

**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).

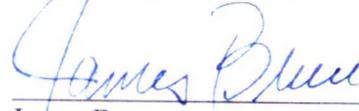
B. CONCLUSION.

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
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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
sshahen@montand.com

James Bruce
James Bruce

Catena Resources
Cable 19 35 16
State Com 2H

17

19S 35E

Case Case Case
20298 20329 20328

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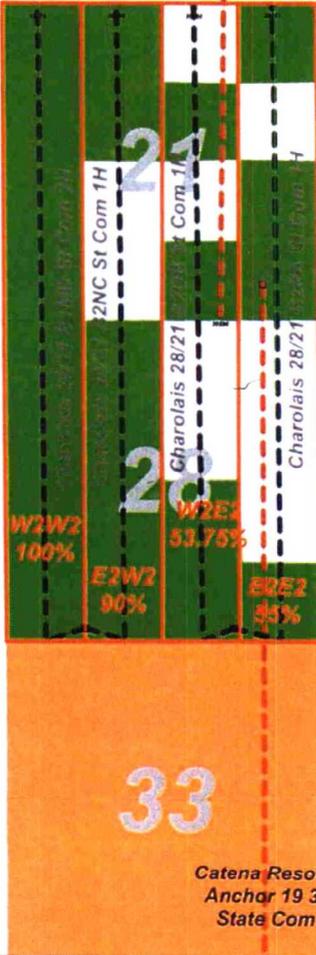
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Catena Resources
Anchor 19 35 28
State Com 2H



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

4-2-2015	Case 1: 20298	New Mexico
Mewbourne Oil Company BSPG Proposal		Case 20329

EXHIBIT
A



WELL COST ESTIMATE

WELL NAME: **Anchor 19-56-53 #11** AFE NO. **019801**
 FIELD NAME: **2 sec. lateral** IZEM'S Prep Days
 LOCATION: **Wahkiakum A** ORIGINAL DATE: **12/15/10** Driftout Days
 COUNTY / ST: **WA/09** SUPPLEMENT: **1** Rise Up
 OBJECTIVE: **Wahkiakum A** SUPPLEMENT: **1** Pressure Days

ACCT CODE	DRILLING - \$/DAY	ACCT CODE	COMPLETION - \$/DAY	ACCT CODE	FACILITIES - \$/DAY	TOTAL
31001	\$100	32001	\$200	33001	\$500	\$500
31002	\$2,500	32002	\$500	33002	\$500	\$2,500
31003	\$3,000	32003	\$3,000			\$7,500
31004	\$75,878	32004	\$0			\$75,878
31005		32005				\$0
31006		32006				\$0
31007	\$118,667	32008	\$7,500			\$126,167
31009	\$913,852					\$913,852
31010						\$0
31011	\$16,538	32009	\$32,000			\$48,538
31012	\$80,000	32010	\$33,250			\$113,250
31013	\$209,435	32011				\$209,435
31014	\$20,912	32012	\$33,000			\$53,912
31015	\$83,884	32013	\$27,000			\$110,884
31016	\$113,881	32014	\$13,285			\$127,166
31017		32015				\$0
31018	\$45,108	32017	\$92,800			\$137,908
31019	\$187,000	32018	\$21,000			\$208,000
31020	\$28,800	32019				\$28,800
31021	\$28,800	32020	\$25,000			\$53,800
31022	\$40,500	32021	\$714,000			\$754,500
31023	\$38,023	32022				\$38,023
31024	\$20,000	32023	\$20,000			\$40,000
31025	\$27,778	32024	\$338,818			\$366,596
31026	\$127,284	32025	\$165,090			\$292,374
31027	\$3,962,273	32026	\$3,962,273			\$7,924,546
31028	\$147,000	32027	\$147,000			\$294,000
31029	\$104,523	32028	\$0			\$104,523
31030	\$7,500	32029	\$7,500			\$15,000
31031	\$118,364	32030	\$118,364			\$236,728
31032	\$22,720	32031	\$22,720			\$45,440
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31184	\$10,000	32183	\$10,000			



WELL COST ESTIMATE

WELL NAME: Cable 15-35-16 1H
 FIELD NAME: Cable 15-35-16
 COUNTY / ST: Leas / NM
 DATE: 2/14/19
 START DATE: 2/14/19
 COMPLETE DATE: 2/14/19
 ORIGINAL: X
 SUPPLEMENT: X

WELL NO. C19003

WELL NAME	DATE	ACCT CODE	COMPLETION - 3201X	ACCT CODE	TOTAL
Legal Fees / Title Opinion		31001	\$500	33001	\$500
ROW / Right of Way		31002	\$2,500	33002	\$2,500
Roads & Location / Reserve PR - Construction		31003	\$0	33003	\$0
Roads & Location / Reserve PR - Reclamation		31004	\$15,878	33004	\$15,878
Fract Pond		31005	\$0	33005	\$0
Scale Guard		31006	\$7,500	33006	\$7,500
Blowout / Radholec / Conductor		31007	\$0	33007	\$0
Demobilization / Demobilization		31008	\$116,667	33008	\$116,667
Drilling - Footage		31009	\$513,552	33009	\$513,552
Drilling - Turnkey		31010	\$0	33010	\$0
Trailer-House / Communications		31011	\$15,239	33011	\$15,239
Drill Bits		31012	\$80,000	33012	\$80,000
Directional Equipment / Gyro Surveys		31013	\$206,435	33013	\$206,435
Directional Equipment / Stabilization Rental		31014	\$53,884	33014	\$53,884
Mud / Chemicals		31015	\$113,881	33015	\$113,881
Flare / Power		31016	\$0	33016	\$0
Water Supply Well, equipment		31017	\$87,000	33017	\$87,000
Water / Water Hauling		31018	\$92,000	33018	\$92,000
White Water & Galdings Disposal		31019	\$75,000	33019	\$75,000
Water / Water Hauling		31020	\$0	33020	\$0
Inspection / Tubular Testing		31021	\$29,683	33021	\$29,683
Laydown Machine / Casing Crew / Tongs		31022	\$14,476	33022	\$14,476
Carmenting, Flare Equipment & Services		31023	\$50,000	33023	\$50,000
Mud Logging		31024	\$38,823	33024	\$38,823
Logging - Open Hole		31025	\$0	33025	\$0
Logging - Cased Hole		31026	\$0	33026	\$0
Logging & Analysis, Drill Stem Test		31027	\$36,000	33027	\$36,000
Performance		31028	\$38,818	33028	\$38,818
Winchline / Slickline Services		31029	\$165,509	33029	\$165,509
Equipment Rental		31030	\$0	33030	\$0
Pumping Services/Rental		31031	\$3,842,273	33031	\$3,842,273
Acidizing & Fracturing		31032	\$147,000	33032	\$147,000
Flow Testing / Flow Testing		31033	\$104,523	33033	\$104,523
Fishing / Sidetrack Services		31034	\$7,500	33034	\$7,500
Nipple Up / BOPE Testing		31035	\$0	33035	\$0
Overhead		31036	\$18,364	33036	\$18,364
Vehicle Consulting Services/Supervision		31037	\$52,000	33037	\$52,000
Engineering / Geological / Lab Servs/ Tracers and diagnostics		31038	\$25,000	33038	\$25,000
Contract Labor		31039	\$47,720	33039	\$47,720
Welding Services		31040	\$5,000	33040	\$5,000
Insurance		31041	\$10,000	33041	\$10,000
Miscellaneous		31042	\$0	33042	\$0
S&A Costs		31043	\$6,636	33043	\$6,636
PERMITS		31044	\$293,471	33044	\$293,471
5% Contingency (5% Taxes on Casing included in casing cost)		31045	\$293,471	33045	\$293,471
NON-Op Drilling Intangible		31046	\$0	33046	\$0
Pipeline Installation / Intangible		31047	\$0	33047	\$0
TOTAL INTANGIBLE COSTS			\$8,173,650		\$8,173,650

WELL NAME	DATE	ACCT CODE	COMPLETION - 3211X	ACCT CODE	TOTAL
Conductor		31101	\$67,500	33101	\$67,500
Surface Casing		31102	\$104,750	33102	\$104,750
1st Intermediate Casing / Liner		31103	\$0	33103	\$0
2nd Intermediate Casing / Liner		31104	\$0	33104	\$0
Production Casing / Liner		31105	\$0	33105	\$0
Casing Cement		31106	\$0	33106	\$0
Liner Hanger Assembly		31107	\$0	33107	\$0
Casing Equipment - OHMS / Etc.		31108	\$25,000	33108	\$25,000
Pumping Unit / Prime Mover / Base		31109	\$0	33109	\$0
Artificial Lift Devices / Sinker Bars		31110	\$0	33110	\$0
Artificial Lift Devices / Sinker Bars		31111	\$0	33111	\$0
Wellhead Equipment Components		31112	\$14,000	33112	\$14,000
Tanks / Tank Steps / Stairs		31113	\$42,000	33113	\$42,000
Gas Treating / Dehydration Equipment		31114	\$0	33114	\$0
Separation Equipment, Heater Treater		31115	\$0	33115	\$0
Flare Pumps		31116	\$0	33116	\$0
Buildings		31117	\$0	33117	\$0
Interconnect Piping / Manifolds / Headers		31118	\$0	33118	\$0
Flowlines / Connections / Valves		31119	\$0	33119	\$0
Automation / Instruments / Controls / Analyzers		31120	\$0	33120	\$0
Electrical Equipment / Generators		31121	\$0	33121	\$0
Control Systems / Packer / Cement		31122	\$0	33122	\$0
Metering Equipment / LACT Unit		31123	\$11,000	33123	\$11,000
Chemical Equipment / Cathodic Protection		31124	\$2,000	33124	\$2,000
Subsurface Equipment / Packers, Plugs, TAC		31125	\$0	33125	\$0
Safety / EM&S Equipment		31126	\$0	33126	\$0
NON-Op Drilling Intangible		31127	\$0	33127	\$0
Threatened Pumps & Equipment		31128	\$0	33128	\$0
TBD		31129	\$0	33129	\$0
Miscellaneous		31130	\$0	33130	\$0
Contingency Costs		31131	\$0	33131	\$0
TOTAL TANGIBLE COSTS			\$197,650		\$197,650
TOTAL WELL COSTS			\$8,371,300		\$8,371,300

Prepared by: Jason Edwards Date: 2/14/2019

This A/E is only an estimate. By returning one signed copy, you agree to pay your share of the actual costs incurred.

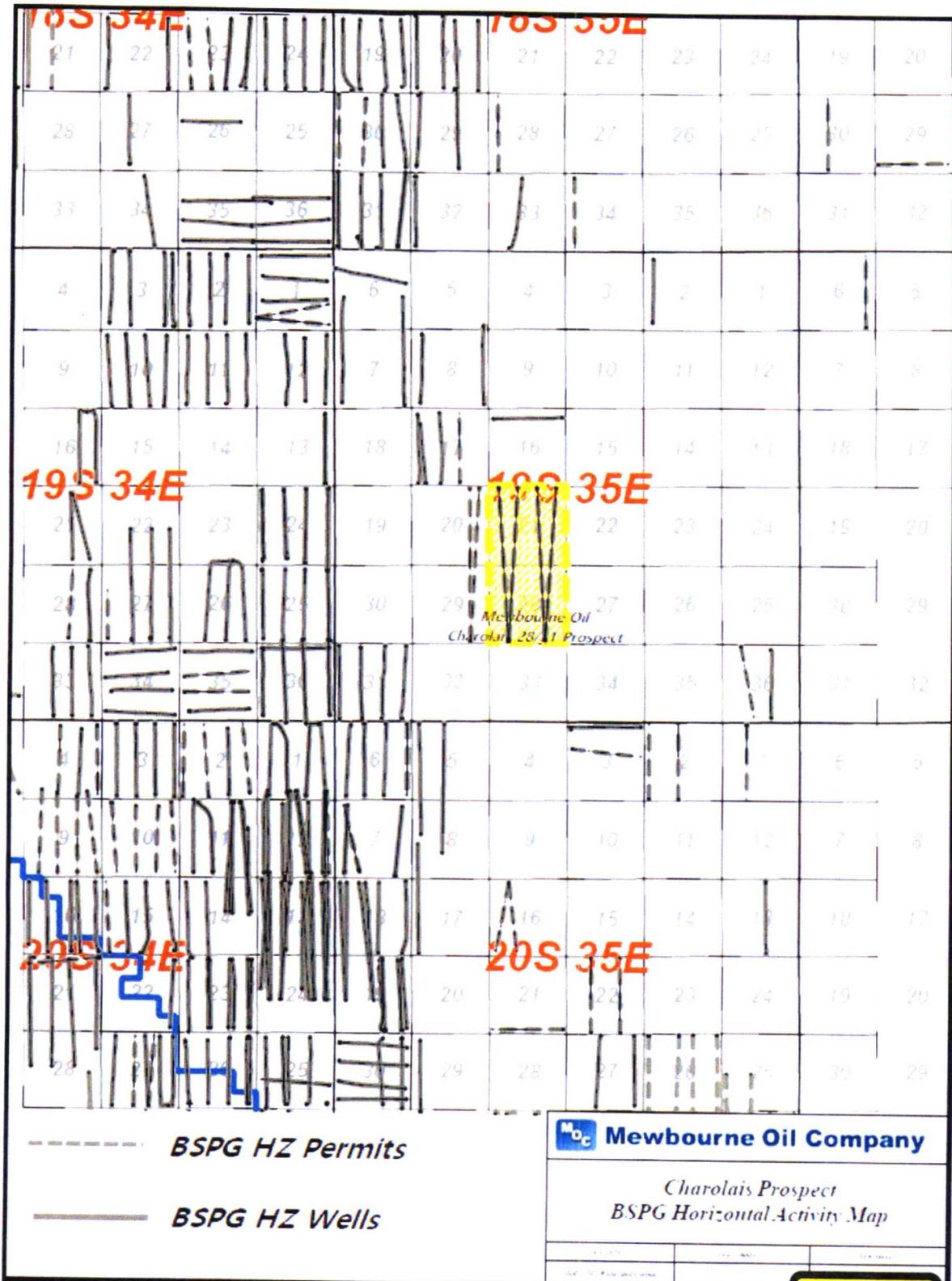
Extra Expense Insurance I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium. I elect to purchase my own well control insurance policy.

Another box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Joint Owner Interest: _____ Amount: _____ Signature: _____

Joint Owner Name: _____





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

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

*Information from IHS Energy

**EXHIBIT
D**