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October 24, 2007

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

Case 14030

Dear Florene:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the November 29, 2007 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

Parties Being Pooled

Castle Royalties LLC  
Suite 900  
15601 North Dallas Parkway  
Addison, Texas 75001

Enerlex, Inc.  
18452 East 111<sup>th</sup> Street  
Broken Arrow, Oklahoma 74011

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 14030

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APPLICATION

Mewbourne Oil Company applies for an order pooling all mineral interests from the surface to the base of the Bone Spring formation (excluding the unitized Queen formation in the East Pearl Queen Unit) underlying the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27, Township 19 South, Range 35 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27, and has the right to drill a well thereon.

2. Applicant proposes to drill its Sparrow "27" State Well No. 1, at an orthodox location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27, to a depth sufficient to test the Bone Spring formation, and seeks to dedicate the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27 to the well to form a standard 40 acre oil spacing and proration unit for all pools or formations developed on 40-acre spacing within that vertical extent, including the Undesignated Pearl-Bone Spring Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27 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 SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27, pursuant to NMSA 1978 §70-2-17.

30-029-38568

5. The pooling of all mineral interests underlying the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27 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 SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 27, from the surface to the base of the Bone Spring formation (excluding the unitized Queen formation in the East Pearl Queen Unit);
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost 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,

A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Mewbourne Oil Company

PROPOSED ADVERTISEMENT

Case No. 14030: **Application of Mewbourne Oil Company for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Bone Spring formation (excluding the unitized Queen formation in the East Pearl Queen Unit) underlying the SE/4NW/4 of Section 27, Township 19 South, Range 35 East, NMPM, to form a standard 40-acre oil spacing and proration unit for all pools or formations developed on 40-acre spacing within that vertical extent, including the Undesignated Pearl-Bone Spring Pool. The unit is to be dedicated to the proposed Sparrow "27" State Well No. 1, to be drilled at an orthodox location in the SE/4NW/4 of Section 27. 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 10-1/2 miles west of Monument, New Mexico.

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