

**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:**

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

Case Nos. 23365 & 23366

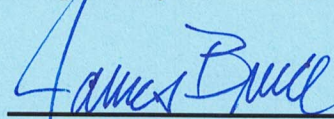
**APPLICATIONS OF EARTHSTONE OPERATING,
LLC FOR A SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case Nos. 23475 & 23477

NOTICE OF FILING ADDITIONAL DOCUMENT

Mewbourne Oil Company ("Mewbourne") hereby files, as Attachment X, an e-mail recently sent by the State Land Office ("SLO") to personnel from numerous operators. It discusses the SLO's policy on who may operate wells within SLO-approved units.

Respectfully submitted,



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Attorney for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 12th day of December, 2023 by e-mail:

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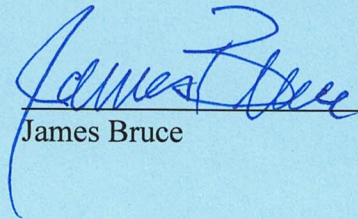
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Sent: Friday, November 17, 2023 4:02 PM

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Subject: [EXT] Issues with APDs and Units

Over the past few months we have come across a number of APDs (whether new, not drilled or about to be drilled) or wells that traverse unit boundaries where the operator of the proposed well or wells is NOT the unit operator. Pursuant to unit agreements, the unit operator must be the well operator of any unit well.

The failure to adhere to this contractual requirement can prove extremely problematic on many levels, and the failure to adhere to this requirement results in issues with both the BLM (when federal lands are included) and the State Land Office. Further, the failure to follow unit requirements may lead to more

severe consequences for the unit operator and the operator who impermissibly drilled across unit boundaries.

Moreover, per the horizontal well spacing rule, 19.15.16.15.B.6 NMAC, *"No horizontal spacing unit may be designated that lies partly within, and partly outside of, a state exploratory unit, or a federal exploratory unit or participating area if the horizontal spacing unit includes state trust lands, without the written consent of the commissioner of public lands."* The wells the Land Office has identified thus far that have been drilled or that have sought APDs do NOT have the consent of the Commissioner.

Often, when the Land Office is made aware of an issue, the Land Office can assist to find a resolution to potential barriers to development. However, when development occurs in violation of agreements, the workload of oil and gas staff at the Land Office increases exponentially in a division that is already understaffed. This results in slowdowns to industry as a whole that we certainly do not wish to see, especially since units result in more than 85% of our oil and gas revenue.

In sum, please review APDs to ensure that they are not entering others' units or unitized intervals without Land Office authorization.

Please let us know if you have any questions.

Allison Marks

Director

Oil, Gas & Minerals Division

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