

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:

CASE NOS: 21324

APPLICATION OF TOM M. RAGSDALE
TO REVOKE ORDER NOS R-20924 AND R-20924A,
OR IN THE ALTERNATIVE TO DECLARE UNREASONABLE
CERTAIN COSTS IMPOSED BY MEWBOURNE OIL CO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

AUGUST 6, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH, DEAN McCLURE, JOHN GARCIA and KATHLEEN MURPHY on Thursday, August 6, 2020, hosted by the New Mexico Energy, Minerals, and Natural Resources Department, through Cisco Webex electronic platform.

Reported by: Irene Delgado, NMCCR 253
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1 HEARING EXAMINER ORTH: We will move then to our
2 final matter this morning. This is case 21324. Tom
3 Ragsdale, the application to amend an order. The well name
4 is IBEX. Who here is from Montgomery & Andrews for the
5 applicant?

6 MS. SHAHEEN: Madam Examiner, Sharon Shaheen on
7 behalf of Mr. Ragsdale.

8 HEARING EXAMINER ORTH: All right. Thank you,
9 Ms. Shaheen. And Mr. Bruce, it appears you entered an
10 appearance for Mewbourne.

11 MR. BRUCE: That is correct.

12 HEARING EXAMINER ORTH: Okay. Let me pause to
13 see if there are any other appearances.

14 (No response.)

15 HEARING EXAMINER ORTH: Hearing nothing, we are
16 then here on an argument on a motion to dismiss.

17 MR. BRUCE: Yes, Madam Examiner, although it is
18 titled a motion to dismiss, it's either a motion to dismiss
19 or continue to a later hearing date.

20 The reason is this: The wells that Mr. Ragsdale
21 complains about are just now being drilled. One was spudded
22 two days ago, the other will be spudded in a few weeks'
23 time. And the reason I would rather have those wells and
24 drilled and completed before we hear this matter is because
25 Mr. Ragsdale always has the right, even though he did not

1 contest the pooling orders or contest the pooling hearings
2 under the terms of the order, he always has the right to
3 contest well costs.

4 And as a matter of fact, in a separate matter
5 involving one of the -- an adjoining well, an adjoining
6 Mewbourne well in the E/2 W/2 of Section 10, 23 South, 34
7 East, Mr. Ragsdale filed a motion to -- or an application
8 to contest well costs and that was Case 15888 reopened.

9 And so Mr. -- Mr. Ragsdale and Mewbourne,
10 although they generally get along, do have a history of
11 sparring over well costs, and I would like to get the wells
12 drilled and completed before we have to address all the
13 matters involved in these cases.

14 HEARING EXAMINER ORTH: All right. Thank you.
15 Ms. Shaheen?

16 MS. SHAHEEN: Thank you, Madam Examiner. The
17 issue here is that Mewbourne has already incurred the costs
18 that are at issue. It incurred those costs in a failed
19 attempt to drill a different well, and it includes those
20 costs on the estimated costs of one of the 1510 wells.

21 Now, Mr. Ragsdale objected to that. He submitted
22 his costs for the () for 1510 well minus the actual cost of
23 the failed attempt to drill the other well. And it was
24 rejected by Mewbourne, and it was non-consenting.

25 So that is the issue here. If we wait, he's

1 being deemed non-consenting all this time, and he wants to
2 participate in the well, and he wants a determination that
3 those costs, actual costs that have already been incurred
4 should not be imputed on another well.

5 So Mr. Ragsdale would prefer to () so that that
6 decision can be made, and if the Division decides in his
7 favor, then he should be deemed () in that well. I don't
8 think that the actual drilling of these wells impacts at all
9 the decision -- excuse me -- the Division's consideration
10 of the issue.

11 HEARING EXAMINER ORTH: Okay. Mr. Bruce, any
12 reply there?

13 MR. BRUCE: I would say that, yeah, there were
14 additional well costs and they were for wells within the
15 same well unit, number one, and I would point out -- and
16 this needs to be factually developed -- he was given
17 election notices, and he missed the election notices, and he
18 did not elect in time on the wells.

19 And Mewbourne even gave him an extension, so it
20 was not like Mewbourne was trying to mistreat Mr. Ragsdale.
21 And I mean, if -- I would prefer to have all the facts
22 developed at one time rather than do it piecemeal. That's
23 in a nutshell.

24 HEARING EXAMINER ORTH: Okay. Let me ask the
25 technical examiners if they have questions. Mr. McClure?

1 EXAMINER McCLURE: I guess the only question I
2 have is, what further details will drilling the wells
3 actually present us with for the costs? Or what are you
4 thinking, I guess?

5 MR. BRUCE: Primarily the well costs, yes.

6 EXAMINER McCLURE: Actually, that was my only
7 question, Madam Examiner.

8 HEARING EXAMINER ORTH: All right, thank you.
9 Mr. Garcia?

10 EXAMINER GARCIA: I have no questions.

11 HEARING EXAMINER ORTH: All right. Thank you.

12 MS. SHAHEEN: Madam Examiner, if I may just one
13 thing.

14 HEARING EXAMINER ORTH: Yes.

15 MS. SHAHEEN: I guess I'm just wondering, if we
16 waited until that time and Mr. Ragsdale is deemed
17 non-consenting in this well, and then we get to the point
18 where the hearing is held and the Division considers all of
19 the costs, which we are not disputing the other estimated
20 costs, and at this point I have no expectation that we will
21 dispute the actual cost of drilling and completing, like I
22 said, we are only disputing actual costs that have been
23 incurred () Mr. Ragsdale non-consenting.

24 So my question is, how is it going to play out if
25 we get to that point and the Division says, "You're right,

1 Mr. Ragsdale, they shouldn't impose those costs for the
2 failed drilling attempt to the other wells," are they going
3 to again deem him consenting and treat him as participating?
4 How is that going to work? That's my question.

5 MR. BRUCE: Well, I would -- I think that would
6 be part of the Division's decision, determining whether or
7 not he properly elected into the two wells that Mewbourne is
8 now drilling. If that's the case, how is he harmed because
9 the wells are drilled and completed if the Division at that
10 time determined that time that he properly elected and paid
11 his costs --

12 MS. SHAHEEN: With all due respect, we've
13 attached exhibits to our response that illustrates that
14 Mewbourne extended the time for him to submit those costs,
15 that he was deemed consenting in one of the wells, but the
16 only reason he was deemed non-consenting is because he
17 refused to pay the costs of the failed attempt to drill
18 another well.

19 So I don't think that's an issue. It's not an
20 issue -- at issue in this proceeding is not whether
21 Mr. Ragsdale properly elected to participate in those wells,
22 that is not an issue here. The only thing at issue is
23 whether you can impose the actual costs of failed drilling
24 attempt of one well on estimated costs to drill a different
25 well. That's the only issue here.

1 HEARING EXAMINER ORTH: All right. So I believe
2 that the Division would include that analysis in its written
3 decision and order. We are currently set for hearing on
4 September 11. At this point, the motion to dismiss or
5 continue will be taken under advisement and we will see how
6 much of the issues raised in the motion can be addressed
7 before September 11.

8 MR. BRUCE: Okay. That's fine. Thank you very
9 much.

10 HEARING EXAMINER ORTH: Thank you both.

11 MS. SHAHEEN: Thank you, Madam Examiner.

12 HEARING EXAMINER ORTH: Let me ask if there is
13 anything else that we should talk about while we're all on
14 the phone together this morning. Otherwise, I will speak
15 with you all at our next hearing session, which is August
16 20.

17 MR. BRUCE: Thank you.

18 HEARING EXAMINER ORTH: Thank you all very much.
19 Have a great week.

20 (Adjourned.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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6 I, IRENE DELGADO, New Mexico Certified Court
7 Reporter, do hereby certify that I reported the foregoing
8 proceedings in stenographic shorthand and that the foregoing
9 pages are a true and correct transcript of those proceedings
10 that were reduced to printed form by me to the best of my
11 ability.

12 I FURTHER CERTIFY that I am neither employed by
13 nor related to any of the parties or attorneys in this case
14 and that I have no interest in the final disposition of this
15 case.

16 I FURTHER CERTIFY that the Virtual Proceeding was
17 of fair quality.

18 Dated this 6th day of August 2020.

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/s/ Irene Delgado

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Irene Delgado, NMCCR 253
License Expires: 12-31-20

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