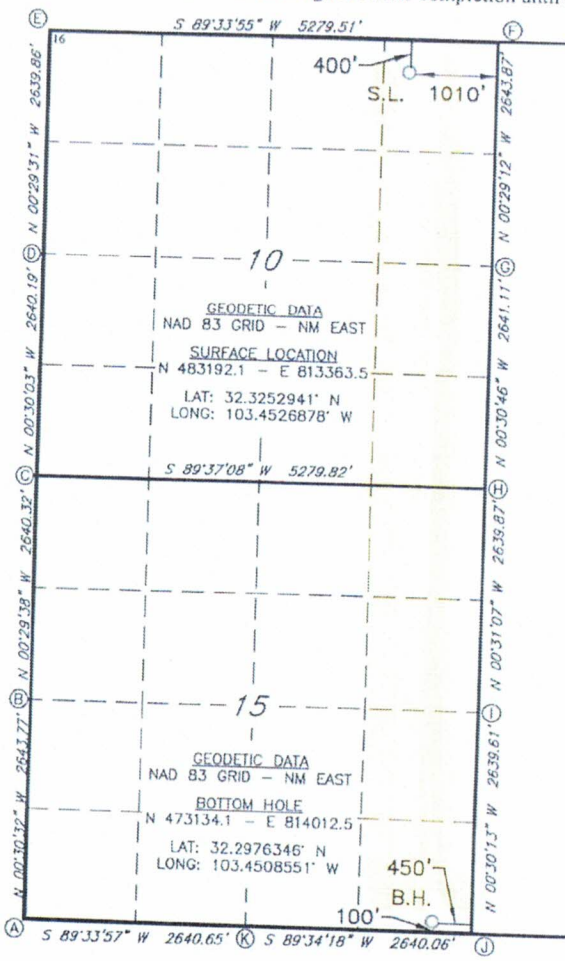
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	15	23S	34E		100	SOUTH	450	EAST	LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------	-------------------------------	----------------------------------	-------------------------

No allowable will be assigned to this completion until a

ATTACHMENT H

has been approved by the division.



ERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

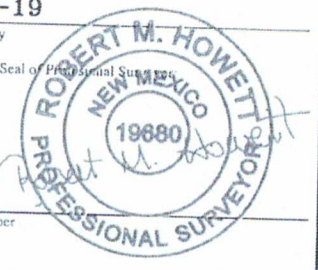
Signature _____ Date _____
 Printed Name _____
 E-mail Address _____

¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1-14-19

Date of Survey _____
 Signature and Seal of Professional Surveyor _____



19680
 Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

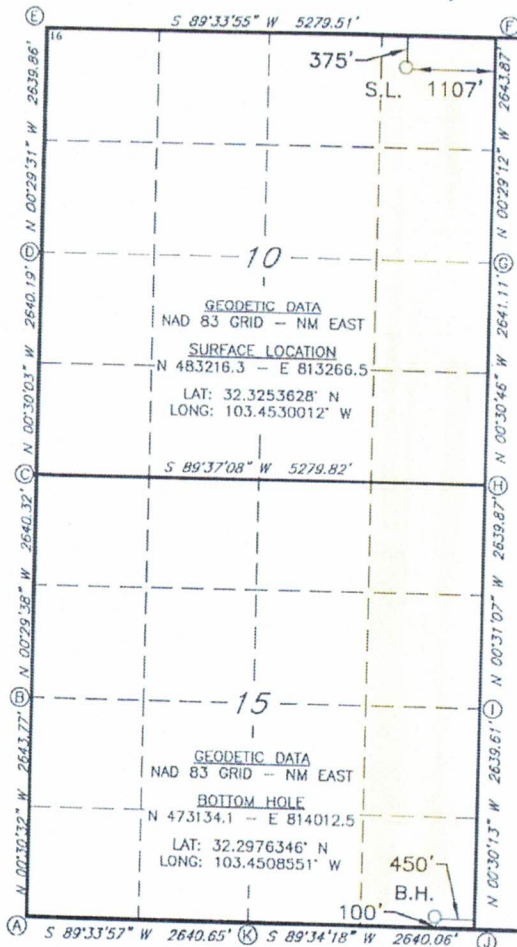
1 API Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name IBEX 10/15 B1AP FED COM			6 Well Number 2HY
7 OGRID NO.		8 Operator Name MEWBOURNE OIL COMPANY			9 Elevation 3369'

10 Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet From the	East/West line	County
A	10	23S	34E		375	NORTH	1107	EAST	LEA

11 Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	15	23S	34E		100	SOUTH	450	EAST	LEA

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
--------------------	--------------------	-----------------------	--------------

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



CORNER DATA
NAD 83 GRID - NM EAST

A: FOUND BRASS CAP "1913"
N 472997.8 - E 809183.6

B: FOUND BRASS CAP "1913"
N 475641.0 - E 809160.1

C: FOUND BRASS CAP "1913"
N 478280.8 - E 809137.4

D: FOUND BRASS CAP "1913"
N 780920.4 - E 809114.3

E: FOUND PK NAIL
N 483559.7 - E 809091.7

F: FOUND PK NAIL
N 483599.8 - E 814370.1

G: FOUND BRASS CAP "1913"
N 480956.4 - E 814392.6

H: FOUND BRASS CAP "1913"
N 478315.9 - E 814416.2

I: FOUND BRASS CAP "1913"
N 475676.6 - E 814440.1

J: FOUND BRASS CAP "1913"
N 473037.5 - E 814463.3

K: FOUND BRASS CAP "1913"
N 473017.8 - E 811823.8

17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____
Printed Name _____
E-mail Address _____

18 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1-14-19
Date of Survey

Signature and Seal of Professional Surveyor:

19680
Certificate Number

REV: 7-22-19 RESTAKE

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

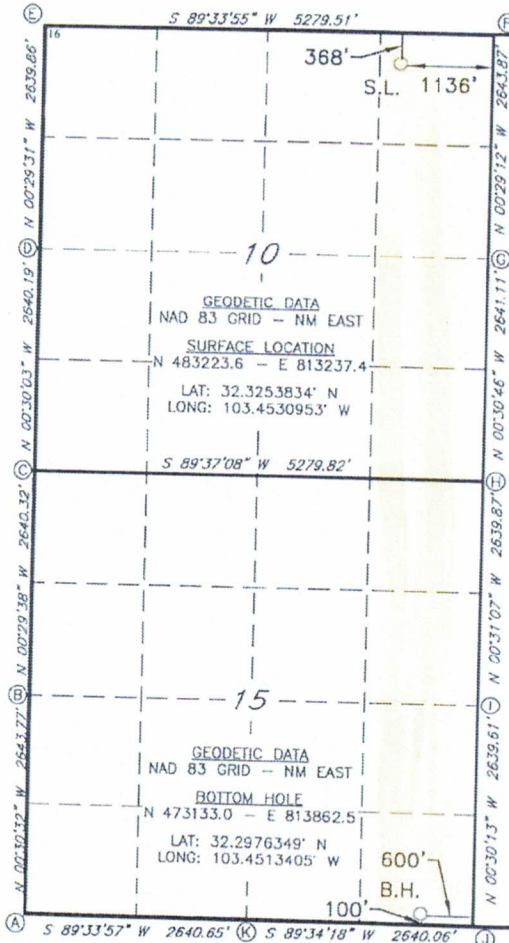
WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		⁷ Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name IBEX 10/15 B3AP FED COM			⁶ Well Number 1H
⁷ GRID NO.		⁸ Operator Name MEWBOURNE OIL COMPANY			⁹ Elevation 3369'

¹⁰ Surface Location									
UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet From the	East/West line	County
A	10	23S	34E		368	NORTH	1136	EAST	LEA

¹¹ Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	15	23S	34E		100	SOUTH	600	EAST	LEA
¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No.					

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



- CORNER DATA**
NAD 83 GRID - NM EAST
- A: FOUND BRASS CAP "1913"
N 472997.8 - E 809183.6
 - B: FOUND BRASS CAP "1913"
N 475641.0 - E 809160.1
 - C: FOUND BRASS CAP "1913"
N 478280.8 - E 809137.4
 - D: FOUND BRASS CAP "1913"
N 780920.4 - E 809114.3
 - E: FOUND PK NAIL
N 483559.7 - E 809091.7
 - F: FOUND PK NAIL
N 483599.8 - E 814370.1
 - G: FOUND BRASS CAP "1913"
N 480956.4 - E 814392.6
 - H: FOUND BRASS CAP "1913"
N 478315.9 - E 814416.2
 - I: FOUND BRASS CAP "1913"
N 475676.6 - E 814440.1
 - J: FOUND BRASS CAP "1913"
N 473037.5 - E 814463.3
 - K: FOUND BRASS CAP "1913"
N 473017.8 - E 811823.8

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

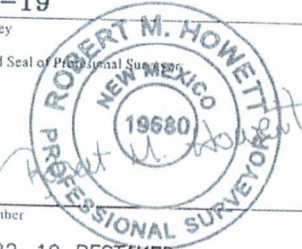
¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

1-14-19

Date of Survey

Signature and Seal of Professional Surveyor



19680

Certificate Number

REV: 7-22-19 RESTAKED

RRC - Job No.:

LS19010040R

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

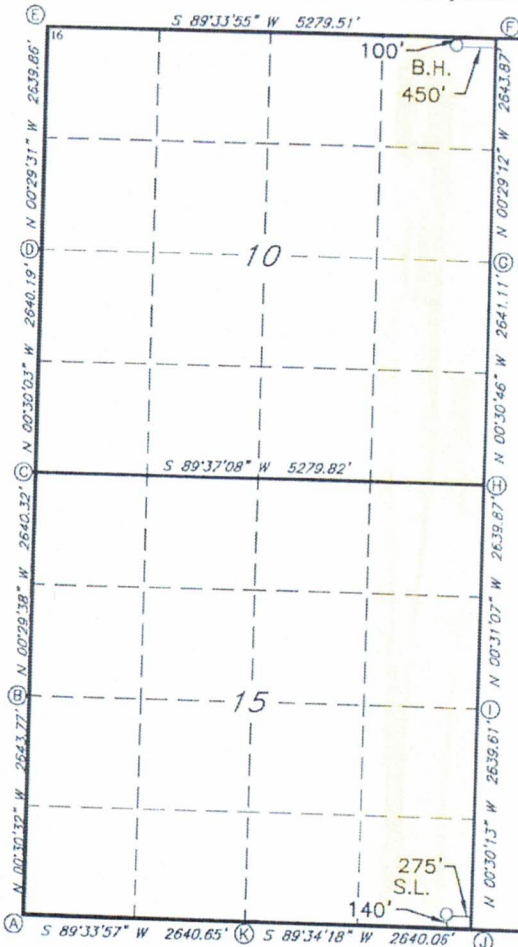
Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name					
⁴ Property Code		⁵ Property Name IBEX 15/10 B1PA FED COM				⁶ Well Number 2H			
⁷ GRID NO.		⁸ Operator Name MEWBOURNE OIL COMPANY				⁹ Elevation 3412'			
¹⁰ Surface Location									
UL or lot no. P	Section 15	Township 23S	Range 34E	Lot Idn	Feet from the 140	North/South line SOUTH	Feet From the 275	East/West line EAST	County LEA
¹¹ Bottom Hole Location If Different From Surface									
UL or lot no. A	Section 10	Township 23S	Range 34E	Lot Idn	Feet from the 100	North/South line NORTH	Feet from the 450	East/West line EAST	County LEA
¹² Dedicated Acres		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



GEODETTIC DATA
NAD 83 GRID - NM EAST

SURFACE LOCATION
N 473175.4 - E 814187.1
LAT: 32.2977442° N
LONG: 103.4502889° W

BOTTOM HOLE
N 483496.4 - E 813921.1
LAT: 32.3261178° N
LONG: 103.4508749° W

CORNER DATA
NAD 83 GRID - NM EAST

A: FOUND BRASS CAP "1913"
N 472997.8 - E 809183.6

B: FOUND BRASS CAP "1913"
N 475641.0 - E 809160.1

C: FOUND BRASS CAP "1913"
N 478280.8 - E 809137.4

D: FOUND BRASS CAP "1913"
N 480920.4 - E 809114.3

E: FOUND PK NAIL
N 483559.7 - E 809091.7

F: FOUND PK NAIL
N 483599.8 - E 814370.1

G: FOUND BRASS CAP "1913"
N 480956.4 - E 814392.6

H: FOUND BRASS CAP "1913"
N 478315.9 - E 814416.2

I: FOUND BRASS CAP "1913"
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J: FOUND BRASS CAP "1913"
N 473037.5 - E 814463.3

K: FOUND BRASS CAP "1913"
N 473017.8 - E 811823.8

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

¹⁸ SURVEYOR CERTIFICATION

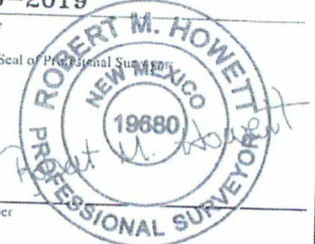
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

08-05-2019

Date of Survey _____

Signature and Seal of Professional Surveyor _____

19680
Certificate Number



District I
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Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name IBEX 15/10 B3PA FED COM			⁶ Well Number 1H
⁷ GRID NO.		⁸ Operator Name MEWBOURNE OIL COMPANY			⁹ Elevation 3413'

¹⁰ Surface Location

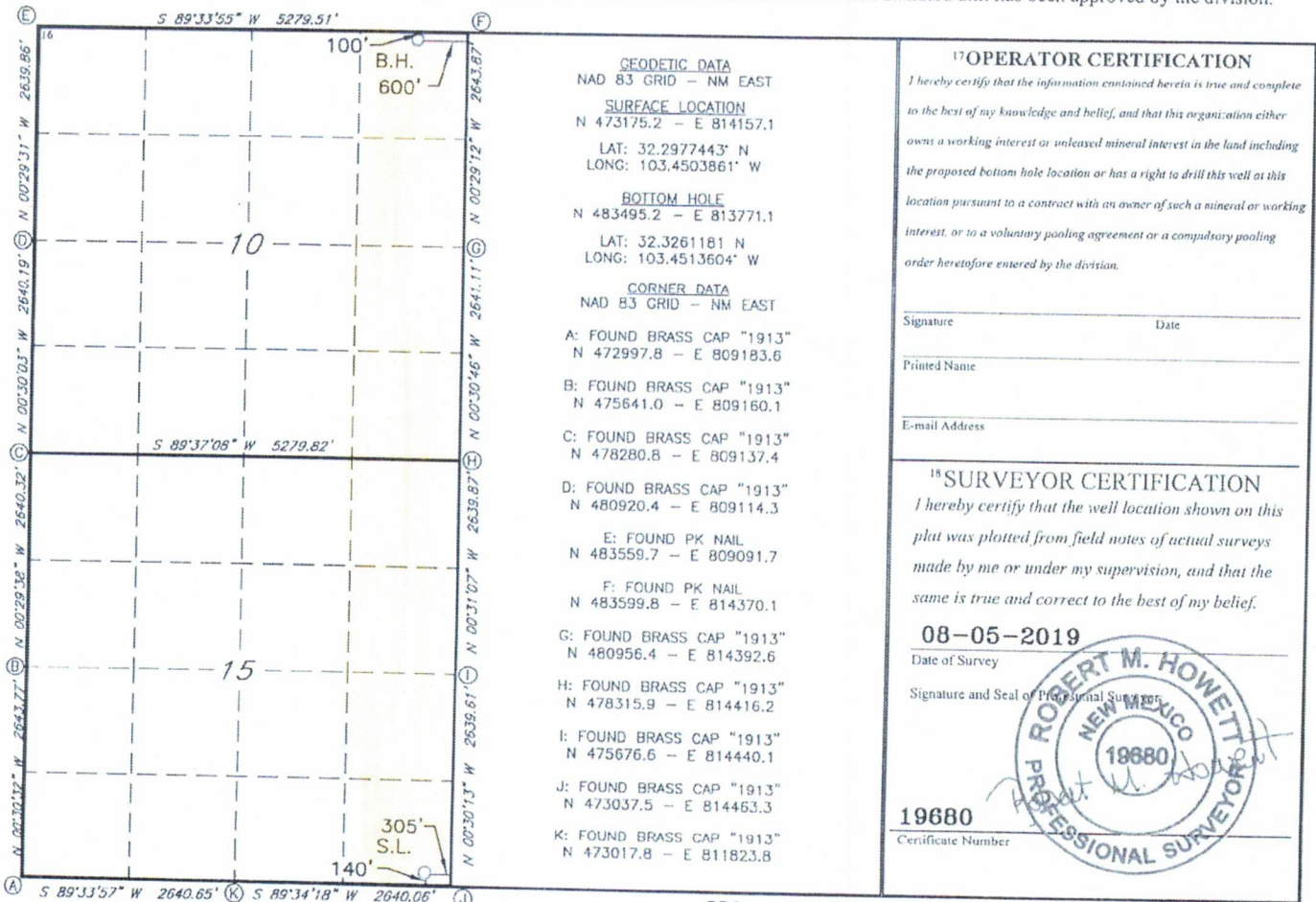
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet From the	East/West line	County
P	15	23S	34E		140	SOUTH	305	EAST	LEA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	10	23S	34E		100	NORTH	600	EAST	LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



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

**APPLICATION OF TOM M. RAGSDALE TO REVOKE
ORDER NOS. R-20924 & R-20924-A OR, IN THE ALTERNATIVE,
TO DECLARE UNREASONABLE CERTAIN COSTS
IMPOSED BY MEWBOURNE OIL COMPANY**

**Case No. 21324
Order No. R-21631**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD” or “Division”), having heard this case through a Hearing Examiner on September 11, 2020, and having considered the evidentiary record, including testimony, exhibits, post-hearing submittals and the recommendation of the Hearing Examiners, denies Ragsdale’s application seeking to revoke Orders No. R-20924 and R-20924-A, or alternatively, to declare unreasonable certain costs imposed by Mewbourne, based on the following findings and conclusions:

FINDINGS OF FACT

Orders at Issue

1. Order No. R-20924 (entered in Case No. 20580) pooled the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, for the purpose of drilling the Ibex 10/15 B1AP Fed. Com. Well No. 2H, API# 30-025-46188 (“10/15 2H”) and the Ibex 10/15 B3AP Fed. Com. Well No. 1H, API# 30-025-46189 (“10/15 1H”) (collectively, “10/15 Wells”).

EXHIBIT

3

2. Order No. R-20924-A (entered in Case No. 20809) pooled the same unit for the purpose of drilling the 10/15 Wells and for drilling the Ibex 15/10 B1PA Fed. Com. Well No. 2H, API# 30-025-47060 (“15/10 2H”), and the Ibex 15/10 B3PA Fed. Com. Well No. 1H, API# 30-025-46948 (“15/10 1H”) (collectively, “15/10 Wells”).
3. Mewbourne relies on Order No. R-20924-A to assert that it can impute the costs of attempts to drill the 10/15 2H and a substitute well, the Ibex 10/15 B1AP Fed Com No. 2Y (“10/15 2Y”), as part of the estimated costs for the 15/10 2H.
4. Ragsdale asserts insufficient notice to pool four wells in Case No. 20809 under Section 19.15.4.8 NMAC; and failure of the 15/10 2H well to meet the definition of “substitute well” under Section 19.15.13.8.B.4 NMAC.

Procedural History and Chronology of Events

5. Mewbourne mailed well proposals for the 10/15 Wells on March 19, 2019, which Ragsdale received on March 21, 2019.
6. Mewbourne visited with Ragsdale’s representative via phone conversation on April 3, 2019 regarding the 10/15 Wells.
7. On April 4, 2019, Tracy Anderson elected to participate in the 10/15 Wells under the governing Joint Operating Agreement. Ragsdale would later acquire this interest.
8. Mewbourne exchanged emails on April 8, 2019 with Ragsdale’s representative regarding the 10/15 Wells.
9. Mewbourne visited with Ragsdale’s representative via phone conversation on April 16, 2019 regarding the 10/15 Wells.
10. On April 17, 2019, Mewbourne sent Ragsdale a copy of the Joint Operating Agreement covering the 10/15 Wells.

11. There are about 50 working interest owners in the Bone Spring formation in the E/2E/2 of Sections 10 and 15. Most working interest owners are subject to a JOA, but about 10 owners had to be force pooled, including Ragsdale.
12. On or about May 20, 2019, Mewbourne filed an application in Case No. 20580, seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, for the purpose of drilling the 10/15 Wells.
13. On June 6, 2019, Ragsdale received notice of the application in Case No. 20580, but he did not enter an appearance.
14. On June 13, 2019, Case No. 20580 was presented by affidavit, and on June 27, 2019, after notice by publication was complete, the case was taken under advisement.
15. On July 3, 2019, Mewbourne's applications for permits to drill ("APD") the 10/15 Wells were approved.
16. Due to deadlines in certain leasehold agreements, Mewbourne had to commence a well on the E/2E/2 of Sections 10 and 15 in July 2019.
17. Mewbourne owned an interest in each quarter-quarter section of the well unit, and had the right to drill the wells. Tr. at p. 51. See also *Bellett v. Grynberg*, 114 N.M. 690, 845 P.2d 784 (N.M. 1992).
18. On July 12, 2019, Mewbourne spudded the 10/15 2H, had drilling issues, and abandoned the operation.
19. On July 24, 2019, Mewbourne received approval from the Bureau of Land Management to drill a substitute well, the 10/15 2Y.

20. On July 24, 2019, Mewbourne plugged and abandoned the 10/15 2H, due to drilling issues.
21. On July 26, 2019, Mewbourne subsequently spudded the substitute 10/15 2Y well, again had drilling issues, and plugged and abandoned the well.
22. Due to the drilling problems, Mewbourne decided to move the surface locations of both the wells to Section 15. However, because of the time it takes for the Bureau of Land Management to approve APDs, it was impossible to commence a substitute or replacement well immediately after the Ibex 10/15 B1 AP Fed. Com. Well No. 2HY well was junked. Mewbourne Exhibit 1, Tr. at 44, 49.
23. On August 27, 2019, Mewbourne applied for permits to drill the 15/10 2H and the 15/10 1H.
24. The Ibex 15/10 B1 PA Fed. Com. Well No. 2H is simply a mirror well to the Ibex 10/15 B1 AP Fed. Com. Well Nos. 2H and 2HY.
25. On September 3, 2019, prior to the entry of any order in Case No. 20580, Mewbourne filed its application in Case No. 20809, again seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico, but for the purpose of drilling the 15/10 Wells, which were the same target interval, same ownership, and same dedicated spacing unit as the 10/15 Wells.
26. Mewbourne's application for Case No. 20809 states that Mewbourne was seeking to pool the Bone Spring formation underlying the E2/E2 of Sections 10 and 15, Township 23 South, Range 34 East, NMPM, in Lea County, New Mexico for the

- purpose of drilling the 15/10 Wells. Ragsdale received notice of Case No. 20809, but did not enter an appearance.
27. Mewbourne's application in Case No. 20809 and the notice letter to interested parties did not reference the 10/15 Wells or the request made in Mewbourne's Pre-Hearing Statement and at the hearing that all four wells be pooled together. "This case is related to Case No. 20580, previously heard, in which no order has been issued. Applicant requests that the two wells be added to the order issued in both cases." Pre-Hearing Statement, p. 2, in Case No. 20809.
28. Mewbourne did not personally inform Ragsdale that Mewbourne intended to incorporate the 10/15 Wells in Case No. 20809 along with the 15/10 Wells.
29. Ragsdale was nevertheless aware of the status of the 10/15 wells and the 15/10 wells in September 2019. Testimony of Karen Stanford, Tr. at 26-27, 28-20, 37. He learned of the junked wells from his assignor, Ms. Anderson, with whom he has partnered for years. Tr. at 27, 29-30.
30. Ragsdale also acquired an interest (subject to the JOA) from Tracy Anderson before Order No. R-20924-A was issued, and acquired well information from her. Tr. At 26.
31. On October 3, 2019, Case No. 20809 was presented by affidavit ("15/10 Hearing").
32. At the hearing, Mewbourne's counsel stated:
- "Mewbourne Oil Company seeks to force pool the east half/east half of Section 10 and the east half/east half of Section 15, 23 South, 34 East. This case was originally heard as Case 20580. No Order has been issued, and the wells were from the north to the south. They have filed the additional application to not only cover those two wells but to cover wells from the south to the north, because they had some -- they commenced drilling their very first well out there and they had some surface issues that precluded them from getting more than a few hundred feet deep. Now they want to include both, all four wells, the two 10/15 wells and the two 15/10 wells, because they may still drill the original two wells because they have APDs for those, wells and these are federal wells. So they have filed for

what are called the 15/10 wells ... and it might take some time to do that. But, anyway, they just want all four wells in the same application. And they would ask that an Order be entered covering all four wells rather than just the two originally pooled.”

33. On October 15, 2019, Order No. R-20924 was entered in Case No. 20580, the earlier case, pooling the proposed unit for the purpose of drilling the 10/15 Wells, but Ragsdale never received a copy of the order.
34. Having submitted a second application and presented its case in 20809 to pool all four wells together, Mewbourne never informed Mr. Ragsdale that he had been force pooled in Order No. R-20924.
35. On February 13, 2020, Mr. Ragsdale received a well proposal for the 15/10 Wells for an interest that is not at issue in this proceeding, which was subject to the joint operating agreement (“Subsequently Acquired Interest”). Mr. Ragsdale timely elected to participate in the 15/10 Wells with respect to the Subsequently Acquired Interest. The Authorizations for Expenditure (“AFE”) tendered to Mr. Ragsdale for the Subsequently Acquired Interest did not impose the costs of attempts to drill the 10/15 Wells, because those elections were previously received from Mr. Ragsdale’s predecessor and accounted for under the joint operating agreement.
36. On February 19, 2020, Order No. R-20924-A was entered in Case No. 20809, pooling the proposed unit for the purpose of drilling both the 10/15 Wells and the 15/10 Wells. Order No. R-20924-A expressly superseded Order No. R-20924.
37. On February 27, 2020, Mewbourne received approval of its APD for the 15/10 1H.
38. On March 10 or 11, 2020, Ragsdale received an election notice under Order No. R-20924-A (Case No. 20809) and AFEs for the 15/10 Wells. The AFE for the 15/10 2H

- included an additional \$3,102,500 attributed to Mewbourne's attempts to drill the 10/15 2H and the 10/15 2Y.
39. On March 12, 2020, Mewbourne visited with Ragsdale's representative regarding the AFE costs.
 40. The AFE provided to Ragsdale for the 15/10 2H along with the election letter was not the AFE that was submitted to the Division in Case No. 20809. See Letter, Mitch Robb to Tom Ragsdale (Mar. 5, 2020). The AFE submitted to the Division did not include the imputed costs for the attempts to drill the 10/15 2H and the 10/15 2Y. See Case No. 20809, Verified Statement of Mitch Robb at 2, ¶ 2(i) and Attachment C.
 41. Ragsdale's elections were due by April 10, 2020; Mewbourne did not receive such elections, nor did Mewbourne receive any further communication from Ragsdale after the conversation on March 12, 2020.
 42. An election to participate merely requires a party to sign an AFE and e-mail it to the operator, which takes a couple minutes. Tr. at p. 57.
 43. By letter dated April 15, 2020, Ragsdale sent executed AFEs to Mewbourne. The AFE for the 15/10 2H was not the AFE provided to Ragsdale along with the pooling order; but it was the AFE that Mewbourne submitted to the Division in Case No. 20809. Ragsdale was past the due date as provided for under the respective pooling order.
 44. In a good-faith effort to work with Ragsdale, Mewbourne proposed certain stipulations for which it would still allow him to participate in the 15/10 Wells in lieu of being treated as non-consenting for not making a timely election under Order No. R-20924-A. Mewbourne responded to Ragsdale's letter dated April 15, 2020,

- allowing him the opportunity to still participate in the subject wells under certain conditions. See Letter, Bruce Insalaco to Karen Stanford & Tom Ragsdale (May 15, 2020).
45. Ragsdale met the conditions set out by Mewbourne for participation in the 15/10 1H and was allowed to participate in that well. He tendered payment for his share of the 15/10 1H and was deemed consenting therein, later selling this interest. See Letter, Bruce Insalaco to Karen Stanford & Tom Ragsdale (May 15, 2020).
 46. There was no issue as to the well costs for the Ibex 15/10 B3PA Fed. Com. Well No. 1H. Tr. at p. 25.
 47. Ragsdale did not meet the subsequent conditions set out by Mewbourne for participation in the 15/10 2H. Specifically, he did not tender his share of the costs at issue in this proceeding; he believed Mewbourne lacked authority to impose them.
 48. Ragsdale has about 30 years' experience in the oil and gas business. Tr. at p. 24. He has been pooled by Mewbourne previously, and has knowledge of pooling applications. Tr. at pp. 55-56.
 49. Mr. Robb did not withhold any information from Ragsdale. Mewbourne Exhibit 2, Tr. at p. 58.
 50. Beyond asking a question about the costs, Ragsdale did not raise an objection to Mewbourne regarding the costs of the Ibex 15/10 B1 PA Fed. Com. Well No. 2H after receipt of the election letter on March 10 or 11, 2020.
 51. No other working interest owners have objected to the AFE for the Ibex 15/10 B1 PA Fed. Com. Well No. 2H. Tr. at p. 59.

52. Ragsdale has raised no issue as to the reasonableness of costs of the junked wells as incurred, except as to their inclusion in the 15/10 2H total well costs.
53. Ragsdale tendered payment for his share of the 15/10 2H, based on the AFE cost to drill that well only, and did not include the imputed costs for the attempts to drill the 10/15 2H and the 10/15 2Y, which Mewbourne had specified as being a condition necessary to take advantage of the conditional opportunity offered by Mewbourne after missing the original deadline for participation. See Ex. 4.
54. This payment was rejected by Mewbourne, which thereafter considered Ragsdale non-consenting in the 15/10 2H. See Letter, Bruce Insalaco to Karen Stanford & Tom Ragsdale (May 15, 2020).

Hearing in this Matter

55. Ragsdale's application in this matter, to revoke R-20924 and R-20924-A, or to declare the costs of the junked wells unreasonable and compel Mewbourne to offer him status as "consenting" without having paid those costs or made a timely election, was heard on September 11, 2020. The hearing was conducted on a virtual platform in accordance with Section 19.15.4 NMAC, the Division's Adjudication procedures. Besides Mewbourne, no other party entered an appearance.
56. Ragsdale presented one witness in support of its applications:
 - Karen Stanford, a landman, explained why Mr. Ragsdale had not entered in an appearance in Cases No. 20580 or 20809 (he didn't object to the applications as he understood them and thought it was unnecessary); why he was late returning executed AFEs for the 15/10 wells (confounded by extra well costs,

COVID work disruption, death in her family); and answered questions about interactions between party representatives and with others.

57. Mewbourne presented two witnesses in support of its opposition:

- a. Travis Cude, a petroleum engineer, explained why Mewbourne had junked the initial wellbores in 2H and, 2 days later, the wellbore in 2Y (lost circulation, unable to recover fish); and why it was impossible to immediately commence drilling on the relocated wells in which the north-south orientation was switched (it takes BLM several months to approve APDs).
- b. Mitch Robb, a landman, described Ragsdale's working interest in the relevant well unit, and the interest subsequently acquired from Tracy Anderson; the timing of the orders entered in the earlier cases; and his feeling that a pooling order is the equivalent of an operating agreement and that Ragsdale has been treated fairly, not any differently than the other interest owners under the JOA.

58. All witnesses were accepted as qualified to present expert opinion testimony; all witnesses were sworn in, and all were subject to cross-examination by the other party and by the examiners.

59. Following receipt of the transcript, the parties submitted written closing statements on October 26, 2020.

CONCLUSIONS OF LAW

1. The Division has jurisdiction over the parties and the subject matter in this case.
2. Proper public notice was given of the Application and the hearing in this case.
3. The Oil and Gas Act, NMSA 1978 Sections 70-2-1 *et seq.* (Act), prohibits the waste of oil and gas and delegates to the Division the authority to prevent waste and protect correlative rights.
4. Section 70-2-17.C of the Act provides that when the owners of the interests in a spacing unit “have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.”
5. With the entry of a compulsory pooling order, “well costs shall include the reasonable costs of drilling, reworking, diverting, deepening, plugging back and testing the well; completing the well in a formation pooled by the order; and equipping the well for production.” Section 19.15.13.8.B NMAC.
6. The costs of failed attempts to drill can be recovered when a “substitute well” is drilled; see Section 19.15.13.8.B(4) NMAC:

Well costs shall also include reasonable costs of drilling, testing, completing and equipping a substitute well if, in the drilling of a well pursuant to a compulsory pooling order, the operator loses the hole or encounters mechanical difficulties rendering it impracticable to drill to the objective depth and the substitute well is located within 330 feet of the original well and the operator commences drilling within 10 days of the original well’s abandonment.

7. Although wells 2H and 2Y are not located within 330 feet of the original well, or drilled within 10 days of the original well's abandonment, it is fair to nevertheless consider them as "substitute" or "replacement" wells:
 - a. This section of the Division's regulations was written in 2008, before horizontal drilling became popular, and does not address surface hole location (SHL) for such wells. With a horizontal well in this case, Mewbourne simply switched the SHL; i.e., the first take point and the last take point were flipped.
 - b. The new federal APDs for the 15/10 wells, required by the switch in SHL, took eight months to obtain from the BLM, which was outside of Mewbourne's control and prevented Mewbourne from drilling a 15/10 well within 10 days of junking the 10/15 2HY well.
 - c. The 15/10 wells were successfully drilled; Mewbourne acted as a prudent and diligent operator to move the SHL. Mewbourne Ex. No. 1, Tr. at pp. 49-50.

8. Even if the wells in question do not strictly meet the definition of "substitute well,"

Section 19.15.13.8.B NMAC includes another subsection, B(1), under which the costs of drilling the junked wells in this case is reasonably imputed to the 2H and 2HY wells:

If, however, a well was previously completed in another formation or bottom hole location, or was previously abandoned without completion, well costs as to that well shall mean only the reasonable costs of re-entering, reworking, diverting, deepening, plugging back or testing the well; completion in the pooled formation or formations and; if necessary, reequipping the well for production, unless the division determines that allowance of all or some portion of historical costs of drilling is just and reasonable due to particular circumstances.

9. Mewbourne's costs of drilling the earlier wells are just and reasonable in these particular circumstances, regardless of whether the focus of the opportunity to participate under a forced pooling order is on each "well," as asserted by Ragsdale, or the "well unit," as asserted by Mewbourne.
10. Ragsdale's contention that the application in Case No. 20809 failed to satisfy the notice requirements in 19.15.4.8 is without merit.
11. Section 19.15.4.8, Initiating an Adjudicatory Hearing, requires an application to include:
 - (1) the applicant's name;
 - (2) the applicant's address, or the address of the applicant's attorney, including an e-mail address and fax number if available;
 - (3) the name or general description of the common source or sources of supply or the area the order sought affects;
 - (4) briefly, the general nature of the order sought;
 - (5) a proposed legal notice for publication; and
 - (6) any other matter division rules or a division order requires.
12. A "general description of the common source or sources of supply or the area the order sought affects" does not require a specific statement that take points on a horizontal well will be flipped following the junking of the earlier drilling efforts. Nor does "the general nature of the order sought." The common source or source of supply and the area affected were clearly identified in the application.
13. Ragsdale's contention that the notice of hearing for Case No. 20809 failed to satisfy the notice requirements in 19.15.4.9 is also without merit.
14. Section 19.15.4.9, Adjudicatory Hearing Notice, requires the Division to publish notice with the following information:
 - (1) the adjudicatory hearing's time and place;
 - (2) whether the case is set for hearing before the commission or a division examiner;
 - (3) the applicant's name and address, or address of the applicant's attorney, including an e-mail address and fax number if available;

- (4) a case name and number;
- (5) a brief description of the hearing's purpose;
- (6) a reasonable identification of the adjudication's subject matter that alerts persons who may be affected if the division grants the application;
- (7) if the application seeks to adopt, revoke or amend special pool orders; establish or alter a non-standard unit; permit an unorthodox location or establish or affect a well's or proration unit's allowable, the notice shall specify each pool or common source of supply that the division or commission's granting the application may affect; and
- (8) if the application seeks compulsory pooling or statutory unitization, the notice shall contain a legal description of the spacing unit or geographical area the applicant seeks to pool or unitize.

15. A "brief description of the hearing's purpose" does not require a specific statement that take points on a horizontal well will be flipped following the junking of the earlier drilling efforts. Nor does "a reasonable identification of the adjudication's subject matter." The common source or source of supply and the area affected were clearly identified in the notice.

16. The application and notice of hearing for Case No. 20809 clearly identified the lands on the unit designated thereby, the pool or pools to which it applied, and an operator for the unit. See also Section 70-2-17.C, NMSA 1978.

17. As Applicant, Ragsdale bears the burden of proof in establishing that the earlier orders should be revoked, or that Mewbourne should be compelled to recognize him as a consenting owner without paying his share of the earlier junked well costs.

18. Ragsdale failed to establish that his application should be granted.

ORDER

1. Ragsdale's application to revoke Orders No. R-20294 and R-20294-A is denied.
2. Ragsdale's alternative request that the Division declare certain well costs imposed by Mewbourne as unreasonable is denied.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL, DIRECTOR

3/18/2021

DATE