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March 13, 2012

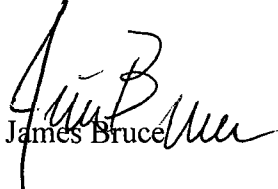
Case 14809

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 advertise the application for the April 12, 2012 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

Penroc Oil Corporation
P.O. Box 2769
Hobbs, NM 88241-2769
Attn: Mr. M.Y. Merchant

BK Exploration Corporation
10159 East 11th Street, Suite 401
Tulsa, OK 74128
Attn: Mr. Brad Burks

Roden Oil Company
P.O. Box 10909
Midland, TX 79702-7909
Attn: Mr. Van Tettleton

Nadel and Gussman Permian, LLC
601 North Marienfeld, Suite 508
Midland, TX 79701-4365
Attn: Mr. Scott Germann

RSG Trust Dated 8/19/02
P.O. Box 10428
Midland, TX 79702
Attn: Mr. Trey Robbins

SNS Oil and Gas Properties, Inc.
P.O. Box 2234
Ardmore, OK 73402

Mr. Thomas M. Beall
P.O. Box 1889
Midland, TX 79702

BKB Resources, LLC
3800 West 71st Street
Tulsa, OK 74132

Wells Fargo Bank New Mexico, NA
2318 West Pierce Street
Carlsbad, NM 88220

Virginia Lee Davis
2605 W. Ohio
Carlsbad, NM 88220

Stanley J. Gregory
3510 Joshua Street
Carlsbad, NM 88220

Seminole Memorial Hospital
209 NW 8th
Seminole, TX 79360

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Carlsbad, NM 88220

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Nevill Manning
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Lubbock, TX 79410

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611 N. Mesa Ave.
Carlsbad, NM 88203

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Artesia, NM 88211

John Edward Hall, III
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James W. Klipstine, Jr.
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305 S. Hemlock Ave.
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Austin, TX 78749

First Federal Saving and Loan
Association of Littlefield, Texas
P.O. Box 1390
Littlefield, TX 79339

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4016 Jones St.
Carlsbad, NM 88220

Bonnie R. Gregory
305 S. Hemlock Ave.
Roswell, NM 88203

Bertha Lorene Osborn
c/o Pamela Rae Cummings
521 N. Ash
Carlsbad, NM 88220

Andreas P. Panagopoulos
1805 Sandy Lane
Carlsbad, NM 88220

Alec McGonagill
605 N. Mesa
Carlsbad, NM 88220

Louis Mickey Ratliff, Jr.
8 Firwood
The Hills, TX 78738

EXHIBIT

A

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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. 74809

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 E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35, and has the right to drill a well thereon.
2. Applicant proposes to drill its Layla 35 Well No. 2 to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate (i) the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35 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. The well is a horizontal well, with a surface location in the NE $\frac{1}{4}$ NW $\frac{1}{4}$, and a terminus in the SE $\frac{1}{4}$ SW $\frac{1}{4}$, of Section 35.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35 for the purposes set forth herein.
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.

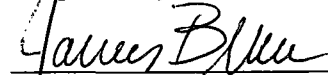
Therefore, applicant seeks an order pooling all mineral interest owners in the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35 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 E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35;
- B. Pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35, and the Bone Spring formation underlying the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 35;
- 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,



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

Attorney for Mewbourne Oil Company

PROPOSED ADVERTISEMENT

Case No. 14809 :

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 an 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2W/2 of Section 35, Township 23 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the base of the Bone Spring formation underlying the NE/4NW/4 of Section 35 to form a standard 40 acre oil spacing and proration unit, and (ii) the Bone Spring formation underlying the E/2W/2 of Section 35 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 Layla 35 Well No. 2, a horizontal well with a surface location in the NE/4NW/4, and a terminus in the SE/4SW/4, of Section 35. 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 units are located approximately 2-1/2 miles north-northeast of Malaga, New Mexico.

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