

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

**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**

**PRE-HEARING STATEMENT**

TOM M. RAGSDALE ("Applicant"), provides this Pre-Hearing Statement as required by the rules of the Division.

**APPEARANCES**

**APPLICANT**

TOM M. RAGSDALE

APPLICANT'S ATTORNEY:

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**OPPOSING PARTY**

MEWBOURNE OIL  
COMPANY

OPPOSING PARTY'S ATTORNEY:

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*Attorney for Mewbourne Oil Co.*

## **STATEMENT OF THE CASE**

Applicant in the above-styled cause seeks an order from the Division revoking Order Nos. R-20924 and R-20924-A or, in the alternative, declaring certain costs unreasonable as imposed by Mewbourne Oil Co. (“Mewbourne”). In Case No. 20580, Mewbourne filed an application 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 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. In Case No. 20809, Mewbourne filed an application 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 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. Order No. R-20924 was entered in Case No. 20580 and Order No. R-20924-A was entered in Case No. 20809.

As detailed in the Application, Mewbourne has improperly attempted to impose failed drilling costs in the amount of \$3,102,500, relating to Mewbourne’s efforts to drill the 10/15 2H and substitute well 10/15 2Y prior to entry of Order No. R-20924, on costs attributable to the 15/10 2H. As explained in the Application, Mewbourne’s efforts are improper for several reasons. First, Mewbourne failed to provide notice of its intent to force pool all four wells under one order. Second, Mewbourne Misrepresented the Status of the 10/15 Wells in the 15/10 Hearing. Third, Mewbourne’s actions are contrary to law because (1) Applicant never had the opportunity to elect to participate in the 10/15 Wells prior to Mewbourne’s attempts to drill, and Mewbourne thus assumed the risk of drilling the 10/15 2H by drilling before a force-pooling order was entered; (2) the costs of drilling an abandoned well are not considered “well costs” under Rule 19.15.13.8(B)(1)

NMAC; (3) Mewbourne is not entitled to recover these costs on the basis that the 15/10 Wells are substitute wells for the 10/15 Wells under Rule 19.15.13.8(B)(4) NMAC; (4) Order No. R-20924-A does not incorporate 19.15.13.8(1)NMAC or provide that all of the wells proposed in two different force-pooling cases have the same election; and (5) Paragraph 27 of Order No. R-20924-A does not provide that the only election available to a pooled working interest is to elect and render payment of the estimated well cost for all three attempts to drill the First Bone Spring well, along with the Third Bone Spring test.

Consequently, Applicant seeks revocation of Order Nos. R-20924 and R-20924-A or, in the alternative, a decision that Mewbourne cannot shoehorn costs for its failed attempts to drill the 10/15 2H and 10/15 2Y into the costs for the 15/10 2H. Applicant further seeks to be deemed a consenting party under a revised AFE for the 15/10 2H, without the improper costs for failed attempts to drill the 10/15 2H and 10/15 2Y.

### **PROPOSED EVIDENCE**

#### **APPLICANT:**

WITNESSES	EST. TIME	EXHIBITS
Karen Stanford	1 hour	8-10

#### **OPPOSING PARTY:**

WITNESSES	EST. TIME	EXHIBITS
TBD		

### **PROCEDURAL MATTERS**

Applicant anticipates that this case will be set for a status conference on July 9, at which time a special hearing date will be determined. Applicant is conferring with Mewbourne regarding proposed dates for a hearing and a Joint Stipulation as required by the policy established for

contested cases set forth in the Notice of the Oil Conservation Division dated April 22, 2020.

Applicant anticipates submitting the Joint Stipulation to the Division prior to or shortly after the July 9 status conference.

Respectfully submitted,

**MONTGOMERY & ANDREWS, P.A.**

By: /s/Sharon T. Shaheen

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*Attorneys for Tom M. Ragsdale*

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on July 2, 2020:

James Bruce, Esq.

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*Attorney for Mewbourne Oil Co.*

/s/ Sharon T. Shaheen

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