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May 4, 2004

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Mewbourne Oil Company. Please set this matter for the May 27, 2004 Examiner hearing. Thanks.

The advertisement is also on the enclosed disk.

Very truly yours,


James Bruce

Attorney for Mewbourne Oil Company

RECEIVED

MAY - 4 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13276

PARTIES BEING POOLED

William R. Bergman
P.O. Box 1799
Midland, Texas 79702

Charles Cline Moore
138 Harvard Ave.
Mill Valley, CA 94941

Estate of Helen G. Harrison
Foy W. Harrison, Administrator
P.O. Box 11636
Spring, TX 77391-1636

Dolores C. McCall
P.O. Box 2206
Midland, TX 79702

Axis Energy Corporation
P.O. Box 219303
Houston, TX 77218-9303
Attn: Mr. Gary Giles

Bilberry Exploration, Inc.
10120 N.W. Freeway, Suite 231
Houston, TX 77092
Attn: Mr. Michael C. Bilberry

Rock Eagle Ranch Corporation
P.O. Box 458
Bellaire, TX 77402
Attn: Mr. Richard E. Weinberg

Lowe Partners, L.P.
P.O. Box 832
Midland, TX 79702
Attn: Mr. Joe C. Pulido

OXY USA WTP Limited Partnership
6 Desta Drive, Suite 6000
Midland, TX 79710-0250
Attn: Mr. David R. Evans

Davis Bros., L.L.C.
320 So. Boston Ave., Suite 1000
Tulsa, OK 74103-3703

Desert States Energy, Inc.
125 E. Baja Drive
Hobbs, NM 88240
Attn: Mr. Mark D. Clarke

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MAY - 4 2004

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
Case No. 3276

APPLICATION

Mewbourne Oil Company applies for an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying the S½ of Section 32, Township 20 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the S½ of Section 32, and has the right to drill a well thereon.

2. Applicant proposes to drill its Saladar "32" Fee Com. Well No. 1, at an orthodox location in the SW¼SE¼ of Section 32, and seeks to dedicate the S½ of Section 32 to the well to form a standard 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within that vertical extent, including the North Burton Flat-Wolfcamp Gas Pool, Undesignated Burton Flat-Strawn Gas Pool, Undesignated Burton Flat-Atoka Gas Pool, and Burton Flat-Morrow Gas Pool.

4. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 32 for the purposes set forth herein.

5. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order

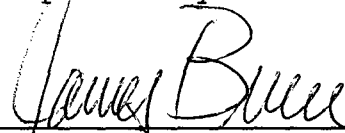
pooling all mineral interest owners in the S½ of Section 32, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 32 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the S½ of Section 32 from the base of the Bone Spring formation to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil
Company

PROPOSED ADVERTISEMENT

Case 13276 : Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Bone Spring formation to the base of the Morrow formation underlying the S $\frac{1}{4}$ of Section 32, Township 20 South, Range 28 East, NMPM to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the North Burton Flat-Wolfcamp Gas Pool, Undesignated Burton Flat-Strawn Gas Pool, Undesignated Burton Flat-Atoka Gas Pool, and Burton Flat-Morrow Gas Pool. The unit is to be dedicated to applicant's Saladar "32" Fee Com. Well No. 1, to be drilled at an orthodox location in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ (Unit O) of the section. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 8 miles north-northeast of Carlsbad, New Mexico.

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1220 S. St. Francis Drive
Santa Fe, NM 87505