

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

Case No. 20298

**MEWBOURNE OIL COMPANY'S
RESPONSE IN OPPOSITION TO MOTION TO SUSPEND DRILLING PERMIT**

Mewbourne Oil Company ("Mewbourne") files this response in opposition to the motion to suspend a drilling permit filed by Catena Resources Operating, LLC ("Catena"). The motion to suspend a drilling permit will be referenced as the "Catena Motion".

A. FACTS.

1. In this case, Mewbourne seeks an order pooling all mineral interests in the Bone Spring formation in a horizontal spacing unit comprised of the E/2W/2 of Section 21 and the E/2W/2 of Section 28, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. The unit will be dedicated to the Charolais 21/28 B2CN State Com. Well No. 1H.

2. Catena's motion proposes to "immediately suspend Mewbourne Oil Company's drilling permits on Section 21, Township 19 South, Range 35 East" and the "applications... will not be limited to Case Nos. 20298, 20328, 20329" which are the only pending pooling applications including Section 21. *See* Catena Motion at 1.

3. Mewbourne owns 100% of the working interest in the W/2W/2 of Sections 21 and 28 which is not subject to a pending pooling case, yet would be impermissibly, adversely affected by Catena's motion.

4. Approximately three (3) months ago, in January 2019, Mewbourne proposed its Charolais 21/28 B2CN State Com. Well No. 1H to the parties of record. Although Catena is not a party of record, after hearing Catena may be acquiring an interest within the proposed spacing unit, Mewbourne additionally provided notice to Catena in the same month. In February 2019, Mewbourne informed Catena that it intended to commence drilling the W/2 of Sections 21 and 28 in March 2019.

5. In the E/2W/2 of Sections 21 and 28 Mewbourne owns 100% of the working interest in all but the E/2SW/4 of Section 21. In the E/2SW/4 of Section 21, Mewbourne owns 60% of the working interest. (As a result, Mewbourne owns 90% of the working interest in the proration unit covering the E/2W/2 of Sections 21 and 28 along with 100% of the working interest in the W/2W/2 of Sections 21 and 28.) Though Mewbourne cannot locate a conveyance in the public records, Catena claims to own 32 net acres in the E/2SW/4 of Section 21, or 10% of the horizontal spacing unit. *See Exhibit A.*

6. Mewbourne has a rig on location and plans to spud the Charolais 21/28 B2CN State Com. Well No. 1H today and drill the Charolais 21/28 B1DM State Com. Well No. #1H immediately thereafter. The units for the wells have been established in full compliance with the rules of the Division. Mewbourne owns an interest in each tract within the well unit, an APD was approved by the Division, and Mewbourne would be severely affected by a suspension of the valid APD. Further, Catena has known about MOC's drilling plans since February 2019. This last minute attempt to delay drilling is improper, baseless, and any delay will cause significant financial harm to MOC.

7. In addition, Mewbourne owns a farmout from Chevron with a term deadline covering approximately 3000 acres of land in this same area. A last-minute suspension of the

valid APD for this well would cause Mewbourne's correlative rights to be severely affected by possibly causing Mewbourne to miss obligation dates set forth within the farmout and a loss of rights associated therewith. Mewbourne has additional term assignment obligations covering the E/2SW/4 of Section 21.

8. Catena has not proposed Bone Spring wells in the W/2 of Section 21 or W/2 of 28. Catena's only well proposals in these tracts are for developing the Wolfcamp formation: the Cable 19-35-16 1H and the Anchor 19-35-28 #1H. Copies of the proposals are attached as Exhibits B & C. Catena is seeking to suspend Mewbourne's valid APD without a competing proposal.

9. Mewbourne has been working on this prospect since January 2018 and has already commenced operations. Mewbourne's APD was filed in November 2018, before Catena acquired its interest in Section 33. Catena was on notice of Mewbourne's plans before they acquired the lease in Section 33 and should have been aware that their development plan might not be viable.

10. Catena claims that it must be allowed to drill its wells, and that its acreage in Section 33 will be "stranded" if its motion is not granted. Looking at Exhibit D, (a) Catena can develop its acreage in Section 33 with standard horizontal proration units without interfering in Mewbourne's development plans and (b) Catena has the ability to form a two mile well unit in Sections 9 and 16 without interfering with Mewbourne's development plans. The clear majority of wells in this area have been developed on one-mile laterals (83% of Bone Spring wells on Exhibit D), and Catena is free to do so in Section 33. The suspension of valid APDs because of the claim that use of standard one-mile horizontal spacing units would "strand" acreage would set a dangerous precedent and undermine the definition of a proration unit.

11. Catena delayed seeking suspension of Mewbourne's valid permits until a rig was on location.

12. Mewbourne has valid APDs and a pooling order is not necessary to drill a well, NMSA 1978 70-2-17 (B & C); NMAC 19.15.16.15 (A) and NMAC 19.15-16.15.C(10).

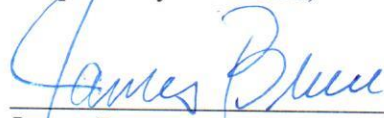
B. CONCLUSION.

13. Based on the foregoing, Mewbourne has complied with all Division requirements to pool, file permits, and drill the Charolais 21/28 B2CN State Com. Well No. 1H and Charolais 21/28 B2DM State Com. Well No. 1H and will be severely harmed by the suspension of the APDs.

14. Mewbourne's proposed development in Sections 21 & 28 will not impact Catena's correlative rights or cause waste in Section 33.

WHEREFORE, for the foregoing reasons, Mewbourne requests that Catena's motion be denied.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

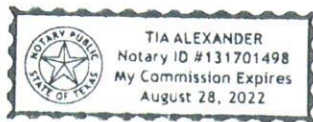
jamesbruc@aol.com

Attorney for Mewbourne Oil Company

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Cy Shook, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents of Part A; and the same are true and correct to the best of his knowledge, information, and belief.





Cy Shook

SUBSCRIBED AND SWORN TO before me this 3 day of April 2019 by Cy Shook.

My Commission Expires: 8-28-22



Notary Public

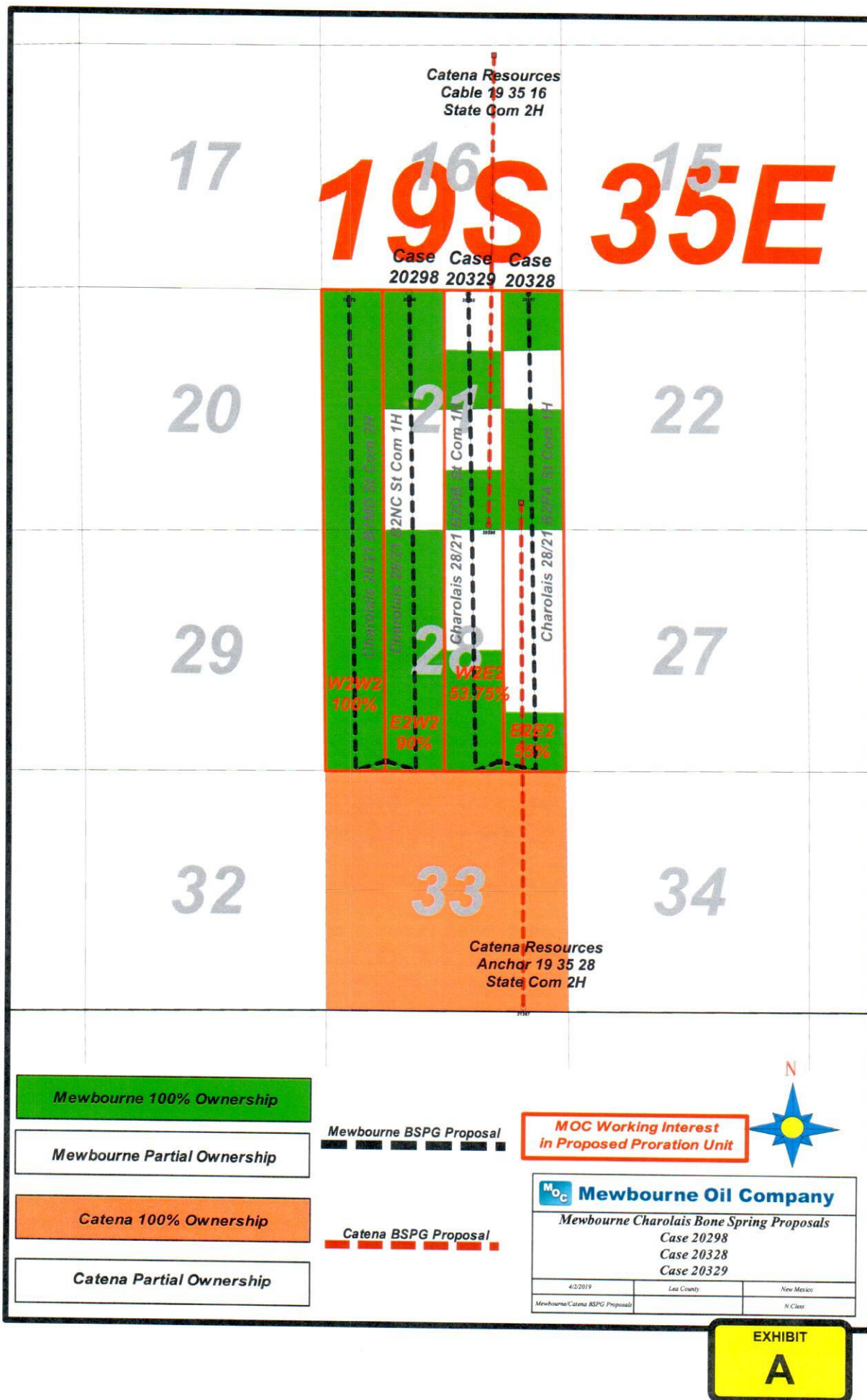
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 3rd day of April, 2019 by e-mail:

Sharon Shaheen
sshhaheen@montand.com



James Bruce



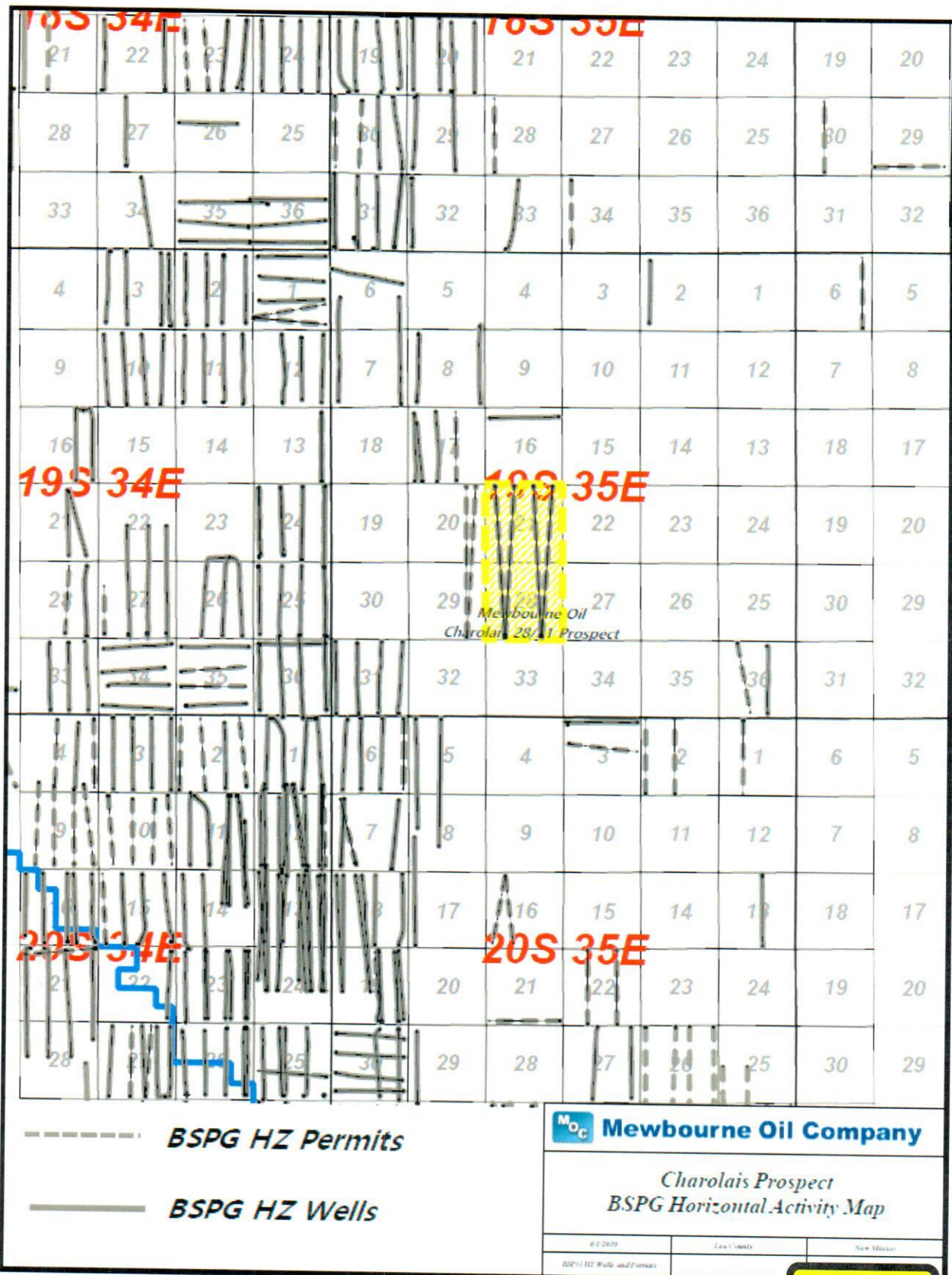
ATENA RESOURCES		WELL COST ESTIMATE				AFE NO. Q19001		
WELL NAME: Anchor 19-35-33 #1H		DATE: 1/28/19		Prep Days: 3		3		
LOCATION: 2 sec. lateral, Lea / NM		START DATE:		Drillout Days: 3		3		
COUNTY / ST: Wellcamp A		COMPLETE DATE:		Tube Up: 2		2		
OBJECTIVE:		ORIGINAL: x		Flowback Days: 10		10		
SUPPLEMENT:		Stage/Day						
INTANGIBLE COSTS		ACCT CODE	DRILLING - 310XX	ACCT CODE	COMPLETION - 320XX	ACCT CODE	FACILITIES - 330XX	TOTAL
Legal Fees / Title Opinion	31001	\$500	32001		33001		\$500	
Surveys / Staking / Permits / Bonds	31002	\$2,500	32002		33002		\$2,500	
ROW / Surface Damages	31003		32003				\$0	
Roads & Location / Reserve Pit - Construction	31004	\$75,678	32004	\$0			\$75,678	
Roads & Location / Reserve Pit - Reclamation	31005		32005				\$0	
Frac Pond	31006		32006				\$0	
Gate Guard	31007		32007	\$7,500			\$7,500	
Mouse / Rathole / Conductor	31008	\$116,667	32008				\$116,667	
Mobilization / Demobilization	31009	\$513,552					\$513,552	
Drilling - Daywork	31010						\$0	
Drilling - Footage	31011						\$0	
Drilling - Turnkey	31012		32009	\$32,000			\$32,000	
Completion / Snubbing / Workover Unit	31013	\$15,338	32010	\$39,255			\$54,594	
Trailer House / Communications	31014	\$80,000	32011				\$80,000	
Drill Bits	31015	\$206,435	32012				\$206,435	
Directional Equipment / Gyro Surveys	31016		32013	\$33,000			\$33,000	
Downhole Tool / Stabilization Rental	31017	\$83,084	32014	\$27,000			\$110,084	
Mud / Chemicals	31018	\$113,681	32015	\$13,250			\$126,931	
Fuel / Power	31019		32016				\$0	
Water Supply Well, equipment	31020		32017	\$992,000			\$992,000	
Water / Water Hauling	31021	\$51,108	32018	\$21,000			\$72,108	
Offsite Water & Cuttings Disposal	31022	\$187,000	32019				\$187,000	
Transportation / Hauling	31023	\$25,500	32020				\$25,500	
Inspection / Tubular Testing	31024	\$14,476	32021	\$29,603			\$44,079	
Laydown Machine / Casing Crew / Tongs	31025	\$50,000	32022	\$114,000			\$164,000	
Cementing, Float Equipment & Services	31026	\$38,623					\$38,623	
Mud Logging	31027		32023				\$0	
Logging - Open Hole	31028		32024	\$30,000			\$30,000	
Logging - Cased Hole	31029						\$0	
Coring & Analysis, Drill Stem Test	31030		32025	\$336,818			\$336,818	
Performing	31031		32026				\$0	
Wireline / Slickline Services	31032	\$77,776	32027	\$165,909			\$243,685	
Equipment Rental	31033	\$127,394	32028				\$0	
Pumping Services/Rental	31034		32029	\$3,562,273			\$3,562,273	
Acidizing & Fracturing	31035		32030	\$147,000			\$147,000	
Coil Tubing Unit	31036		32031	\$104,523			\$104,523	
Flow Testing, Swabbing	31037		32032				\$0	
Fishing / Sidetrack Services	31038		32033	\$7,500			\$7,500	
Nipple Up / BOPE Testing	31039		32034				\$0	
Overhead	31040	\$152,593	32035	\$118,364	33003		\$270,957	
Wellsite Consulting Services/Supervision	31041		32036	\$52,000			\$52,000	
Engineering / Geological / Lab Serv Tracers and diagnostics	31042	\$22,720	32037	\$25,000	33004		\$47,720	
Roustabout / Contract Labor	31043		32038	\$5,000			\$5,000	
Welding Services	31044	\$10,000	32039	\$10,000	33005		\$20,000	
Insurance	31045		32040		33006		\$0	
Miscellaneous	31046		32041				\$0	
P&A Costs	31047		32042	\$6,636	33007		\$6,636	
Safety / EH&S	31048	\$98,471	32043	\$293,984			\$392,455	
5% Contingency (5% Taxes on Casing included in casing cost)	31049		32044				\$0	
NON-Op Drilling Intangible	31050		32045	\$0	33008		\$0	
Pipeline Installation / Interconnect							\$0	
TOTAL INTANGIBLE COSTS		\$2,067,897		\$6,173,680		\$0	\$8,241,577	
TANGIBLE COSTS		ACCT CODE	DRILLING - 311XX	ACCT CODE	COMPLETION - 321XX	ACCT CODE	FACILITIES - 331XX	TOTAL
Conductor	31101							
Surface Casing	31102	\$67,900						\$67,900
1st Intermediate Casing / Liner	31103	\$104,750						\$104,750
2nd Intermediate Casing / Liner	31104							\$0
Production Casing / Liner			32101	\$544,750				\$544,750
Casing Tie Back			32102					\$0
Liner Hanger Assembly			32103					\$0
Tubing			32104	\$98,339				\$98,339
Casing Equipment - OHMS / Etc.			32105					\$0
Wellhead Equipment			32106	\$15,000				\$15,000
Pumping Unit / Prime Mover / Base	31105	\$25,000	32107			33101		\$25,000
Rods / Pony Rods / Sinker Bars			32108			33102		\$0
Artificial Lift Other - Gas Lift			32109	\$14,000		33103		\$14,000
Wellhead Equipment Completions			32110	\$42,000		33104		\$42,000
Tanks / Tank Steps / Stairs			32111			33105	\$80,000	\$80,000
Gas Treating / Dehydration Equipment			32112			33106	\$84,000	\$84,000
Separation Equipment, Heater Treater			32113			33107	\$50,000	\$50,000
Surface Pumps			32114			33108	\$125,000	\$125,000
Filters			32115			33109	\$65,000	\$65,000
Buildings			32116			33110		\$0
Interconnect Piping / Manifolds / Headers			32117			33111		\$0
Flowlines / Connections / Valves			32118			33112		\$0
Automation / Instruments / Controls / Analyzers			32119			33113		\$0
Electrical Equipment / Generators			32120			33114		\$0
Compressor & Related Equipment			32121			33115		\$0
Metering Equipment, LACT Unit			32122			33116	\$20,000	\$20,000
Chemical Equipment / Cathodic Protection			32123			33117		\$0
Subsurface Equipment - Packer, Plugs, TAC			32124	\$11,000		33118		\$11,000
Safety / EH&S Equipment			32125	\$2,000		33119	\$21,000	\$23,000
NON-Op Drilling Intangible			32126			33120		\$0
Transfer/SWD Pumps & Equipment			32127			33121		\$0
TBD			32128			33122		\$0
Miscellaneous	31106	\$0	32129	\$0		33123	\$0	\$0
Contingency Costs	31107	\$0	32130	\$0		33124	\$0	\$0
TOTAL TANGIBLE COSTS		\$197,650		\$895,089		\$425,000	\$1,517,739	
TOTAL WELL COSTS		\$2,265,547		\$6,868,769		\$425,000	\$9,559,296	
Prepared by: Jason Edwards		Title: President		Date: 1/28/2019				
This AFE is only an estimate. By returning one signed copy, you agree to pay your share of the actual costs incurred.								
Extra Expense Insurance								
<input type="checkbox"/> I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the preer <input type="checkbox"/> I elect to purchase my own well control insurance policy.								
Neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance								
Joint Owner Interest: _____ Amount: _____								
Joint Owner Name: _____ Signature: _____								

EXHIBIT

B

ATENA RESOURCES		WELL COST ESTIMATE				AFE NO. Q19003	
WELL NAME: Cable 19-35-16 1H		DATE: 2/14/19					
FIELD NAME: 2 sec. lateral, Lea / NM		START DATE:					
LOCATION: Wolfcamp A		COMPLETE DATE:					
COUNTY / ST:		ORIGINAL: x					
OBJECTIVE:		SUPPLEMENT:					
INTANGIBLE COSTS	ACCT CODE	DRILLING - 310XX	ACCT CODE	COMPLETION - 320XX	ACCT CODE	FACILITIES - 330XX	TOTAL
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ROW / Surface Damages	31003		32003				\$0
Roads & Location / Reserve Pit - Construction	31004	\$75,678	32004	\$0			\$75,678
Roads & Location / Reserve Pit - Reclamation	31005		32005				\$0
Frac Pond	31006		32006				\$0
Gate Guard	31007		32007	\$7,500			\$7,500
Mouse / Rathole / Conductor	31008						\$0
Mobilization / Demobilization	31009	\$116,667	32008				\$116,667
Drilling - Daywork	31010	\$513,552					\$513,552
Drilling - Footage	31011						\$0
Drilling - Turnkey	31012						\$0
Completion / Snubbing / Workover Unit	31013	\$15,339	32009	\$32,000			\$32,000
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Perforating	31031		32025	\$336,818			\$336,818
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Fishing / Sidetrack Services	31038		32032				\$0
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Overhead	31040		32034				\$0
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Casing Tie Back			32102				\$0
Liner Hanger Assembly			32103				\$0
Tubing			32104	\$66,339			\$66,339
Casing Equipment - OHMS / Etc.			32105				\$0
Wellhead Equipment	31105	\$25,000	32106	\$15,000	33101		\$40,000
Pumping Unit / Prime Mover / Base			32107		33102		\$0
Rods / Pony Rods / Sinker Bars			32108		33103		\$0
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Gas Treating / Dehydration Equipment			32112		33107	\$50,000	\$64,000
Separation Equipment, Heater Treater			32113		33108	\$125,000	\$50,000
Surface Pumps			32114		33109	\$65,000	\$125,000
Filters			32115		33110		\$65,000
Buildings			32116		33111		\$0
Interconnect Piping / Manifolds / Headers			32117		33112		\$0
Flowlines / Connections / Valves			32118		33113		\$0
Automation / Instruments / Controls / Analyzers			32119		33114		\$0
Electrical Equipment / Generators			32120		33115		\$0
Compressor & Related Equipment			32121		33116	\$20,000	\$0
Metering Equipment, LACT Unit			32122		33117		\$0
Chemical Equipment / Cathodic Protection			32123	\$11,000	33118		\$11,000
Subsurface Equipment - Packer, Plugs, TAC			32124	\$2,000	33119	\$21,000	\$23,000
Safety / EH&S Equipment			32125		33120		\$0
NON-Op Drilling Intangible			32126		33121		\$0
Transfer/SWD Pumps & Equipment			32127		33122		\$0
TBD			32128		33123		\$0
Miscellaneous	31106	\$0	32129	\$0	33124		\$0
Contingency Costs	31107	\$0	32130	\$0			\$0
TOTAL TANGIBLE COSTS		\$197,650		\$695,089		\$425,000	\$1,317,739
TOTAL WELL COSTS		\$2,265,547		\$6,868,749		\$425,000	\$9,559,296
Prepared by Jason Edwards		Title: President		Date: 2/14/2019			
This AFE is only an estimate. By returning one signed copy, you agree to pay your share of the actual costs incurred.							
Extra Expense Insurance <input type="checkbox"/> I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.							
<input type="checkbox"/> I elect to purchase my own well control insurance policy.							
If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.							
Joint Owner Interest: _____ Amount: _____							
Joint Owner Name: _____ Signature: _____							





~ 6 Mile Radius around sections 21 & 28 T19S-R35E

220 HZ Bone Spring Wells Drilled

83% - 1.0 Mile Laterals

17% - 1.5 Mile Laterals

0% - 2.0 Mile Laterals

58 HZ Bone Spring Wells Drilled since 2017

66% - 1.0 Mile Laterals

34% - 1.5 Mile Laterals

0% - 2.0 Mile Laterals

*Information from IHS Energy

EXHIBIT

D