

PROPOSED ADVERTISEMENT

Case No. 14736 :

Application of Mewbourne Oil Company for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2N/2 of Section 11, Township 18 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests from the base of the Second Bone Spring Carbonate to the base of the Bone Spring formation underlying the N/2N/2 of Section 11 to form a non-standard 160 acre oil spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Tamano 11 Fed. Com. Well No. 1, a horizontal well with a surface location in the NE/4NE/4, and a terminus in the NW/4NW/4, of Section 11. 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 9 miles east-southeast of Loco Hills, New Mexico.

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August 30, 2011

Case 14736

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

Dear Florene:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please re-advertise the application for the September 29 2011 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

Parties Being Pooled

Yates Energy Corporation
P.O. Box 2323
Roswell, New Mexico 88202

S.W. Crosby, III
P.O. Box 2346
Roswell, New Mexico 88202

Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103

Zia Trust, Inc., Trustee of the
Fletcher Revocable Trust
Suite A
4131 Camino Coyote
Las Cruces, New Mexico 88011

Harvey E. Yates Company
Explorers Petroleum Corporation
Spiral, Inc.
P.O. Box 1933
Roswell, New Mexico 88202

VALCO, LLC
P.O. Box 1090
Roswell, New Mexico 88202

EAKO, LLC
P.O. Box 1090
Roswell, New Mexico 88202

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF MEWBOURNE OIL COMPANY
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

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Case No. 14736

APPLICATION

Mewbourne Oil Company applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 11, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from the base of the Second Bone Spring Carbonate to the base of the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 11, and has the right to drill a well thereon.
2. Applicant proposes to drill its Tamano 11 Fed. Com. Well No. 1 to a depth sufficient to test the Bone Spring formation from the base of the Second Bone Spring Carbonate¹ to the base of the Bone Spring formation. Applicant seeks to dedicate the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 11 to the well to form a non-standard 160 acre oil spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The well is a horizontal well, with a surface location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, and a terminus in the NW $\frac{1}{4}$ NW $\frac{1}{4}$, of Section 11.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 11 for the purposes set forth herein.

¹ As found at a depth of approximately 8150 feet subsurface as found on logs for the Hudson Fed. Well No. 1, located 660 feet from the north line and 1980 feet from the east line of Section 11.

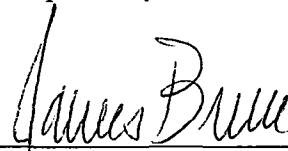
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 11, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the N½N½ of Section 11 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. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N½N½ of Section 11;
- B. Pooling all mineral interests from the base of the Second Bone Spring Carbonate to the base of the Bone Spring formation underlying the N½N½ of Section 11;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. 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,

A handwritten signature in cursive script, reading "James Bruce". The signature is written in dark ink and is positioned above a horizontal line.

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

Attorney for Mewbourne Oil Company