

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

**APPLICATION OF MEWBOURNE OIL
COMPANY FOR APPROVAL OF AN OVERLAPPING
NON-STANDARD 1,280-ACRE HORIZONTAL
WELL SPACING UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Mewbourne Oil Company (“Mewbourne” or “Applicant”) (OGRID No. 14744), through its undersigned attorneys, hereby files this application with the Oil Conservation Division for an order (a) approving an overlapping 1,280-acre, more or less, non-standard horizontal well spacing unit in the Bone Spring formation underlying the Sections 23 and 24, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico and (b) pooling all uncommitted interests in this acreage. In support of its application, Mewbourne states:

1. Applicant is a working interest owner in the proposed overlapping horizontal spacing unit and has the right to drill thereon.
2. Due to the nature and configuration of the federal leases in the subject area, the Bureau of Land Management (“BLM”) will not approve the commingling of production at central facilities if the subject area is developed using standard horizontal well spacing units. *See, e.g.,* 43 CFR 3173.14 (addressing authorized commingling). However, if the proposed overlapping non-standard spacing unit is approved by the Division, the BLM has stated it will issue a corresponding Communitization Agreement for the federal leases within the subject area to allow commingling and the corresponding reduction of the necessary surface facilities.

3. Mewbourne seeks to minimize cost and surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed overlapping non-standard spacing unit. To allow the proposed wells to be dedicated to a federal Communitization Agreement, Mewbourne requires approval of a corresponding overlapping non-standard horizontal well spacing unit in the Bone Spring formation.

4. Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Neato Bandito 23/24 Fed Com 511H**, to be drilled horizontally from a surface location and first take point in the NW/4 NW/4 (Unit D) of Section 23 and a last take point in the NE/4 NE/4 (Unit A) of Section 24; **Neato Bandito 23/24 Fed Com 513H**, to be drilled horizontally from a surface location and first take point in the NW/4 NW/4 (Unit D) of Section 23 and a last take point in the SE/4 NE/4 (Unit H) of Section 24; **Neato Bandito 23/24 Fed Com 515H**, to be drilled horizontally from a surface location and first take point in the NW/4 SW/4 (Unit L) of Section 23 and a last take point in the NE/4 SE/4 (Unit I) of Section 24; and **Neato Bandito 23/24 Fed Com 517H**, to be drilled horizontally from a surface location and first take point in the NW/4 SW/4 (Unit L) of Section 23 and a last take point in the SE/4 SE/4 (Unit P) of Section 24.

5. The proposed horizontal well spacing unit will overlap the following existing Bone Spring spacing units:

- 40-acre vertical well spacing unit comprised of the SE/4 SW/4 of Section 23 dedicated to Mewbourne's Geronimo 23 Federal Com #002 (API: 30-015-35163);
- 40-acre vertical well spacing unit comprised of the NW/4 SE/4 of Section 23 dedicated to RAYBAW Operating, LLC's Shugart 23 Federal Com #001 (API: 30-015-30448);
- 40-acre vertical well spacing unit comprised of the SW/4 SW/4 of Section 24 dedicated to Mewbourne's Geronimo 24 Federal Com #002 (API: 30-015-35016); and

- 40-acre vertical well spacing unit comprised of the NW/4 NW/4 of Section 24 dedicated to Penroc Oil Corp's Gandhi Federal #001 (API: 30-015-26243).

6. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all the working interest owners in the subject spacing unit.

7. Approval of the overlapping non-standard unit will allow Mewbourne to efficiently locate surface facilities for the recovery of oil and gas underlying the subject lands, reduce surface disturbance, and lower operating costs.

8. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing before an Examiner of the Oil Conservation Division on February 1, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the proposed overlapping non-standard spacing unit;
- B. Pooling all uncommitted interests in the overlapping horizontal spacing unit and approving the initial wells thereon;
- C. Designating Applicant as operator of the overlapping horizontal spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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ATTORNEYS FOR MEWBOURNE OIL COMPANY

CASE: _____

Application of Mewbourne Oil Company for Approval of an Overlapping 1,260-acre Non-Standard Horizontal Well Spacing Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (a) approving an overlapping 1,280-acre, more or less, non-standard horizontal well spacing unit in the Bone Spring formation underlying the Section 23 and 24, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico and (b) pooling all uncommitted interests in this acreage. This spacing unit will be initially dedicated to the proposed **Neato Bandito 23/24 Fed Com 511H**, to be drilled horizontally from a surface location and first take point in the NW/4 NW/4 (Unit D) of Section 23 and a last take point in the NE/4 NE/4 (Unit A) of Section 24; **Neato Bandito 23/24 Fed Com 513H**, to be drilled horizontally from a surface location and first take point in the NW/4 NW/4 (Unit D) of Section 23 and a last take point in the SE/4 NE/4 (Unit H) of Section 24; **Neato Bandito 23/24 Fed Com 515H**, to be drilled horizontally from a surface location and first take point in the NW/4 SW/4 (Unit L) of Section 23 and a last take point in the NE/4 SE/4 (Unit I) of Section 24; and **Neato Bandito 23/24 Fed Com 517H**, to be drilled horizontally from a surface location and first take point in the NW/4 SW/4 (Unit L) of Section 23 and a last take point in the SE/4 SE/4 (Unit P) of Section 24. The proposed horizontal well spacing unit will overlap the following existing Bone Spring vertical spacing units:

- 40-acre vertical well spacing unit comprised of the SE/4 SW/4 of Section 23 dedicated to Mewbourne's Geronimo 23 Federal Com #002 (API: 30-015-35163);
- 40-acre vertical well spacing unit comprised of the NW/4 SE/4 of Section 23 dedicated to RAYBAW Operating, LLC's Shugart 23 Federal Com #001 (API: 30-015-30448);
- 40-acre vertical well spacing unit comprised of the SW/4 SW/4 of Section 24 dedicated to Mewbourne's Geronimo 24 Federal Com #002 (API: 30-015-35016); and
- 40-acre vertical well spacing unit comprised of the NW/4 NW/4 of Section 24 dedicated to Penroc Oil Corp's Gandhi Federal #001 (API: 30-015-26243).

Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof, the operating costs and charges for supervision, the designation of applicant as operator of the proposed spacing unit, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 10 miles southwest of Maljamar, New Mexico.