

**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).

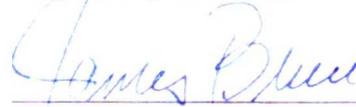
B. CONCLUSION.

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

Cy Shook

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

My Commission Expires: 8-28-22

Tia Alexander

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
sshahceen@montand.com

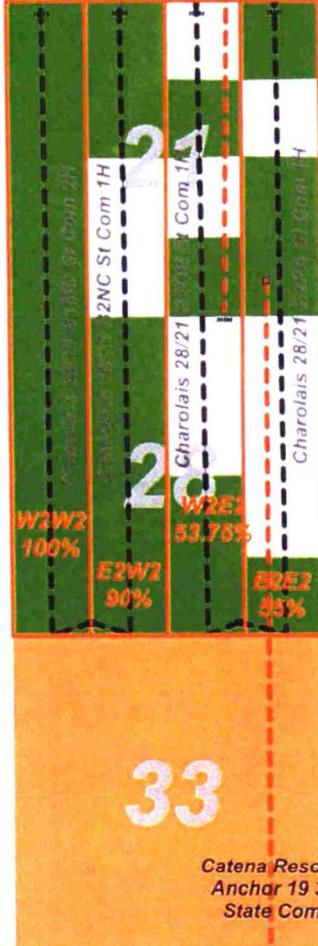
James Bruce

James Bruce

Catena Resources
 Cable 19 35 16
 State Com 2H

19S 35E

Case Case Case
 20298 20329 20328



Catena Resources
 Anchor 19 35 28
 State Com 2H

Mewbourne 100% Ownership

Mewbourne Partial Ownership

Catena 100% Ownership

Catena Partial Ownership

Mewbourne BSPG Proposal

Catena BSPG Proposal

MOC Working Interest
 in Proposed Proration Unit



Mewbourne Oil Company

Mewbourne Charolais Bone Spring Proposals

Case 20298
 Case 20328
 Case 20329

4/2/2019	Case (1935)	1935 35E
Mewbourne Oil Company (MOC) Proposal		1935 35E

EXHIBIT
A



WELL COST ESTIMATE

WELL NAME: Anchor 19-36-33 #1H
LOCATION: 7 sec. lateral
PROJECT: Wolfcamp A

DATE: START DATE: 12/15/15
PREP DATE: 12/15/15
DATE: 12/15/15
DATE: 12/15/15

ACCT CODE: 31001
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DRILLING - 3111X
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775,678
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118,687
513,552
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COMPLETION - 3202Z
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FACILITIES - 3311X
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TOTAL
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Table with columns: ACCT CODE, DRILLING - 3111X, COMPLETION - 3202Z, FACILITIES - 3311X, TOTAL. Rows include items like Large Press / Tite Option, Survey / Logging / Premium / Bonus, etc.

TOTAL INTANGIBLE COSTS
31050 \$2,087,897 \$2,087,897

TANGIBLE COSTS
31101 \$150
31102 \$27,800
31103 \$164,750
31104 \$244,750
31105 \$56,336
31106 \$40,000
31107 \$15,000
31108 \$14,000
31109 \$54,000
31110 \$42,000
31111 \$80,000
31112 \$84,000
31113 \$50,000
31114 \$125,000
31115 \$25,000
31116 \$25,000
31117 \$5
31118 \$5
31119 \$5
31120 \$5
31121 \$5
31122 \$5
31123 \$5
31124 \$5
31106 \$5
31107 \$5
31050 \$2,288,547

TOTAL WELL COSTS
31050 \$2,087,897
31101 \$150
31102 \$27,800
31103 \$164,750
31104 \$244,750
31105 \$56,336
31106 \$40,000
31107 \$15,000
31108 \$14,000
31109 \$54,000
31110 \$42,000
31111 \$80,000
31112 \$84,000
31113 \$50,000
31114 \$125,000
31115 \$25,000
31116 \$25,000
31117 \$5
31118 \$5
31119 \$5
31120 \$5
31121 \$5
31122 \$5
31123 \$5
31124 \$5
31106 \$5
31107 \$5
31050 \$2,288,547

Table with columns: ACCT CODE, DRILLING - 3111X, COMPLETION - 3202Z, FACILITIES - 3311X, TOTAL. Rows include items like Conductor, Surface Casing, 1st Intermediate Casing / Liner, etc.

Prepared by: Jason Edwards
Title: President
Date: 1/26/2019

I hereby agree to indemnify and hold harmless the Operator from and against all claims, damages, losses, and expenses, including reasonable attorneys' fees, that may be asserted against or incurred by the Operator in connection with the operations of the well, whether or not such claims, damages, losses, and expenses are caused in whole or in part by the negligence of the Operator.

Joint Owner Name: _____ Amount: _____
Signature: _____





WELL NAME: **Camr 19-35-16 1H**
 COUNTY: **LeFlore**
 OBJECTIVE: **Wellcamp A**

WELL COST ESTIMATE
 DATE: **2/14/19**
 START DATE: **2/14/19**
 COMPLETION DATE: **2/14/19**
 ORIGINAL: **1**
 SUPPLEMENT: **1**

AFE NO. **019003**

ACCT CODE	DRILLING - 3101XX	ACCT CODE	COMPLETION - 3201XX	ACCT CODE	FACILITIES - 3301XX	TOTAL
31001	\$560	32001		33001		\$560
31002	\$2,500	32002		33002		\$2,500
31003		32003		33003		
31004	\$75,673	32004	\$0	33004		\$75,673
31005		32005		33005		
31006		32006	\$7,500	33006		\$7,500
31007	\$115,867	32007		33007		\$115,867
31008	\$713,552	32008		33008		\$713,552
31009						
31010						
31011						
31012						
31013	\$15,338	32009	\$32,000	33009		\$47,338
31014	\$80,000	32010	\$29,255	33010		\$109,255
31015	\$208,435	32011		33011		\$208,435
31016		32012	\$33,000	33012		\$33,000
31017	\$83,884	32013		33013		\$83,884
31018	\$113,651	32014	\$71,295	33014		\$184,946
31019		32015		33015		
31020		32016	\$992,000	33016		\$992,000
31021	\$65,168	32017	\$71,000	33017		\$136,168
31022	\$137,000	32018		33018		\$137,000
31023	\$25,500	32019		33019		\$25,500
31024	\$14,476	32020		33020		\$14,476
31025	\$50,000	32021	\$29,603	33021		\$79,603
31026	\$38,623	32022	\$14,000	33022		\$52,623
31027		32023		33023		
31028		32024		33024		
31029		32025		33025		
31030		32026		33026		
31031	\$77,776	32027	\$336,818	33027		\$414,594
31032	\$127,294	32028	\$165,209	33028		\$292,503
31033		32029	\$3,562,273	33029		\$3,562,273
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31035		32031		33031		
31036		32032		33032		
31037		32033	\$7,500	33033		\$7,500
31038		32034		33034		
31039		32035		33035		
31040	\$152,593	32036	\$18,264	33036		\$170,857
31041	\$137,000	32037	\$25,000	33037		\$162,000
31042	\$22,720	32038	\$5,000	33038		\$27,720
31043		32039	\$10,000	33039		\$10,000
31044	\$10,000	32040		33040		\$10,000
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31046		32042	\$6,626	33042		\$6,626
31047	\$59,471	32043	\$793,884	33043		\$853,355
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31050	\$2,067,837	32046	\$8,173,680	33046		\$10,241,517

ACCT CODE	DRILLING - 3101XX	ACCT CODE	COMPLETION - 3201XX	ACCT CODE	FACILITIES - 3301XX	TOTAL
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31109		32109	\$14,000	33109		\$14,000
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31269		32269				

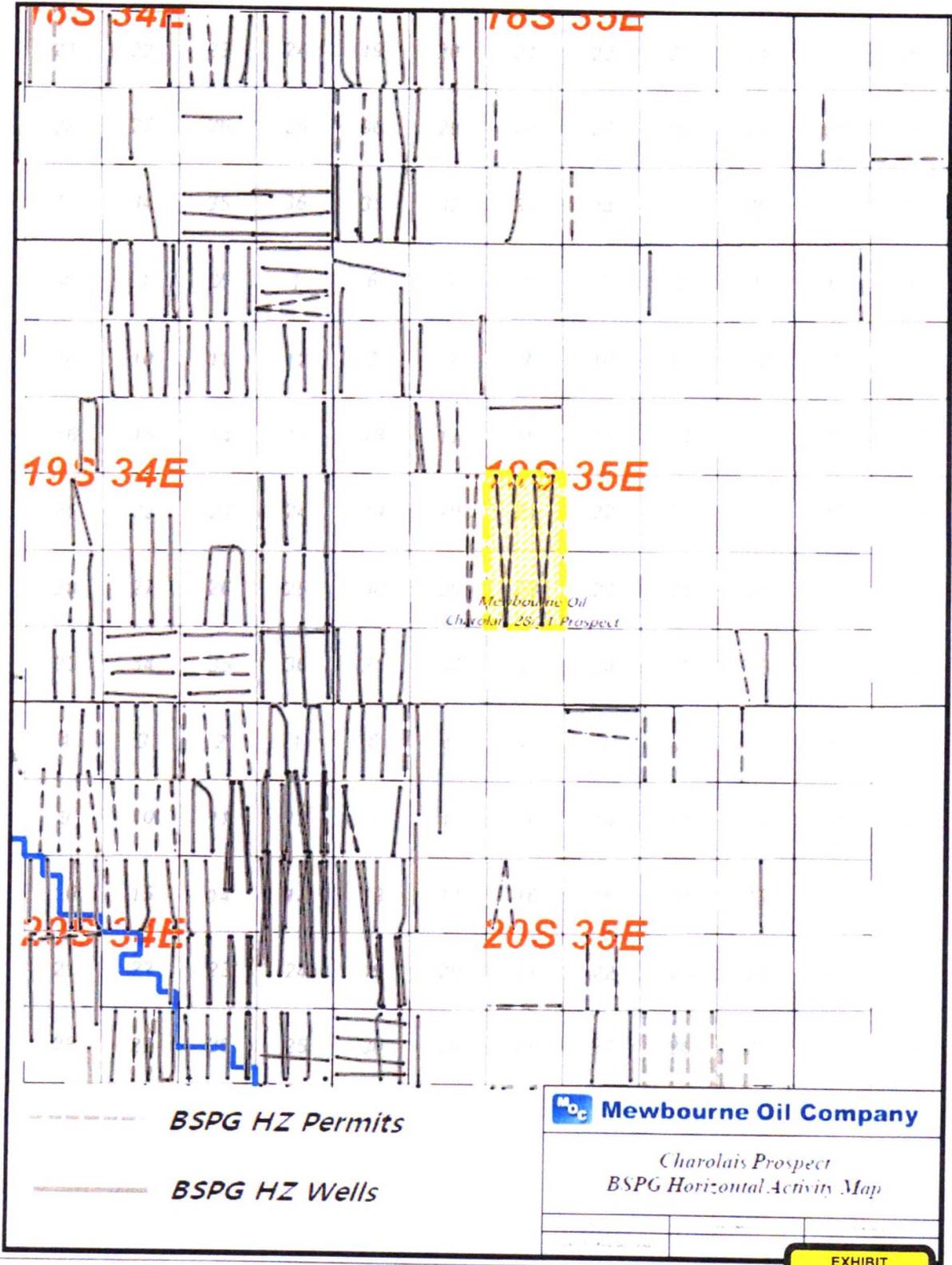


EXHIBIT
D

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

83% - 1.0 Mile Laterals	<u>220 HZ Bone Spring Wells Drilled</u> 17% - 1.5 Mile Laterals	0% - 2.0 Mile Laterals
66% - 1.0 Mile Laterals	<u>58 HZ Bone Spring Wells Drilled since 2017</u> 34% - 1.5 Mile Laterals	0% - 2.0 Mile Laterals

*Information from IHS Energy