

MEWBOURNE OIL COMPANY

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OIL CONSERVATION DIVISION
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January 30, 1995

New Mexico Oil Conservation Commission
P.O. Box 1980
Hobbs, New Mexico 88240
Attn: David Catanach

Re: Case No. 11188
Texaco Exploration and Production Inc.
Application for Certification of a Positive Production Response

Dear Mr. Catanach:

Mewbourne Oil Company understands that the referenced is the first case of positive production response the Commission will process under the New Mexico Enhanced Oil Recovery Act. Mewbourne has a vested interest in the referenced in that our Querecho Plains Bone Spring Project, Order No. R-9737-A, was the first to receive the Certificate of Enhanced Oil Recovery under the same Act. We will make application for positive response in the near future and are very interested in the requirements for this certification. Through discussions with Commission representatives and representatives from Texaco it appears application will proceed as follows:

- Application made in letter form
- Exhibit of total field production curve
- Exhibit of total field columnar production for the last five years
- Exhibit plat showing unit boundary and all wells
- Exhibit of the Certification of Enhanced Oil Recovery Project

Mewbourne is in support of basing positive production response on total field production. This will greatly reduce the workload of both the Commission, the Department of Finance, Operators and Purchases versus making application on individual well response which was considered in the past. Not only would one have to prepare, consider and approve numerous applications from each project (the Querecho Plains, a small waterflood project, has 17 producers); but, also have numerous accounting reviews by all the above parties to ensure proper handling. Our experience in the state of Oklahoma, which has similar legislation in existence, is that any measurement error, accounting error, human error, etc. requiring revisions to the tax base generates a mound of paperwork for all the above parties. This is a large expenditure of manpower whereas the process could be performed once and, in our opinion, stay within the intent of the legislation. Mewbourne is also in

support of processing these applications administratively as we believe Texaco will request in the hearing of Thursday, February 2, 1995.

We very much look forward to the findings of the Commission concerning application for and certification of positive production response. Should you have any questions or comments of myself or Mewbourne Oil Company please call me or Ken Calvert at (903) 561-2900.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kevin Mayes".

Kevin Mayes, P.E.
Project Engineer