



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 4, 1999

Mr. Larry D. Bray
Acting Assistant Field Manager
Bureau of Land Management
Roswell District Office
2909 West Second Street
Roswell, New Mexico 88201-2019

Re: Division Case No. 12222
Mewbourne Oil Company

Dear Mr. Bray:

As you are aware, Mewbourne Oil Company (Mewbourne), in OCD Case No. 12222, is seeking to force pool the E/2 of Section 18, Township 23 South, Range 27 East, NMPM, to form a standard 320-acre gas spacing and proration unit for the Pennsylvanian formation. It is our understanding that this proposed unit is comprised of two separate Federal Leases, NM-0275360, which encompasses the S/2 of Section 18, and NM-0540701-A, which encompasses the N/2 of Section 18. Matador Petroleum Corporation (Matador) has entered an objection to Mewbourne's application and proposes to form its own standard 320-acre gas spacing and proration unit comprising the S/2 of Section 18, which would comprise a single Federal lease. Both companies seek to drill a well within the SE/4 of Section 18.

It is my understanding that Mewbourne has approached the BLM concerning the possibility of getting a communitization agreement (CA) approved for its proposed E/2 proration unit, and that after review of Mewbourne's geologic data, the BLM would "look favorably" on approving a CA for the E/2 of Section 18. It is further my understanding that Matador has requested the opportunity to present its geologic interpretation to BLM hoping to demonstrate that its geologic interpretation supports the formation of a S/2 proration unit as opposed to Mewbourne's proposed E/2 proration unit. My understanding is that BLM has agreed to review Matador's geologic data.

Inasmuch as the BLM has primary jurisdiction over approval or denial of communitization agreements, the Division believes it is prudent to allow the BLM the opportunity to review both companies' geologic data and subsequently provide comments to the Division prior to Case No. 12222 being heard.

This letter will confirm our conversation of August 3, 1999 whereby we agreed to the above-described procedure.

For your information, Case No. 12222 has been continued by the Division until August 19, 1999.

If you should have any questions, please contact me at (505) 827-8184.

Sincerely,

A handwritten signature in black ink, appearing to read "David Catanach". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Catanach
Hearing Examiner

Xc: Mr. James Bruce
Mr. Thomas Kellahin
Case File-12222