

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

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 21219

**APPLICATION OF COG OPERATING LLC
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 21220

PRE-HEARING STATEMENT OF MEWBOURNE OIL COMPANY

This pre-hearing statement is submitted by Mewbourne Oil Company ("Mewbourne") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT
COG Operating LLC

APPLICANT'S ATTORNEY
Ocean Munds-Dry
Michael Rodriguez

OPPONENTS
Mewbourne Oil Company
Suite 1020
500 West Texas
Midland, Texas 79701

OPPONENTS' ATTORNEYS
James Bruce

Attention: Mitch Robb
(432)-682-3715

STATEMENT OF THE CASE (SUMMARY)

APPLICANT

In Case No. 21219 COG Operating LLC ("COG") seeks an order pooling all mineral interests in the Wolfcamp formation underlying the East halves of Section 6, 7, and 18, Township 25 South, Range 28 East, NMPM.

In Case No. 21220 COG seeks an order pooling all mineral interests in the Wolfcamp formation underlying the West halves of Section 6, 7, and 18, Township 25 South, Range 28 East, NMPM.

OPPONENT

Mewbourne has permitted wells in the Wolfcamp formation in the S/2 of Section 6, Township 25 South, Range 28 East, N.M.P.M., in which Mewbourne owns 100% of the working interest. In addition, 100% of the working interest in the N/2 of Section 6, Township 25 South, Range 28 East, NMPM is subject to a Joint Operating Agreement dated February 15, 2005 (the "JOA"). Pursuant to the JOA, Mewbourne has proposed Wolfcamp wells in the N/2 of Section 6.

Mewbourne desires to drill and produce its own acreage on an independent basis. In addition, Mewbourne is concerned about drilling unproven 3 mile laterals.

A MORE DETAILED DISCUSSION OF MEWBOURNE'S POSITION IS SET FORTH UNDER "PROPOSED EVIDENCE" BELOW, AND FURTHER EXPLAINED IN THE TESTIMONY AFFIDAVITS OF THE WITNESSES SUBMITTED AS EXHIBITS 1, 2, AND 3 IN THE OVERALL EXHIBIT PACKAGE.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPONENT

WITNESSES

EST. TIME

EXHIBITS

Mitch Robb **15 min.**
(landman)

Mr. Robb is a landman with the following educational and employment experience: Bachelor of Business Administration in Energy Management and Finance from the University of Oklahoma, and over 5 years of experience as being a Landman for Mewbourne Oil Company. He has previously been qualified as an expert petroleum landman in live testimony before the Division.

His testimony (**Exhibit 1**) can be summarized as follows:

- (a) Mewbourne has permitted wells in the Wolfcamp formation in the S/2 of Section 6, Township 25 South, Range 28 East, N.M.P.M. Mewbourne owns 100% of the working interest in the S/2 of Section 6. **Exhibit 1-A**, Mewbourne's approved APDs are marked as **Exhibit 1-B**.
- (b) The N/2 of Section 6 is subject to a Joint Operating Agreement ("JOA"). **Exhibit 1-C**. Under that JOA Mewbourne has proposed four Wolfcamp wells. The AFEs for the wells are marked as **Exhibit 1-D**.

(c) As a result of the foregoing, all of Section 6 is subject to voluntary development agreements and can be independently developed.

(d) Mewbourne has been working with COG since August 2019 to resolve their differences in this area. Despite ongoing discussions, COG proposed its wells in late January 2020. On March 3, 2020, in an effort to show good faith, Mewbourne informed COG by e-mail that it would not commence operations earlier than May 1, 2020 so long as the parties were working toward a resolution of their differences. See e-mail from Corey Mitchell of Mewbourne to Sean Johnson of COG, marked as **Exhibit 1-E**. As of this date Mewbourne has not commenced operations on its wells.

(b) There will be no stranded acreage in Sections 6, 7, and 18. Mewbourne has proposed one mile Wolfcamp wells in Section 6, resulting in two mile units for COG comprised of Sections 7 and 18. These are all standard units in the Purple Sage-Wolfcamp Gas Pool, which will protect the correlative rights of all interest owners. There are no surface use restrictions which would prevent COG from locating its two mile wells on the north edge of Section 7, and drilling through Section 18.

In short, Mewbourne simply desires its acreage to be developed independently of COG's acreage to the south of Section 6.

Nate Cless **15 min.**
(geologist)

Mr. Cless is a geologist with the following educational and employment experience: Bachelor of Science in Petroleum Geology from Kansas State University, a Master of Science from The University of Oklahoma, and over 10 years of experience as being a Geologist for Mewbourne Oil Company. He has previously been qualified as an expert petroleum geologist in live testimony before the Division.

His testimony (**Exhibit 2**) can be summarized as follows:

(a) The Wolfcamp structure dips gently to the east. It also shows Wolfcamp wells in the area, and a line of cross-section. **Exhibit 2-B**.

(b) The Wolfcamp cross-section gives a representative sample of the Wolfcamp formation in this area. **Exhibit 2-C**.

(c) The Wolfcamp formation in Sections 6, 7, and 18 is continuous and uniform in thickness. Each quarter section in each of the sections will contribute more or less equally to production from wells drilled thereon.

(d) There is no faulting or other geologic impediment in the area which will affect the drilling of wells in these sections.

(e) Production information from other Wolfcamp wells drilled in this area reflects no difference in production quality whether the wells are standup or lay down. **Exhibit 2-D.**

(f) Operators continue drilling economic one mile wells nearby. Matador Production Company is drilling one mile laterals in the W/2 of Section 19-24S-28E because that acreage was excluded from COG's Tomahawk Unit (the subject of Case No. 20659). Also, Marathon is drilling one mile laterals in Section 4-25S-28E, which is within 1.5 miles of Mewbourne's proposed wells. **See Exhibit 1-A.**

(g) From a geologic standpoint COG's correlative rights will not be adversely affected by drilling two mile laterals in Sections 7 and 18.

Travis Cude 25 min.
(engineer)

Mr. Cude is an engineer with the following educational and employment experience: Bachelor of Science in Petroleum Engineering from the University of Oklahoma and over 8 years of experience as being an Engineer for Mewbourne Oil Company. He has previously been qualified as an expert petroleum engineer in live testimony before the Division.

His testimony (Exhibit 3) can be summarized as follows:

(a) There is negligible difference between North/South laterals and East/West laterals in the four township area surrounding these proposals, although COG testified in Case No. 20659 in August 2019 that East/West was the preferable orientation in lands directly offsetting Section 6 (in the Tomahawk Unit in Township 24 South, Range 28 East, N.M.P.M.

(b) Mewbourne has the better development plan with 660' spacing targeting two landing points, as opposed to COG's development plan with 880' spacing targeting a single landing point.

(c) COG's plan will potentially leave 25% of the reserves in the upper Wolfcamp in Section 6 unrecovered (~1.4 Million BOE).

(d) Mewbourne is a proven, competent operator of 1 mile laterals. COG has not drilled and completed any 3 mile laterals in New Mexico. Additionally, less than 0.1% of horizontal wells completed in the Delaware Basin in New Mexico in the last 5 years have lateral lengths greater than 14,000 feet.

(e) One mile laterals in the Wolfcamp in this area are economic, and continue to be drilled on an ongoing basis, as noted in Mr. Cless' testimony. Mewbourne is a low cost operator and has substantial experience in drilling economic wells in New Mexico.

(f) Three mile laterals are rare, and are not a proven drilling method. The additional lateral length can lead to potential drilling and production problems, leading to unanticipated, increased drilling costs.

ARGUMENT

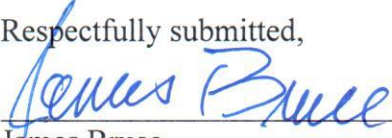
In a similar situation (Case No. 20410) the Division ruled in favor of Murchison Oil & Gas Inc., who (i) planned to drill one mile laterals, (ii) had approved APDs, and (iii) had 100% working interest approval, and against OXY USA Inc. who (i) proposed two mile laterals, and (ii) had to pool additional parties. In another matter (Case No. 20298), Mewbourne was allowed to continue drilling a well in a unit in which it owned 100% of the working interest, despite the protest of Catena Resources Operating, LLC.

Mewbourne simply wants to drill its wells based on proven technology, and based on its low cost operations.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,



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

Attorney for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 18th day of June, 2020 by e-mail:

Ocean-Munds-Dry
omundsdry@concho.com

Michael Rodriguez
mrodriguez@concho.com



James Bruce