

**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. 15340
ORDER NO. R-14068**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 23, 2015, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze, and on October 15, 2015, before Examiner Michael McMillan.

NOW, on this 29th day of October, 2015, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Mewbourne Oil Company (the "Applicant" or "Mewbourne") seeks approval of a non-standard 160-acre oil spacing and proration unit and project area (the "Unit") in the Querecho Plains; Lower Bone Spring Pool (Pool code 50510) consisting of the W/2 E/2 of Section 28, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted record title interests in the Unit for the Bone Spring formation.

(3) The Unit will be dedicated to Applicant's Querecho 28 OB Federal Com. Well No. 1H (the "subject well"; API No. 30-025-41933), a horizontal well drilled from a surface location 170 feet from the South line and 1420 feet from the East line (Unit letter O) of Section 28, to a terminus 336 feet from the North line and 2258 feet from the East line (Unit letter B) of Section 28. The completed interval of the well in the Bone Spring formation is orthodox.

(4) The subject well is within the Querecho Plains; Lower Bone Spring Pool. Spacing in this pool is governed by statewide rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented land and geologic evidence by affidavit and testimony to the effect that:

- (a) The Bone Spring formation, including the 2nd Bone Spring sand in this area, is suitable for development by horizontal drilling;
- (b) the orientation of the horizontal well North to South or South to North is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring, so that formation of the Unit as requested will not impair correlative rights;
- (d) the Unit comprises two federal leases and, therefore, requires a federal Communitization Agreement to produce from the Unit;
- (e) 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;
- (f) Applicant submitted the 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 NM94970 has not ratified or otherwise approved the Communitization Agreement; and
- (g) Applicant provided notice of this application to offset operators and all uncommitted record title interest owners by certified mail, return receipt requested.

(6) Based on Division records, the subject well was spud on July 27, 2014, and the subject well was completed and ready for production on September 17, 2014.

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

The Division concludes as follows:

(8) 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.

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

(10) 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.

(11) There are interest owners in the Unit that have not agreed to pool their interests.

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

(13) Mewbourne should be designated the operator of the proposed well and of the Unit.

(14) Because the parties whose interests will be pooled by this Order do not own any working interests, there is no necessity to provide in this Order for allocation of costs, risk charges, or overhead charges.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit and project area (the "Unit") is hereby established in the Querecho Plains; Lower Bone Spring Pool (Pool code 50510) consisting of the W/2 E/2 of Section 28, Township 18 South, Range 32 East, NMPM, Lea 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 Applicant's **Querecho 28 OB Federal Com. Well No. 1H** (the "subject well"; API No. 30-025-41933), a horizontal well drilled from a surface location 170 feet from the South line and 1420 feet from the East line (Unit letter O) of Section 28, to a terminus 336 feet from the North line and 2258 feet from the East line (Unit letter B) of Section 28. The completed interval of the subject well in the Bone Spring formation is 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) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(7) All proceeds from production from the proposed 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 70-8A-31, as amended).

(8) 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.

(9) 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.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director