

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

**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

TOM M. RAGSALE’S RESPONSE TO OPPOSED MOTION TO DISMISS

Tom M. Ragsdale (“Applicant”), for his Response to the Opposed Motion to Dismiss (“Motion”) the above-referenced application (“Application”) filed by Mewbourne Oil Co. (“Mewbourne”), states as follows:

RESPONSE TO MEWBOURNE’S FACTS

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”). Order No. R-20924-A (entered in Case No. 20809), pooled the same unit for the purpose of drilling the 10/15 Wells *and* 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”) the 15/10 Wells. The application in Case No. 20809 did not, however, request that all four wells be pooled together. Mewbourne never provided notice of its intent to combine all four wells in Order No. R-20924-A, which now appears to be the purported basis for imputing costs of failed attempts to drill the 10/15 2H and a substitute well the 10/15 2Y on costs for the 15/10 2H.

2. Mr. Ragsdale did not enter an appearance in Case No. 20580 because at the time he received notice, Mr. Ragsdale did not oppose Mewbourne's proposal in Case No. 20580, in which Mewbourne sought compulsory pooling approvals 10/15 Wells. Applicant did not enter an appearance in Case No. 20809 because Mewbourne failed to provide notice of the approval that Mewbourne sought therein. In Mewbourne's application for Case No. 20809, Mewbourne stated it 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. Mewbourne never informed Mr. Ragsdale that he had been forcepooled in Case No. 20580 in Order No. 20924. Moreover, Mr. Ragsdale never received notice of Mewbourne's apparent intention to forcepool the 10/15 Wells and the 15/10 Wells in one order for the purpose of imputing costs associated with the failed attempts to drill the 10/15 2H and a substitute well the 10/15 2Y on costs for the 15/10 2H, until he received the election letter with a revised AFE from Mewbourne on March 10, 2020.

3. Mr. Ragsdale's Application speaks for itself. The Application specifically challenges Mewbourne's attempts to impute the costs of failed attempts to drill the 10/15 2H and the 10/15 2Y, relating to Case No. 20580, on costs for the 15/10 2H, relating to Case No. 20890, which failed attempts occurred prior to the hearings in each case and prior to the issuance of each order.

4. Mewbourne's Fact No. 4 is wrong. Mewbourne agreed to give Mr. Ragsdale additional time to elect to participate, due to extenuating circumstances. *See* Ex. 1, Letter, Bruce Insalaca to Karen Stanford & Tom Ragsdale (May 15, 2020). Mr. Ragsdale timely complied within the additional period by electing to participate in both 15/10 Wells. He signed the AFE provided with the election letter for the 15/10 1H and the AFE for the 15/10 2H previously

provided to him, for an interest he subsequently acquired that is subject to the joint operating agreement, which AFE did not include the additional costs for the 10/15 2H and 10/15 2Y. *See* Ex. 2, Letter, Tom Ragsdale to Ken Waits (Apr. 15, 2020). Mr. Ragsdale tendered payment for his share of the 15/10 1H and was deemed consenting therein. *See* Ex. 1. Mr. 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 failed attempts to drill the 10/15 2H and the 10/15 2Y. Ex. 2. This payment was rejected by Mewbourne, which thereafter considered Mr. Ragsdale non-consenting in the 15/10 2H. *See* Ex. 1. The AFE provided to Mr. 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* Ex. 3, Letter, Mitch Robb to Tom Ragsdale (Mar. 5, 2020). The AFE submitted to the Division did not include the imputed costs for the failed attempts to drill the 10/15 2H and the 10/15 2Y, notwithstanding the fact that those attempts occurred prior to hearing in both cases and were not attempts to drill the 15/10 2H. *See* Case No. 20809, Verified Statement of Mitch Robb at 2, ¶ 2(i) and Attachment C.

5. The costs at issue here, those for failed attempts to drill the 10/15 2H and the 10/15 2Y, have already been incurred and as such are “actual costs,” which are now being imputed to estimated costs for the drilling of the 15/10 2H. *See* Application, ¶¶ 6-9.

ARGUMENT

Mewbourne makes three arguments in support of its Motion, none of which have merit.

I. A Challenge to the Orders Is Permissible Because Notice Was Deficient.

Mewbourne contends that the Application is a collateral attack on final Division orders that were not contested or appealed. Motion at 2, Part B(1). Mewbourne provides no authority for this argument, which should be rejected for this reason alone.

Under the circumstances presented, a collateral attack is permissible. Notice that does not substantially comply with notice requirements is defective and renders an order void and invalid. *Martinez v. Maggiore*, 2003-NMCA-043, ¶¶ 12-13, 133 N.M. 472; *see id.* ¶ 22 (stating that it may be “particularly misleading” when notice omits facts pertinent to an administrative approval); *see also Johnson v. N.M. Oil Conservation Comm’n*, 1999-NMSC-021, ¶ 3, 127 N.M. 120 (concluding that the Commission’s order was invalid with respect to appellees, because they “were not afforded reasonable notice of the proceedings as required by the OGA and its implementing regulations”); *Nesbit v. City of Albuquerque*, 1977-NMSC-107, ¶ 3, 91 N.M. 455 (“Where substantial compliance with mandatory publication requirements is not met, the action of the [administrative authority] is invalid.”). A collateral attack is permissible when an order or judgment is void or invalid. *See In re Estate of Baca*, 1980-NMSC-135, ¶ 10, 95 N.M. 294; *Continental Oil Co. v. Oil Conservation Comm’n*, 1962-NMSC-062, ¶ 20, 70 N.M. 310).

Here, notice was defective because it failed to provide an adequate “description of the hearing’s purpose” and “a reasonable identification of the adjudication’s subject matter that alerts persons who may be affected if the division grants the application.” *See* 19.15.4.9(A)(5)-(6) NMAC; *see also* NMSA 1978, § 70-2-23 (“[B]efore any . . . order . . . shall be made under the provisions of [the Oil and Gas Act], a public hearing shall be held . . . [and t]he division shall first give reasonable notice of such hearing . . .”). Apparently, Mewbourne’s purpose was to obtain one order pooling the two 10/15 wells and the two 15/10 wells, which would purportedly allow it to impute actual costs of failed attempts to drill the 10/15 2H and 2Y on estimated costs of the 15/10 2H. The notice published by the Division did not alert interested parties to this purpose. *See* Notice of Hearing on Oct. 23, 2019, ¶ 29, *available at* <http://www.emnrd.state.nm.us/OCD/documents/10-03OCDHEARING.pdf>. (stating that

Mewbourne sought to pool the two 15/10 wells). Moreover, as explained in the instant Application, neither the application nor the notice letter in Mewbourne's Case No. 20809 adequately informed the interest owners of the purpose of the proceeding. Application ¶¶ 12-13. Thus, notice was not reasonable. *See* § 70-2-23. Under these circumstances, the orders are void and invalid and, therefore, subject to collateral attack. *See Johnson*, 1999-NMSC-021, ¶ 3 (declaring Commission's order invalid for failure to provide reasonable notice); *see also Maggiore*, 2003-NMCA-043, ¶ 28 (Pickard, J., specially concurring) (“[I]t is the constellation of defects in the notice procedure that rendered the hearing ineffectual . . .”).

II. Mr. Ragsdale Timely Elected to Participate and Paid Estimated Costs Consistent with the AFEs Submitted to the Division by Mewbourne in Case No. 20809.

Mewbourne contends that the challenge to well costs is improper because Mr. Ragsdale's interest in the Ibex wells is considered a non-consenting interest for failure to timely respond to Mewbourne's election letters. This argument relies on bad facts and is, therefore, unsupported. As explained above in paragraph 4, Mewbourne agreed that Mr. Ragsdale had additional time to elect to participate and, in fact, Mewbourne has deemed Mr. Ragsdale consenting in the 15/10 1H. Moreover, the only reason that Mr. Ragsdale was deemed non-consenting in the 15/10 2H is because he did not pay his share of the actual costs for failed attempts to drill the 10/15 2H and 10/15 2Y that Mewbourne has improperly imputed to the estimated costs for the 15/10 2H. Mr. Ragsdale timely paid his share of estimated costs for drilling the 15/10 2H. *See supra*, ¶ 4. Under these circumstances, Mr. Ragsdale should be considered consenting for purposes of disputing these improper actual costs.

III. A Challenge to the Imputed Costs for Failed Attempts to Drill the 10/15 2H and 10/15 2Y Is Ripe Because They Are Actual Costs Already Incurred and Because Mr. Ragsdale Has Been Deemed Non-Consent for Declining to Pay His Share of Those Improper Costs.

Mewbourne relies on Paragraph 28 of Order No. R-20294-A (“Paragraph 28”) to argue that Mr. Ragsdale’s challenge is not ripe. Motion at 2, ¶ B(3). As explained above, the costs that Mewbourne improperly imputes as estimated costs for the 15/10 2H are *actual costs already incurred for failed attempts to drill two other wells*. Moreover, Mr. Ragsdale has been deemed non-consenting in the 15/10 2H, notwithstanding his timely payment of all costs, other than those that are improperly imputed to the 15/10 2H. Because he has been deemed non-consent for this reason alone, Mr. Ragsdale would suffer unfair prejudice if the Division declines to hear the matter at this time.

Nothing in Paragraph 28 precludes Mr. Ragsdale from bringing this unique issue before the Division at this time, particularly where he has been deemed non-consent solely due to his objection to paying actual costs for the failed attempts to drill other wells, as part of his estimated costs for the 15/10 2H. Mr. Ragsdale seeks a determination that these disputed costs do not fall within the scope of “well costs” that may be charged under 19.15.13.8 NMAC. Under these circumstances, the issue is ripe and the Division should hear this matter, which is one of law, and not one of fact that would ordinarily be at issue in review under Paragraph 28. Under these circumstances, the issues presented are ripe for hearing.

WHEREFORE, Applicant requests that Mewbourne’s Opposed Motion to Dismiss be denied.

By: /s/Sharon T. Shaheen

Sharon T. Shaheen

John F. McIntyre

MONTGOMERY & ANDREWS, P.A.

P.O. Box 2307

Santa Fe, New Mexico 87504-2307

Telephone: (505) 982-2678

Email: sshaheen@montand.com

jmcintyre@montand.com

Attorneys for Tom M. Ragsdale

CERTIFICATE OF SERVICE

I hereby certify that on July 17, 2020, the foregoing was served by electronic mail to the following counsel of record:

James Bruce
PO Box 1056
Santa Fe, NM 87504
505-982-2043
jamesbruc@aol.com

Attorney for Mewbourne Oil Co.

MEWBOURNE OIL COMPANY

3620 OLD BULLARD RD.
TYLER, TEXAS 75701
903-561-2900
FAX 903-581-0113

May 15, 2020
Mr. Tom M. Ragsdale
Siana Oil and Gas, LLC
400 N Sam Houston Pkwy E, Suite 601
Houston, TX 77060
Attn: Tom Ragsdale and Karen Stanford

Re: Ibex 15/10 B1PA Fed Com #2H
Sections 10/15, T23S, R34E
Lea County, New Mexico

Karen and Tom,

Thank you again for your time Tuesday afternoon. Drew and I appreciated the opportunity to discuss the matter one more time.

As previously communicated in my letter dated April 23, 2020, Article 27 of Order R-20924-A (the "Order"), dated February 19, 2020 and related to the Ibex wells, stated that no later than thirty (30) days after submitting the Estimated Well Costs that the Pooled Working Interest shall elect to pay its share of the Estimated Wells Costs. Mewbourne Oil Company ("Mewbourne") submitted the Estimated Well Costs to you on March 5, 2020 with delivery on March 10, 2020. Pursuant to the terms of the Order, your election was due no later than April 10, 2020. Since the letter sent to Ken Waits as to your election under the Order was dated April 15, 2020, the thirty (30) days established in the Order lapsed prior to your election. Once the thirty (30) days expired, the Tom Ragsdale Interest was Force Pooled pursuant to the terms of the Order.

Further, as stated in the same April 23, 2020 letter, Mewbourne offered a conditional opportunity for you to still participate in the two Bone Spring Ibex tests, if Mewbourne received the full payments of \$610,852.09 as to the Tom Ragsdale 4.890142% working interest in the Ibex 15/10 B1PA Fed Com #2H (inclusive of the first two attempts to drill the test) and \$465,996.30 as to 4.890142% of costs for drilling and completing the Ibex 15/10 B3PA Fed Com #1H. The deadline for this conditional offer was May 11, 2020. Though Mewbourne received the full amount required for the B3PA well, the requirement set forth as to the B1PA was not met. Mewbourne only received \$459,135.43 as compared to the \$610,852.09 required to cover the drilling and completion costs of this well. Having not rendered the required full amount for the Ibex 15/10 B1PA Fed Com #2H, Mewbourne Oil Company again extended the deadline to receive a payment for the difference between the \$610,859.09 required and the \$459,135.40 received, being \$151,716.66. The deadline communicated for the extended opportunity expired at 4:30 pm Thursday May 13, 2020. At this time, the conditional opportunity for you to participate in the Ibex 15/10 B1PA Fed Com #2H has expired and is no longer available. Pursuant to the terms of the Order, the interest in the Ibex 15/10 B1PA Fed Com #2H shall be considered a Non-Consenting Pooled Working Interest.

Exhibit 1

Having received your full proportional share of the drilling and completion costs for the Ibex 15/10 B3PA Fed Com #1H, Mewbourne Oil Company will follow through with the offer communicated on April 23rd and allow you to participate in lieu of maintaining your Force Pooled interest as established on April 10th. Please expect further information regarding the Ibex 15/10 B3PA Fed Com #1H.

With the Tom Ragsdale 4.890142% interest in the E/2E/2 Sections 10 and 15 as to the 1st Bone Spring Sand having been Force Pooled, Mewbourne Oil Company is returning the amount of \$459,135.43 to you. Tom Nunamaker, the Accounting Manager at Siana Oil and Gas, reached out to Don Russell with Mewbourne Oil Company yesterday. Mr. Nunamaker requested the funds be wire-transferred and not mailed. Mr. Nunamaker furnished us the wiring instructions which we will execute later today. Please expect the sum of \$459,135.43 to be returned to you by the end-of-business today. Mewbourne will proceed with the Ibex 15/10 B1PA Fed Com #2H, and the 4.890142% working interest will be handled as a Non-Consenting Pooled Working Interest pursuant to the terms of the Order.

Regards,

Bruce Insalaco
Vice President of Exploration
Mewbourne Oil Company

Siana Oil & Gas Co., LLC

400 N Sam Houston Parkway East Ste. 601
Houston, TX 77060

Telephone 713-568-1082
Fax 832-767-1403

April 15, 2020

Mewbourne Oil Company
P.O. Box 7698
Tyler, TX. 75711

Attn: Mr. Ken Waits, President

**Re: Tom M. Ragsdale's Interest in Mewbourne's proposed wells
Ibex 15/10 B3PA Fed Com #1H and Ibex 15/10 B1PA Fed Com #2H
Lea County, New Mexico**

Dear Ken,

This letter addresses my interest in, and the AFEs associated with, the referenced wells proposed by Mewbourne which have been compulsory pooled under Case No. 20809, Order No. R-20924-A.

Mewbourne recently sent notice of the Order and the AFEs for the referenced wells. (However, I received an actual copy of the Order subsequently to receiving the notice.) Per the terms of the Order, attached please find executed AFEs for both wells.

Please note that I executed the original AFE for the Ibex 15/10 B1PA Fed Com 2H and not the AFE which was included with Mitch Robb's notice and cover letter. Per Mitch, that AFE included the "realized cost of the drilling, plugging and abandoning of the Ibex 10/15 B1AP Fed Com #2H and the substitute Ibex 10/15 B1AP Fed Com #2HY well which was drilled in accordance with 19.15.13.8.(4) NMAC". This rule addresses Compulsory Pooling, Charges for Risk, and specifically substitute wells drilled within 10 days of the original well's abandonment. I object to the requirement to pay the cost associated with the previously drilled wells.

I was not a participant, nor was my interest compulsory pooled, prior to Mewbourne drilling either of the attempted Ibex 10/15 B1AP wells. Order R-20924-A attempts to include a compulsory pooling order for these wells after they were already drilled, plugged and abandoned. Because of this after-the-fact timing, the Order does not obligate me to pay for the costs, nor any risk charges, associated with drilling and abandoning the wells.

I would be happy to discuss this matter further with you by phone. I look forward to hearing from you soon.

Best regards,

Tom M. Ragsdale

enclosures

cc: Bruce Insalaca by email

Exhibit 2

MEWBOURNE OIL COMPANY

AUTHORIZATION FOR EXPENDITURE

Well Name: IBEX 15/10 B3PA FED COM #1H	Prospect: IBEX 15 / 10
Location: SL: 140 FSL & 305 FEL (15); BHL: 100 FNL & 600 FEL (10)	County: Lea ST: NM
Sec. 15 BIK: Survey: TWP: 23S RNG: 34E Prop. TVD: 11304 TMD: 21523	

INTANGIBLE COSTS 0180		CODE	TCP	CODE	CC
Regulatory Permits & Surveys		0180-0100	\$20,000	0180-0200	
Location / Road / Site / Preparation		0180-0105	\$85,000	0180-0205	\$25,000
Location / Restoration		0180-0106	\$200,000	0180-0206	\$30,000
Daywork / Turnkey / Footage Drilling 32 days drlg / 4 days comp @ \$21500/d		0180-0110	\$734,800	0180-0210	\$91,800
Fuel 1700 gal/day @ \$2.74/gal		0180-0114	\$159,200	0180-0214	\$420,000
Mud, Chemical & Additives		0180-0120	\$200,000	0180-0220	
Horizontal Drillout Services				0180-0222	\$250,000
Cementing		0180-0125	\$100,000	0180-0225	\$30,000
Logging & Wireline Services		0180-0130	\$2,500	0180-0230	\$390,000
Casing / Tubing / Snubbing Service		0180-0134	\$20,000	0180-0234	\$90,000
Mud Logging		0180-0137	\$30,000		
Stimulation 51 Stg 20.0 MM gal / 20.0 MM lb				0180-0241	\$2,200,000
Stimulation Rentals & Other				0180-0242	\$200,000
Water & Other		0180-0145	\$60,000	0180-0245	\$600,000
Bits		0180-0148	\$125,000	0180-0248	\$8,000
Inspection & Repair Services		0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services		0180-0154		0180-0254	\$10,000
Testing & Flowback Services		0180-0158	\$15,000	0180-0258	\$30,000
Completion / Workover Rig				0180-0260	\$10,500
Rig Mobilization		0180-0164	\$150,000		
Transportation		0180-0165	\$30,000	0180-0265	\$20,000
Welding Services		0180-0168	\$5,000	0180-0268	\$15,000
Contract Services & Supervision		0180-0170	\$52,500	0180-0270	\$60,000
Directional Services Includes Vertical Control		0180-0175	\$375,000		
Equipment Rental		0180-0180	\$270,700	0180-0280	\$30,000
Well / Lease Legal		0180-0184	\$5,000	0180-0284	
Well / Lease Insurance		0180-0185	\$5,600	0180-0285	
Intangible Supplies		0180-0188	\$8,000	0180-0288	\$10,000
Damages		0180-0190	\$10,000	0180-0290	
ROW & Easements		0180-0192		0180-0292	\$4,000
Pipeline Interconnect				0180-0293	
Company Supervision		0180-0195	\$168,000	0180-0295	\$105,600
Overhead Fixed Rate		0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment		0180-0198		0180-0298	
Contingencies 2% (TCP) 2% (CC)		0180-0199	\$57,600	0180-0299	\$99,100
TOTAL			\$2,938,900		\$5,054,000

TANGIBLE COSTS 0181		CODE	TCP	CODE	CC
Casing (19.1" - 30")		0181-0793			
Casing (10.1" - 19.0") 1350' - 13 3/8" 54.5# J-55 ST&C @ \$38.48/ft		0181-0794	\$55,500		
Casing (8.1" - 10.0") 4985' - 9 5/8" 36# J-55 LT&C @ \$24.67/ft		0181-0795	\$131,300		
Casing (6.1" - 8.0") 11550' - 7" 29# HCP-110 LT&C @ \$23.84/ft		0181-0796	\$294,100		
Casing (4.1" - 6.0") 10730' - 4 1/2" 13.5# P-110 BPN @ \$12.16/ft				0181-0797	\$139,300
Tubing 10800' - 2 7/8" 6.5# L-80 Tbg @ \$5.74/ft				0181-0798	\$66,200
Drilling Head		0181-0860	\$40,000		
Tubing Head & Upper Section				0181-0870	\$30,000
Horizontal Completion Tools Completion Liner Hanger				0181-0871	\$70,000
Sucker Rods				0181-0875	
Subsurface Equipment				0181-0880	
Artificial Lift Systems Gas Lift Valves & pkr				0181-0884	\$25,000
Pumping Unit				0181-0885	
Surface Pumps & Prime Movers (1/2) VRU/SWD pump/circ pump				0181-0886	\$25,000
Tanks - Oil (1/2) 6 - 750 bbl				0181-0890	\$57,000
Tanks - Water (1/2) 5 - 750 bbl coated				0181-0891	\$57,500
Separation / Treating Equipment 30"x10"x1k# 3 ph/36"x15"x1k#				0181-0895	\$67,500
Heater Treaters, Line Heaters 8"x20"x75# HT				0181-0897	\$27,000
Metering Equipment				0181-0898	\$14,000
Line Pipe & Valves - Gathering (1/2) 1.30 Mile 4" Wtr				0181-0900	\$19,000
Fittings / Valves & Accessories				0181-0906	\$100,000
Cathodic Protection				0181-0908	\$8,000
Electrical Installation Automation, Battery power, power line, location includ				0181-0909	\$250,000
Equipment Installation				0181-0910	\$60,000
Pipeline Construction (1/2) 1.30 Mile 4" Wtr				0181-0920	\$10,000
TOTAL			\$620,900		\$1,015,500
SUBTOTAL			\$3,459,800		\$6,069,500

TOTAL WELL COST \$9,529,300

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium. Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

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.

Prepared by: <u>Jacob Maxey</u>	Date: <u>9/10/2019</u>
Company Approval: <u><i>M. White</i></u>	Date: <u>9/12/2019</u>
Joint Owner Interest: <u>4.89014200%</u> Amount: <u>\$465,996.30</u>	Signature: <u><i>Tom M. Ragsdale</i></u>
Joint Owner Name: <u>Tom M. Ragsdale</u>	

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Well Name: **IBEX 15/10 B1PA FED COM #2H** Prospect: **IBEX 15 / 10**
 Location: **SL: 140 FSL & 275 FEL (15); BHL: 100 FNL & 450 FEL (10)** County: **Lea** ST: **NM**
 Sec. **15** Blk: Survey: TWP: **23S** Rng: **34E** Prop: **TVD** 9684 TMD: **19900**

INTANGIBLE COSTS 0180		CODE	TCP	CODE	CC
Regulatory Permits & Surveys		0180-0100	\$20,000	0180-0200	
Location / Road / Site / Preparation		0180-0105	\$85,000	0180-0205	\$25,000
Location / Restoration		0180-0106	\$200,000	0180-0206	\$30,000
Daywork / Turnkey / Footage Drilling	30 days drlg / 4 days comp @ \$21500/d	0180-0110	\$688,900	0180-0210	\$91,800
Fuel	1700 gal/day @ \$2.74/gal	0180-0114	\$149,200	0180-0214	\$420,000
Mud, Chemical & Additives		0180-0120	\$225,000	0180-0220	
Horizontal Drilling Services				0180-0222	\$250,000
Cementing		0180-0125	\$100,000	0180-0225	\$30,000
Logging & Wireline Services		0180-0130	\$2,500	0180-0230	\$390,000
Casing / Tubing / Snubbing Service		0180-0134	\$20,000	0180-0234	\$90,000
Mud Logging		0180-0137	\$30,000		
Stimulation	51 Stg 20.0 MM gal / 20.0 MM lb			0180-0241	\$2,200,000
Stimulation Rentals & Other				0180-0242	\$200,000
Water & Other					
Bits		0180-0145	\$60,000	0180-0245	\$900,000
Inspection & Repair Services		0180-0148	\$125,000	0180-0248	\$8,000
Misc. Air & Pumping Services		0180-0150	\$40,000	0180-0250	\$5,000
Testing & Flowback Services		0180-0154		0180-0254	\$10,000
Completion / Workover Rig		0180-0158	\$15,000	0180-0258	\$30,000
Rig Mobilization				0180-0260	\$10,500
Transportation		0180-0164	\$150,000		
Welding Services		0180-0165	\$30,000	0180-0265	\$20,000
Contract Services & Supervision		0180-0168	\$5,000	0180-0268	\$15,000
Directional Services	Includes Vertical Control	0180-0170	\$49,500	0180-0270	\$60,000
Equipment Rental		0180-0175	\$350,000		
Well / Lease Legal		0180-0180	\$256,900	0180-0280	\$30,000
Well / Lease Insurance		0180-0184	\$5,000	0180-0284	
Intangible Supplies		0180-0185	\$5,200	0180-0285	
Damages		0180-0188	\$8,000	0180-0288	\$10,000
ROW & Easements		0180-0190	\$5,000	0180-0290	
Pipeline Interconnect		0180-0192		0180-0292	\$4,000
Company Supervision				0180-0293	
Overhead Fixed Rate		0180-0195	\$158,400	0180-0295	\$105,600
Well Abandonment		0180-0196	\$10,000	0180-0296	\$20,000
Contingencies	2% (TCP) 2% (CC)	0180-0198		0180-0298	
		0180-0199	\$55,900	0180-0299	\$99,100
TOTAL			\$2,849,500		\$5,054,000

TANGIBLE COSTS 0181		CODE	TCP	CODE	CC
Casing (19.1" - 30")		0181-0793			
Casing (10.1" - 19.0")	1350' - 13 3/8" 54.5# J-55 ST&C @ \$39.48/ft	0181-0794	\$55,600		
Casing (8.1" - 10.0")	4985' - 9 5/8" 36# J-55 LT&C @ \$24.67/ft	0181-0795	\$131,300		
Casing (6.1" - 8.0")	9950' - 7" 29# HCP-110 LT&C @ \$23.84/ft	0181-0796	\$293,300		
Casing (4.1" - 6.0")	10700' - 4 1/2" 13.5# P-110 BPN @ \$12.16/ft			0181-0797	\$139,000
Tubing	9200' - 2 7/8" 6.5# L-80 Tbg @ \$5.74/ft			0181-0798	\$56,400
Drilling Head		0181-0860	\$40,000		
Tubing Head & Upper Section				0181-0870	\$30,000
Horizontal Completion Tools	Completion Liner Hanger			0181-0871	\$70,000
Sucker Rods				0181-0875	
Subsurface Equipment				0181-0880	
Artificial Lift Systems	Gas Lift Valves & pkr			0181-0884	\$25,000
Pumping Unit				0181-0885	
Surface Pumps & Prime Movers	(1/2) VRU/SWD pump/circ pump			0181-0886	\$25,000
Tanks - Oil	(1/2) 6 - 750 bbl			0181-0890	\$57,000
Tanks - Water	(1/2) 5 - 750 bbl coated			0181-0891	\$57,500
Separation / Treating Equipment	30"x10"x1k#3 ph/36"x15"x1k#Gun bbl/VRT			0181-0895	\$67,500
Heater Treaters, Line Heaters	8'x20'x75# HT			0181-0897	\$27,000
Metering Equipment				0181-0898	\$14,000
Line Pipe & Valves - Gathering	(1/2) 1.30 Mile 4" Wtr			0181-0900	\$19,000
Fittings / Valves & Accessories				0181-0906	\$100,000
Cathodic Protection				0181-0908	\$8,000
Electrical Installation	Automation, Battery power, power line, location includ			0181-0909	\$250,000
Equipment Installation				0181-0910	\$50,000
Pipeline Construction	(1/2) 1.30 Mile 4" Wtr			0181-0920	\$10,000
TOTAL			\$480,100		\$1,005,400
SUBTOTAL			\$3,329,600		\$6,059,400

TOTAL WELL COST \$9,389,000

Extra Expense Insurance

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium. Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

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.

Prepared by: Jacob Maxey Date: 9/10/2019

Company Approval: [Signature] Date: 9/12/2019

Joint Owner Interest: 4.390142% Amount: \$459,135.49

Joint Owner Name: Tom M. Ragsdale Signature: [Signature]

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

Exhibit 3

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Well Name: IBEX 15/10 B1PA FED COM #2H		Prospect: IBEX 15 / 10	
Location: SL: 140 FSL & 275 FEL (15); BHL: 100 FNL & 450 FEL (10)		County: Lea	ST: NM
Sec. 15	Blk: 	Survey: 	TWP: 23S RNG: 34E Prop. TVD: 9684 TMD: 19900

INTANGIBLE COSTS 0180		CODE	TCP	CODE	CC
Regulatory Permits & Surveys		0180-0100	\$20,000	0180-0200	\$3,800
Location / Road / Site / Preparation		0180-0105	\$204,800	0180-0205	\$66,300
Location / Restoration		0180-0106	\$451,700	0180-0206	\$30,000
Daywork / Turnkey / Footage Drilling	30 days drlg / 4 days comp @ \$21500/d	0180-0110	\$1,116,000	0180-0210	\$91,800
Fuel	1700 gal/day @ \$2.74/gal	0180-0114	\$216,100	0180-0214	\$420,000
Mud, Chemical & Additives		0180-0120	\$359,200	0180-0220	
Horizontal Drillout Services				0180-0222	\$250,000
Cementing		0180-0125	\$174,900	0180-0225	\$30,000
Logging & Wireline Services		0180-0130	\$2,500	0180-0230	\$390,000
Casing / Tubing / Snubbing Service		0180-0134	\$34,200	0180-0234	\$90,000
Mud Logging		0180-0137	\$30,000		
Stimulation	51 Stg 20.0 MM gal / 20.0 MM lb			0180-0241	\$2,200,000
Stimulation Rentals & Other				0180-0242	\$200,000
Water & Other		0180-0145	\$340,500	0180-0245	\$900,000
Bits		0180-0148	\$188,400	0180-0248	\$8,000
Inspection & Repair Services		0180-0150	\$51,100	0180-0250	\$5,000
Misc. Air & Pumping Services		0180-0154		0180-0254	\$10,000
Testing & Flowback Services		0180-0158	\$23,700	0180-0258	\$30,000
Completion / Workover Rig				0180-0260	\$10,500
Rig Mobilization		0180-0164	\$352,500		
Transportation		0180-0165	\$71,600	0180-0265	\$20,000
Welding Services		0180-0168	\$16,200	0180-0268	\$15,000
Contract Services & Supervision		0180-0170	\$77,000	0180-0270	\$60,000
Directional Services	Includes Vertical Control	0180-0175	\$473,200		
Equipment Rental		0180-0180	\$451,400	0180-0280	\$30,000
Well / Lease Legal		0180-0184	\$39,700	0180-0284	
Well / Lease Insurance		0180-0185	\$5,200	0180-0285	
Intangible Supplies		0180-0188	\$16,000	0180-0288	\$10,000
Damages		0180-0190	\$5,000	0180-0290	
ROW & Easements		0180-0192		0180-0292	\$15,100
Pipeline Interconnect				0180-0293	
Company Supervision		0180-0195	\$285,400	0180-0295	\$116,400
Overhead Fixed Rate		0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment		0180-0198	\$145,700	0180-0298	
Contingencies	2% (TCP) 2% (CC)	0180-0199	\$630,500	0180-0299	\$99,100
TOTAL			\$5,792,500		\$5,121,000
TANGIBLE COSTS 0181					
Casing (19.1" - 30")		0181-0793			
Casing (10.1" - 19.0")	1350' - 13 3/8" 54.5# J-55 ST&C @ \$38.48/ft	0181-0794	\$147,400		
Casing (8.1" - 10.0")	4985' - 9 5/8" 36# J-55 LT&C @ \$24.67/ft	0181-0795	\$131,300		
Casing (6.1" - 8.0")	9950' - 7" 29# HCP-110 LT&C @ \$23.84/ft	0181-0796	\$253,300		
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Tanks - Water	(1/2) 5 - 750 bbl coated			0181-0891	\$57,500
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Line Pipe & Valves - Gathering	(1/2) 1.30 Mile 4" Wtr			0181-0900	\$19,000
Fittings / Valves & Accessories				0181-0906	\$100,000
Cathodic Protection				0181-0908	\$8,000
Electrical Installation	Automation, Battery power, power line, location includ			0181-0909	\$250,000
Equipment Installation				0181-0910	\$50,600
Pipeline Construction	(1/2) 1.30 Mile 4" Wtr			0181-0920	\$10,000
TOTAL			\$572,000		\$1,006,000
SUBTOTAL			\$6,364,500		\$6,127,000
TOTAL WELL COST			\$12,491,500		

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. Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.
<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.	
Prepared by: <u>L. Jackson</u>	Date: <u>3/2/2020</u>
Company Approval: <u><i>M. Whittier</i></u>	Date: <u>3/3/2020</u>
Joint Owner Interest: <u>4.89014200%</u> Amount: <u>\$610,852.08793000</u>	
Joint Owner Name: <u>Tom M. Ragsdale</u>	Signature: _____

