

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF MEWBOURNE OIL COMPANY
FOR APPROVAL OF EXPANSION OF A UNIT AREA,
LEA COUNTY, NEW MEXICO.**

**Case No. 21418
Order No. R-21721**

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:15 a.m. on March 18, 2021 at Santa Fe, New Mexico, before Oil Conservation Division (“Division”) Examiners William Brancard and Kathleen Murphy.

NOW, on this 3rd day of June 2021, 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 its subject matter.
- (2) Mewbourne Oil Company (“Mewbourne” or “Applicant”) seeks an order approving expansion of the North Wilson Deep Unit. The expanded unit area will cover 12,142.39 acres of State of New Mexico trust lands in Lea County (“Expanded Unit”), described as follows:

Township 20 South, Range 36 East, NMPM

Section 31: Lots 1-4, E/2W/2, and E/2 (All)
Section 32: SW/4

Township 21 South, Range 35 East, NMPM

Section 4: Lots 1-16 and S/2 (All)
Section 5: Lots 1-16 and S/2 (All)
Section 6: Lots 1, 2, 7-10, 15, 16, and SE/4 (E/2)
Section 7: E/2
Section 8: All
Section 9: All

Section 16:	All
Section 17:	All
Section 20:	All
Section 21:	All
Section 22:	All
Section 27:	All
Section 28:	All
Section 29:	N/2
Section 33:	All
Section 34:	All

Township 22 South, Range 35 East, NMPM

Section 3:	Lots 1-4, S/2N/2, and S/2 (All)
Section 10:	W/2
Section 15:	W/2

There are 56 tracts of land in the Expanded Unit.

(3) In Order R-2621, dated December 17, 1963, the Oil Conservation Commission approved the North Wilson Deep Unit Agreement Plan “in principle as a proper conservation measure”. ¶3. Order R-2621 provided that the unit area may be enlarged or contracted with the approval of the Secretary-Director of the Commission (now the Division Director). ¶4(b).

(4) Applicant presented testimony and exhibits as follows:

(a) Applicant is a working interest owner in, and the operator of, the North Wilson Deep Unit Area, a State Land Office exploratory unit originally comprising 2,145.95 acres of state trust land in Lea County, New Mexico, described as follows:

Township 20 South, Range 36 East, NMPM

Section 31:	E/2
Section 32:	W/2

Township 21 South, Range 35 East, NMPM

Section 5:	Lots 1-8, N/2, SW/4, and W/2SE/4
Section 6:	Lots 1, 2, 7-10, 15, 16, and SE/4
Section 7:	NE/4

The Unit Area was approved by Commission Order No. R-2621, and covered depths below 5,200 feet.

(b) The Unit Area was subsequently contracted, and now covers the following 1,105.95 acres of land as to depths from 5,200 feet to 14,725 feet.

Township 20 South, Range 36 East, NMPM

Section 31: SE/4

Section 32: SW/4

Township 21 South, Range 35 East, NMPM

Section 5: Lots 1-10, 15, and 16

Section 6: Lots 1, 2, 7-10, 15, and 16

(c) Mewbourne contacted the State Land Office in early 2020 to discuss forming a unit area for development of the Bone Spring and Wolfcamp formations. Because the lands Mewbourne was proposing to unitize included the existing unit area, the State Land Office suggested that Mewbourne expand the North Wilson Deep Unit.

(d) The Expanded Unit area was originally proposed to be 13,272.13 acres in size, but Mewbourne eliminated the E/2 §18-21S-35E and §4-22S-35E at the request of Chisholm Energy Operating LLC, and the SE/4 §32-20S-36E at the request of COG Operating LLC. As now proposed, the Expanded Unit covers 12,142.39 acres.

(e) The Expanded Unit was originally proposed to cover the Bone Spring and Wolfcamp formations. It now includes only the Bone Spring formation, at the request of several working interest owners.

(f) The lands in the Expanded Unit have not been developed over the past decade, and the State Land Office supports unit expansion and development of its Trust Lands.

(g) The Unit is a State Land Office exploratory unit, and participation by interest owners is completely voluntary. Allocation of production is based solely on acreage under the State Land Office form of unit agreement.

(h) The Unit Agreement has provisions for expansion and contraction.

(i) The Expanded Unit has been preliminarily approved by the State Land Office.

(j) The geology presented at hearing shows that the Avalon Shale, 1st Bone Spring Sand, 2nd Bone Spring Sand, and 3rd Bone Spring Sand (the entire Bone Spring formation) are prospective for oil and gas development by horizontal drilling.

(k) Approval of the Expanded Unit will lead to orderly development of the unitized interval.

(l) Unitized development will minimize surface use and disturbance.

(m) The initial unit wells will be (i) the North Wilson Deep Unit Well No. 3H (API No. 30-025-Pending), to be located in the W/2SW/4 of Section 17, W/2W/2 of Section 20, and W/2NW/4 of Section 29, Township 21 South, Range 35 East, NMPM, and (ii) the North Wilson Deep Unit Well No. 4H (API No. 30-025-Pending), to be located in the E/2SW/4 of Section 17, E/2W/2 of Section of Section 20, and E/2NW/4 of Section 29, Township 21 South, Range 35 East, NMPM.

(n) Notice of this application was provided to all working interest owners.

(o) The unitized interval for the existing unit and the proposed expansion of 12,142.39 acres shall be the entire Bone Spring formation. The top of the Bone Spring formation is defined as the stratigraphic equivalent of the measured depth of 7,748 feet, and the base of the Bone Spring formation is defined as the stratigraphic equivalent of the measured depth of 10,360 feet, as found on the Schlumberger Sonic Gamma Ray log in the North Wilson Deep Unit Well No. 1 (API No. 30-025-20607), located 660 feet from the South Line and 1980 feet from the East Line (Unit O) of Section 31, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

(p) The existing Morrow well (North Wilson Deep Unit #002 – API No. 30-025-21718), with a surface location of 1980 feet from the North Line and 1980 feet from the West Line (Lot 6) of Section 5, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico will remain as the initial unit well and will be excluded from the unit when a Bone Spring well in the unit is deemed commercial by the State Land Office. On the date a Bone Spring well is deemed commercial in the unit, the commercial Bone Spring well will become the Initial Bone Spring well in the unit, and the Morrow well will produce on the lease basis only.

(5) The New Mexico State Land Office issued a preliminary approval of the Expanded Unit on January 22, 2021. (ex. 1-F). The State Land Office requires that among the items necessary to obtain final approval of the Expanded Unit is an “approval order” from the Division.

(6) Some reservations were expressed by the Division about expanding the unit because its unitized interval covers a number of formations, while the expanded unit area will cover the Bone Spring formation. Applicant could find no statute or rule prohibiting the State Land Office or the Division from approving the unit expansion as proposed by Mewbourne and approved by the State Land Office. Mewbourne’s proposal is set forth in Ordering Paragraphs (1) and (2).

(7) COG Operating LLC, Chisholm Energy Operating LLC, Devon Energy Operating, L.P., Marathon Oil Permian LLC, and Apache Corporation entered appearances at the hearing and were represented by counsel. Although these parties objected to certain aspects of the application during 2020, they did not oppose the application at hearing.

(8) Approval of the Expanded Unit will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Expanded Unit for the North Wilson Deep Unit Area is hereby approved for oil and gas produced from the following described 12,142.39 acres of State trust lands in Lea County, New Mexico.

Township 20 South, Range 36 East, NMPM

Section 31: Lots 1-4, E/2W/2, and E/2 (All)

Section 32: SW/4

Township 21 South, Range 35 East, NMPM

Section 4: Lots 1-16 and S/2 (All)

Section 5: Lots 1-16 and S/2 (All)

Section 6: Lots 1, 2, 7-10, 15, 16, and SE/4 (E/2)

Section 7: E/2

Section 8: All

Section 9: All

Section 16: All

Section 17: All

Section 20: All

Section 21: All

Section 22: All

Section 27: All

Section 28: All

Section 29: N/2

Section 33: All

Section 34: All

Township 22 South, Range 35 East, NMPM

Section 3: Lots 1-4, S/2N/2, and S/2 (All)

Section 10: W/2

Section 15: W/2

(2) The Unitized Interval as to all lands described in Ordering Paragraph (1) shall be the entire Bone Spring formation. The top of the Bone Spring formation is found at a measured depth of 7,748 feet, and the base of the Bone Spring formation is found at a measured depth of 10,360 feet, as found on the Schlumberger Sonic Gamma Ray log in the North Wilson Deep Unit Well No. 1 (API No. 30-025-20607), located 660 feet from the South Line and 1980 feet from the East Line (Unit O) of Section 31, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) The plan contained in the Unit Agreement for the expanded North Wilson Deep Unit Area for the development and operation of the Expanded Unit is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) All: (i) plans of development and operation; and (ii) expansions or contractions of the unit area submitted to the State Land Office, shall be submitted annually to the Division for review.

(6) This order shall become effective upon the approval of the unit agreement by the State Land Office. This order shall terminate upon termination of the unit agreement. The last unit operator shall promptly notify the Division in writing of such termination.

(7) Jurisdiction over 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 designated above.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL
Director