

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MEWBOURNE OIL COMPANY**

**CASE NO. 25634
ORDER NO. R-24094**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 13 and 18, 2025, and after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issues the following Order.

FINDINGS OF FACT

1. Mewbourne Oil Company (“Mewbourne”) submitted an application (“Application”) to compulsorily pool the uncommitted oil and gas interests within the Second Bone Spring horizon within the Bone Spring Formation underlying the following non-contiguous lands within Eddy County, New Mexico (“Proposed Unit”):
 - a. “West Area”
Township 18 South, Range 29 East, N.M.P.M.
Section 23: NW/4, W/2 NE/4
 - b. “East Area”
Township 18 South, Range 29 East, N.M.P.M.
Section 24: N/2
Township 18 South, Range 30 East, N.M.P.M.
Section 19: N/2
2. The West Area and East Area are separated by approximately one-quarter ($\frac{1}{4}$) mile of land not included in the Proposed Unit, consisting of the East half of the Northeast quarter of Section 23 in Township 18 South and Range 29 East, N.M.P.M. (“Separating Area”). The Terlingua 23 State No. 501H well (API No. 30-015-44052) is completed into and producing from the Second Bone Spring horizon within the Bone Spring Formation underlying the East half of the East half of Section 23 in Township 18 South, Range 29 East, the Northern half of which consists of the Separating Area. The Terlingua 23 State No. 501H is operated by EOG Resources, Inc. (OGRID No. 7377). EOG Resources, Inc. was not provided notice of the Application.

3. Mewbourne proposed to dedicate two (2) wells to the Proposed Unit with three-mile laterals that traverse the entire length of the Proposed Unit and would be completed into the Second Bone Spring horizon within the Bone Spring Formation underlying the West Area and East Area. Each well would traverse the Separating Area but would not be completed into it. The proposed wells are the following (“the Proposed Wells”):

IOU 24 19 FEDERAL COM #521H (API No. 30-015-57363)

Surface hole location: NW/4 NW/4 of Sec 20-T18S-R30E

Bottom hole location: NW/4 NW/4 of Sec 23-T18S-R29E

IOU 24 19 FEDERAL COM #523H (API No. 30-015-57364)

Surface hole location: NW/4 NW/4 of Sec 20-T18S-R30E

Bottom hole location: SW/4 NW/4 of Sec 23-T18S-R29E

4. A non-standard horizontal spacing unit has not been approved for the Proposed Unit.
 - a. A non-standard horizontal spacing unit is required for the Proposed Unit because it does not meet the criteria stipulated under 19.15.16.15(B) NMAC. The Proposed Unit does not consist of contiguous tracts comprised of governmental quarter-quarter sections.
 - b. Mewbourne states that it will seek administrative approval of the non-standard horizontal spacing unit. The non-standard horizontal spacing unit is non-contiguous due to the Separating Area being excluded. Its non-contiguous nature prevents its administrative approval by OCD.
5. The compulsory pooling application checklist included in the Application identifies the vertical extent which Mewbourne is requesting OCD to compulsory pool as the Bone Spring Formation. The application and landman’s self-affirmed statement indicated that Mewbourne is requesting OCD to compulsory pool the Second Bone Spring horizon which is a subset of the Bone Spring Formation.
6. Mewbourne identified the owners of uncommitted interests in oil and gas minerals in the Proposed Unit and provided evidence that notice was given.
7. The Proposed Wells traverse the Separating Area but will not be completed into it. Despite the wells traversing this area which causes the Proposed Unit to be non-contiguous, no evidence was provided that indicates Mewbourne provided notice to affected persons in the Separating Area.
8. Mewbourne did not provide drilling plans showing how the drilling and cementing of the Proposed Wells would not affect the production of the Terlingua 23 State No. 501H well in the Separating Area.

9. Mewbourne did not provide evidence demonstrating that the correlative rights of the affected persons in the Separating Area would not be impaired by the Application.
10. Mewbourne did not provide evidence demonstrating that the Application would prevent waste.
11. The Application was heard by the Hearing Examiner on the date specified above, during which Mewbourne presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

12. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
13. Mewbourne is the owner of an oil and gas working interest within the Proposed Unit.
14. The Unit contains separately owned uncommitted interests in oil and gas minerals.
15. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
16. The compulsory pooling application checklist included in the Application contains incorrect information. Historic practice by OCD is to make the compulsory pooling application checklist a part of the order issued for compulsory pooling cases and incorrect information contained therein hinders the issuance of an order.
17. Approval of a non-standard horizontal spacing unit is necessary for Mewbourne to produce from wells dedicated to the Proposed Unit, under 19.15.16.15 NMAC. OCD has determined that an application for a non-contiguous non-standard horizontal spacing unit must be set for hearing under 19.15.16.15(5) NMAC and 19.15.15.11(B)(5) NMAC.
18. Because the Proposed Wells traverse the Separating Area and the exclusion of the Separating Area causes the Proposed Unit to be non-contiguous, the correlative rights of affected persons in the Separating Area may be impacted by this case, and OCD has determined that they must receive notice under 19.15.4.12 NMAC. Notice is required to all parties in any tract traversed by a proposed well, regardless of whether that tract is included in the Proposed Unit when the exclusion of that tract causes the Proposed Unit to be non-contiguous.
19. In the absence of a correct compulsory pooling application checklist, approved non-standard horizontal spacing unit, and proper notice to the affected persons in the Separating Area, the Application must be denied.

ORDER

20. Pursuant to the Conclusions of Law, the Application is hereby denied without prejudice. This denial is based on the requirement for a correct compulsory pooling application checklist, the absence of an approved non-standard spacing unit, and the failure to provide proper notice to the affected persons in the Separating Area. Mewbourne may proceed by:

- a. filing separate compulsory pooling applications for the West Area and East Area, each of which with a development plan that avoids well(s) that are completed in or traverse both areas;
- b. refiling for the Proposed Unit and include a request for the non-standard horizontal spacing unit; or
- c. refiling for the Proposed Unit after receiving approval for the non-standard horizontal spacing unit through a hearing order.

21. In a new application, unless Mewbourne files separate compulsory pooling applications for the West Area and East Area as detailed above, Mewbourne shall:

- a. Provide notice of the application to all affected persons in the Separating Area.
- b. Demonstrate that the correlative rights of the affected persons in the Separating Area will not be impaired by the application.
- c. Demonstrate that the application will prevent waste.
- d. Provide a compulsory pooling application checklist that correctly identifies the portion of the Bone Spring interval which Mewbourne is requesting to be compulsory pooled.
- e. Provide additional details of its development plan including:
 - i. engineering and operational practices on how Mewbourne will:
 1. avoid collision with existing wells;
 2. account for loss zones such as existing fracture network(s); and
 3. ensure the use of mud during drilling and the subsequent cementing of casing for the Proposed Wells will not negatively affect wells already producing in the Separating Area, inadvertently creating waste.

- ii. a map depicting and conclusion regarding how surrounding wells may be affected by the development plan including an estimated production response; and
- iii. alternative development plans and, including but not limited to, how they compare to the development plan including Mewbourne's reason for selecting the development plan.

- f. Provide the documents required for a non-standard horizontal spacing unit under 19.15.16.15(B)(5) NMAC.
- g. Provide additional information as may be required by OCD upon review.

**STATE OF NEW MEXICO
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Date: 1/6/2026

**ALBERT C. S. CHANG
DIRECTOR
AC/dm**