

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

APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 23206

NOTICE OF FILING ADDITIONAL EXHIBITS

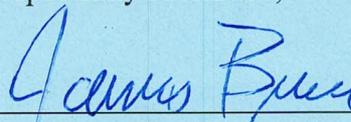
In its application, Mewbourne Oil Company ("Mewbourne") requested overhead rates of \$10000/month for a drilling well and \$1000/month for a producing well. The Examiners requested additional information on the requested rates. Mewbourne submits the following:

Exhibit A is the Self-Affirmed Statement of Mewbourne's landman submitted into evidence in Case No. 23300, which was heard in January 2023. In that case (and in related Case No. 23301) the same overhead rates were requested as in the present matter. In paragraph 2(i) the landman discusses the justification for an increase in these rates.

For historical background, the undersigned also reviewed orders issued in prior Mewbourne pooling cases. Submitted as Exhibit B is a portion of Order No. R-13771, which shows that at least since 2013 the Division has approved overhead rates of \$7500/\$750. Also submitted, as Exhibit C, is a portion of Order No. R-14331, which shows that at least since 2017 the Division has approved overhead rates of \$8000/\$800.

This shows that rates have been flat for almost a decade.

Respectfully submitted,



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Attorney for Mewbourne Oil Company

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:

EXHIBIT

A

APPLICATION OF MEWBOURNE OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

Case No. 23300

SELF-AFFIRMED STATEMENT OF JOSH ANDERSON

Josh Anderson, being duly sworn upon his oath, deposes and states:

1. I am a landman for Mewbourne Oil Company ("Mewbourne"), and have personal knowledge of the matters stated herein. I have been qualified by the Division as an expert petroleum landman.

2. Pursuant to Division Rules, the following information is submitted in support of the compulsory pooling application filed herein:

(a) The purpose of this application is to force pool working interest owners into the Bone Spring horizontal spacing unit described below, and in wells to be drilled in the unit.

(b) No opposition is expected because the interest owners being pooled have been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests to the well.

(c) A plat outlining the unit being pooled is submitted as Attachment A. Mewbourne seeks an order pooling all uncommitted mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the W/2E/2 of Section 1 and the W/2E/2 of Section 12, Township 19 South, Range 32 East, NMPM. The unit will be dedicated to the Bondurant 1/12 B2BO Fed. Well No. 1H, with a first take point in the NW/4NE/4 of Section 1 and a last take point in the SW/4SE/4 of Section 12.

A C-102 for the well is submitted as part of Attachment A.

(d) The land tracts in the well unit, and the parties being pooled and their interests, are set forth in Attachment B.

(e) There is no depth severance in the Bone Spring formation.

EXHIBIT

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(f) Attachment C is a summary of communications, which also includes copies of the proposal letters sent to the interest owners. In order to locate the interest owners Mewbourne searched county records and federal lease files, and when necessary did internet searches. All interest owners are locatable, and all of proposal letters were received according to online data provided by the U.S. Postal Service.

(g) Mewbourne has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed well.

(h) Attachment D contains the Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable, and comparable to the costs of other wells of similar depth and length drilled in this area of Lea County.

(i) Mewbourne requests overhead and administrative rates of \$10000/month for a drilling well and \$1000/month for a producing well. These rates are fair and reasonable for wells of this depth and length in this portion of Lea County. They are also the rates set forth in the proposed Joint Operating Agreement for the well unit. Mewbourne requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

The requested rates are justified by several factors: inflation over the last decade or more; operators have additional duties to perform than in the past; enhanced safety and environmental protocol costs; an increase in operational costs and materials; and increased facility maintenance costs.

(j) Mewbourne requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.

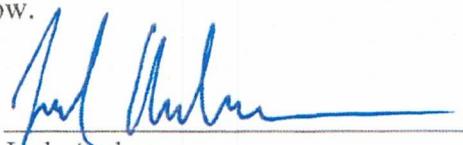
(k) Mewbourne requests that it be designated operator of the well.

(l) The attachments to this affidavit were prepared by me or under my supervision, or compiled from company business records.

(m) The granting of this application is in the interests of conservation and the prevention of waste.

3. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 2(m) above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

Date: 1/27/23



Josh Anderson

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:

EXHIBIT **B**

CASE NO. 15052
ORDER NO. R-13771

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 case came on for hearing at 8:15 a.m. on October 17, 2013, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 15th day of November, 2013, 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) Mewbourne Oil Company ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation [Tamano-Bone Spring Pool (58040)], consisting of the E/2 of the W/2 (Units C, F, K and N) of Section 11, Township 18 South, Range 31 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Bone Spring formation.

(3) The Unit is to be dedicated to Applicant's Tamano 11 NC Federal Com. Well No. 1H (API No. 30-015-41350) ("the proposed well"), a horizontal well to be drilled from a surface location 150 feet from the South line and 2310 feet from the West line (Unit N) of Section 11. The well will penetrate the Bone Spring formation at a standard oil well location in Unit N of Section 11 and continue horizontally in the Bone Spring to a standard terminus, or bottomhole location, 330 feet from the North line and 2250 feet from the West line (Unit C) of Section 11. The completed interval of the

Case No. 15052
Order No. R-13771
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(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(16) Except as provided in Paragraphs (13) and (15) above, 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 70-8A7-8A-28, as amended).

(17) Any unleased mineral interest 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.

(18) 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.

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 15672
ORDER NO R 14331

APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION

This case came on for hearing at 8 15 a m on April 13 2017 before Examiner
Michael A McMillan

NOW on this 8th day of May 2017 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) Mewbourne Oil Company ('Applicant' or 'Mewbourne) seeks an order
pooling all uncommitted interests in the Wolfcamp formation Purple Sage Wolfcamp
(Gas) Pool (Pool code 98220), underlying the E/2 W/2 Lot 1, Lot 2, Lot 3 and Lot 4
(W/2 equivalent) of Irregular Section 18, Township 23 South Range 27 East NMPM
Eddy County New Mexico to form a standard 315 12-acre more or less gas spacing
unit (the "Unit")

(3) The Unit will be dedicated to the Applicant s Slider 18 W2MD Federal
Com Well No 1H (the proposed well API No 30-015 43621) a horizontal well to be
drilled from a surface location 185 feet from the South line and 330 feet from the West
line (Lot 4) of Section 18 Township 23 South Range 27 East to a terminus or bottom
hole location 330 feet from the North line and 330 feet from the West line (Lot 1) of
Section 18 Township 23 South Range 27 East The location of the completed interval
will be orthodox within the Unit

EXHIBIT C

Case No 15672
Order No R 14331
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(13) The operator shall distribute the costs and charges withheld from production proportionately, to the parties who advanced the well costs

(14) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$8 000 per month while drilling and \$800 per month while producing provided that these rates shall be adjusted annually pursuant to Section III 1 A 3 of the COPAS form titled *Accounting Procedure Joint Operations* The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable attributable to pooled working interest owners

(15) Except as provided in Paragraphs (12) and (14) above, 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 7-8A-31 as amended)

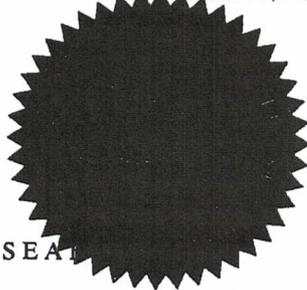
(16) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production and no costs or charges shall be withheld from production attributable to royalty interests

(17) 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

(18) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this Order

(19) Jurisdiction of this case is retained for the entry of such further Order 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

DAVID R. CATANACH
Director