

**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. 15227
ORDER NO. R-13928**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:15 a.m. on October 30, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 10th day of November, 2014, 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) Case Nos. 15226 and 15227 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued for each case.

(3) In Case No. 15227, Mewbourne Oil Company ("Mewbourne" or "Applicant") seeks approval of a non-standard 160-acre oil spacing and proration unit (project area) in the Bone Spring formation, Santo Nino-Bone Spring Pool (pool code 54600), comprised of the N/2 S/2 of Section 27, Township 18 South, Range 30 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.

(4) The Unit will be dedicated to the Applicant's Ursa 27 B2IL Federal Com. Well No. 1H (the "subject well"; API No. 30-015-42526), a horizontal well drilled from a surface location 1425 feet from the South line and 903 feet from the West line (Unit L) of Section 26, to a standard terminus 2100 feet from the South line and 330 feet from the

West line (Unit L) of Section 27. The completed interval of the subject well in the Bone Spring formation in Section 27 will be orthodox.

(5) The subject well is within the Santo Nino-Bone Spring Pool (pool code 54600). Spacing in this pool is governed by special pool rules by Division Order No. R-8546-B, issued in Case No. 14608 on April 18, 2011 which provides for standard 80-acre units with wells to be located no closer than 330 feet to any outer boundary or quarter-quarter section line. The proposed Unit and project area consists of two lay-down, 80-acre standard spacing units.

(6) All working interest owners in the Unit have ratified or joined the proposed Communitization Agreement, leaving only owners of bare record title who have not joined.

(7) At the hearing, the Applicant through counsel presented by affidavit land and geologic evidence to the effect that:

- (a) all working interest owners in the Unit have ratified or joined the proposed Communitization Agreement, leaving only owners of bare record title who have not joined;
- (b) Applicant is preparing to submit the proposed Communitization Agreement to the United States Bureau of Land Management ("BLM"); however, the Communitization Agreement cannot be approved because the record title owner for Federal Lease NMLC0028527 has not ratified or otherwise approved the Communitization Agreement;
- (c) Applicant mailed a copy of the Communitization Agreement to record title holder on October 1, 2014, and did not receive a response;
- (d) the Bone Spring formation in this area is suitable for development by horizontal drilling;
- (e) the orientation of the horizontal well East to West or West to East is appropriate for the proposed Unit; and
- (f) all quarter-quarter sections to be included in the Unit are productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(8) Applicant requested to be designated the operator of the subject well and the Unit.

(9) Applicant requested that no provision be made regarding sharing of costs or revenues since the party to be pooled owns only the record title.

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

The Division concludes as follows:

(11) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(12) 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 in one or more tracts included in the Unit that are separately owned.

(13) The interests of the record title owners should be pooled for the purpose of combining all interests in the Unit.

(14) Once the interests are pooled by order of the Division, then all heirs, devisees, and successors will have either ratified and joined the Communitization Agreement or will have had their interests combined by order of the Division.

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

(16) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford 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.

(17) Mewbourne should be designated the operator of the subject well and the Unit.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the "Unit") is hereby established for the Bone Spring formation, the Santo Nino-Bone Spring Pool (pool code 54600), consisting of the N/2 S/2 of Section 27, Township 18 South, Range 30 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 Bone Spring formation underlying the Unit are hereby pooled.

(3) The Unit shall be dedicated to the Applicant's Ursa 27 B2IL Federal Com. Well No. 1H (the "subject well"; API No. 30-015-42526), a horizontal well drilled from a surface location 1425 feet from the South line and 903 feet from the West line (Unit L) of Section 26, to a standard terminus 2100 feet from the south line and 330 feet from the West line (Unit L) of Section 27. The completed interval of the subject well in the Bone Spring formation in Section 27 will be orthodox.

(4) Upon final plugging and abandonment of the subject 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 the Unit.

(6) All proceeds from production from the subject 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).

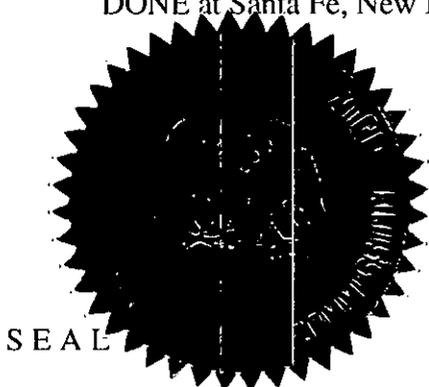
(7) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(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 approval of compulsory pooling of federal lands by the United States Bureau of Land Management.

(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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director