

**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 NO. 15042
ORDER NO. R-13759**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 19, 2013 at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 4th day of October, 2013, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Mewbourne Oil Company ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Glorieta-Yeso formation [Red Lake-Glorieta-Yeso Pool (Pool Code 51120)], consisting of the N/2 of the S/2 (Units I, J, K and L) of Section 7, Township 18 South, Range 27 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Glorieta and Yeso formations.

(3) The Unit will be dedicated as a project area to Applicant's Peterson 7 IL Federal Com. Well No. 1H (API No. 30-015-40945) ("the well"), a horizontal well that has been drilled from a surface location 1795 feet from the South line and 150 feet from the West line (Unit L) of Section 8. The well's completed interval will commence at a standard oil well location in Unit I of Section 7 and continue horizontally in the Yeso to a standard terminus, or bottomhole location, 1792 feet from the South line and 336 feet

from the West line (Lot 3, Unit L) of Section 7. The completed interval of the well in the Yeso formation is orthodox.

(4) Spacing in this pool is governed by statewide Rule 19.15.15.9.A NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The Unit consists of four adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

(a) The working interest in this Unit is not affected by this Order. Compulsory pooling is being sought only for the interests of owners of record title who have divested all operating rights.

(b) This area is suitable for development by horizontal drilling.

(c) All quarter-quarter sections to be included in the Unit are expected to be productive in the Yeso, so that formation of the Unit as requested will not impair correlative rights;

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(7) Approval of the proposed non-standard unit will prevent waste by facilitating development of the Unit, due to the fact that compulsory pooling is necessary in order that this Unit can be communitized as required by the United States Bureau of Land Management.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to a common source of supply within the Unit at the above-described location.

(10) There are interest owners in the Unit that have not agreed to pool their interests.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) Mewbourne Oil Company should be designated the operator of the well and of the Unit.

(13) Because the parties whose interests will be pooled by this Order do not own any working interest, there is no necessity to provide in this Order for allocation of costs, risk charges or overhead charges.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the Unit) is hereby established in the Glorieta-Yeso formation (Red Lake-Glorieta-Yeso Pool [Pool Code 51120]), consisting of the N/2 of the S/2 (Units I, J, K and L) of Section 7, Township 18 South, Range 27 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests, whatever they may be, in the oil and gas in the Glorieta-Yeso formation underlying the Unit, are hereby pooled. This Order shall be effective from the date of first production from the well.

(3) The Unit shall be dedicated to Applicant's Peterson 7 IL Federal Com. Well No. 1H (API No. 30-015-40945) ("the well"), a horizontal well that has been drilled from a surface location 1795 feet from the South line and 150 feet from the West line (Unit L) of Section 8. The well's completed interval will commence at a standard oil well location in Unit I of Section 7 and continue horizontally in the Yeso to a standard terminus, or bottomhole location, 1792 feet from the South line and 336 feet from the West line (Lot 3, Unit L) of Section 7. The completed interval of the well in the Yeso formation is orthodox.

(4) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(5) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and of the Unit.

(6) All proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act, (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended)

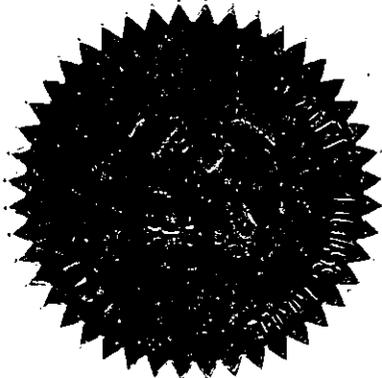
(7) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this Order shall thereafter be of no further effect.

(8) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(9) This Order is subject to the approval of the United States Bureau of Land Management for pooling of federal oil and gas leases.

(10) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director