

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

**IN THE MATTER OF APPLICATION FOR  
COMPULSORY POOLING SUBMITTED BY  
MEWBOURNE OIL COMPANY**

**CASE NO. 25953  
ORDER NO. R-24443**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on March 5 and 12, 2026, and after considering the testimony, evidence, and recommendation of the Hearing and Technical Examiners, issues the following Order.

**FINDINGS OF FACT**

1. Mewbourne Oil Company (“Mewbourne”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. Mewbourne seeks to be designated the operator of the Unit.
2. Mewbourne had previously submitted an application to compulsory pool the uncommitted oil and gas interests within the Unit in Case No. 25634. On January 6, 2026, OCD denied the application through Order No. R-24094 without prejudice because:
  - i. a correct compulsory pooling application checklist was not provided;
  - ii. approval for a non-standard horizontal unit had not been granted; and
  - iii. notice of the application was not sufficient.
3. Mewbourne will dedicate the wells described in Exhibit A (“Wells”) to the Unit.
4. Mewbourne proposes the supervision and risk charges for the Wells described in Exhibit A.
5. Mewbourne owns a working interest in all the tracts of the Unit except for Tract 5.<sup>1</sup>
6. EOG Resources, LLC (“EOG”) owns all working interest within Tract 5 of the Unit. A Joint Development Agreement with EOG and Mewbourne for the Unit was executed on July 25, 2024. EOG signed a Joint Operator Agreement for the Unit at about the end of 2025. Mewbourne commenced drilling the Wells on November 9, 2025.

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<sup>1</sup> The Division notes that Finding of Fact No. 5 reflects only the parties’ assertions in the respective applications and does not constitute a determination of ownership by the Division. The Division further recognizes that ownership positions asserted in Case No. 25634 were superseded or clarified by the evidence and agreements presented in this case, and the Division evaluates the Application based on the current ownership interests as established in this proceeding.

7. Mewbourne identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given to them except for WPX Energy Permian, LLC.

Written notice of the application was provided to Blue State Oil and Gas, LLC via the same notice provided to Vladin, LLC.

WPX Energy Permian, LLC provided a written waiver of no objection to the Application.

8. Mewbourne is requesting approval of a non-standard horizontal spacing unit for the Unit.

Mewbourne testified that it wishes to utilize a common facility and reduce costs associated with the drilling and completing of the Wells.

Under 19.15.16.15(B)(1)(a) NMAC, a standard horizontal spacing unit for oil wells shall be comprised of one or more contiguous tracts, each of which consists of a governmental quarter-quarter section or equivalent. The Unit is comprised of a non-standard horizontal spacing unit as it is:

- i. composed of non-contiguous lands that are separated by approximately one-quarter (1/4) mile of land not included in the Unit, consisting of the East half of the Northeast quarter of Section 23, Township 18 South, Range 29 East, N.M.P.M. (“Separating Area”); and
- ii. includes tracts that are larger than a governmental quarter-quarter section or equivalent.

9. Mewbourne proposed three developmental plans for the lands associated with the Unit.

In Mewbourne’s preferred development plan, it proposed two wells, each with a 3-mile lateral that transverses the Separating Area (“Plan A”).

In one of Mewbourne’s alternative development plans, it proposed three wells, two with a 2-mile lateral and one with a 1.5-mile U-turn lateral (“Plan B”). Under Plan B, a well’s lateral would not transverse the Separating Area.

In the other of Mewbourne’s alternative development plans, it proposed four wells, two with a 2-mile lateral and two with a 0.75-mile lateral (“Plan C”). Plan C would have been cost prohibitive compared to the other development plans.

10. A comparison of the development plans was conducted.

Within Plan A, Mewbourne proposed to transverse the Separating Area with the laterals for the Wells, but it would not complete them within the Separating Area and for 100’ on either side.

Within Plan B, the laterals for the Wells would not transverse the Separating Area as the Unit would be comprised of two separate and independently developed units.

Standard industry practice when completing a U-turn well is to perforate and complete the lateral as close as possible to the boundary of the spacing unit including perforating within the curve of the “U” portion of the lateral. Within Plan B, Mewbourne had proposed to not complete within the curve of “U” portion of the lateral of the U-turn well causing waste.

Plan A includes approximately 21,840’ (18,800’ vertical and 3,040’ horizontal) of uncompleted wellbore. Had Plan B utilized standard industry practice, then it would have included approximately 29,520’ (28,200’ vertical and 1,320’ horizontal) of uncompleted wellbore. Using standard industry practice, both plans would have approximately the same amount of completed wellbore.

Plan A includes 1 surface facility, and Plan B includes 2 surface facilities.

Assuming standard industry practice, Plan A and Plan B would have similar ultimate recovery, but Plan B would require additional surface equipment and approximately 7,680’ more of uncompleted wellbore.

11. The Application was heard by the Hearing Examiner on the date specified above, during which Mewbourne presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.
12. The evidence demonstrates that the acreage comprising the Unit, including the separated tracts, can be efficiently and economically drained by the continuous lateral wellbore trajectories proposed in Plan A. Each development plan is protective of the correlative rights of the interest owners within the Unit and within the Separating Area

### **CONCLUSIONS OF LAW**

1. The Oil Conservation Division (“OCD”) has jurisdiction over the parties and the subject matter of this case pursuant to NMSA 1978, Sections 70-2-6, 70-2-12(B), 70-2-17, and 70-2-18(C).
2. Mewbourne is the owner of an oil and gas working interest within the Unit.
3. Mewbourne has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
4. The Unit contains separately owned uncommitted interests in oil and gas minerals.
5. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
6. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.

7. Pursuant to NMSA 1978, Section 70-2-12(B), the Division is vested with broad authority to regulate and enforce all matters relating to the conservation of oil and gas, including the prevention of waste and protection of correlative rights. This authority includes approving non-standard spacing units—contiguous or non-contiguous—when doing so is necessary to fulfill the purposes of the Oil and Gas Act.
8. NMSA 1978, Section 70-2-17 authorizes the Division to establish spacing units for pools and determine their size and shape in adjudicatory proceedings. Nothing in Section 70-2-17 limits spacing units to contiguous acreage; rather, the statute entrusts the Division with determining the appropriate configuration to prevent waste and protect correlative rights.
9. Although Section 70-2-18 applies specifically to proration units, its structure demonstrates that the Legislature contemplated flexible unit configurations when necessary for efficient and economic drainage. While not the source of authority for spacing units, this statutory context reinforces that non-traditional unit shapes may be appropriate when supported by evidence.
10. Mewbourne satisfied the notice requirements for the Application and hearing under 19.15.4.12 NMAC and 19.15.4.9 NMAC. Mewbourne also met the specific notice requirements applicable to non-standard horizontal spacing units under 19.15.16.15(B)(5) NMAC.
11. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
12. Mewbourne has the right to drill the wells to the proposed depths and locations described in Exhibit A, and the evidence shows that the Unit contains separately owned uncommitted interests that have not voluntarily pooled. Compulsory pooling is therefore appropriate to prevent waste and protect correlative rights.
13. Approval of a non-standard spacing unit requires a showing that the proposed configuration is justified under 19.15.16.15(B)(5) NMAC. The evidence demonstrates that the proposed non-contiguous Unit can be efficiently and economically drained by the continuous lateral wellbores dedicated to the Unit under Plan A. This satisfies the requirement that the entirety of the Unit be drainable by the wells dedicated to it.
14. Although Mewbourne's cost comparison between Plan A and Plan B did not fully account for standard industry practices for completing U-turn laterals under Plan B, the evidence establishes that Plan A requires significantly less uncompleted wellbore and reduced surface infrastructure than Plan B. These efficiencies result in lower development costs and reduced surface disturbance and demonstrate that Plan A is the least wasteful and most efficient development alternative. This efficiency showing provides additional justification for approval of the non-standard spacing unit.
15. The evidence further supports that, under Plan A, Mewbourne will not complete the laterals within the Separating Area or within 100 feet on either side of it. This approach protects the correlative

rights of interest owners in and adjacent to the Separating Area and ensures the Unit is developed consistent with statutory purposes.

16. Approval of the non-standard horizontal spacing unit promotes efficient development, minimizes unnecessary surface disturbance, prevents waste, and protects correlative rights. The Order affords each owner of an uncommitted interest the opportunity to produce his or her just and equitable share of the oil and gas in the pool.

### **ORDER**

1. The Unit is approved as a non-standard horizontal spacing unit.
2. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
3. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
4. Mewbourne is designated as operator of the Unit and the Well(s).
5. Mewbourne shall submit a Form C-102 that references this Order and includes the correct acreage for each of the Wells. The Form C-102 shall be included in each well's APD or sundry including the well in the Unit.
6. If the location of a well is unorthodox under the spacing rules in effect at the time of completion, Mewbourne shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
7. Mewbourne shall commence drilling the Well(s) within one year after the date of this Order and complete each Well no later than one (1) year after the commencement of drilling the Well.
8. This Order shall terminate automatically if the Mewbourne fails to comply with the preceding paragraph unless the Mewbourne requests an extension by notifying the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the extension is automatically granted up to one year. If a protest is received the extension is not granted and Mewbourne must set the case for a hearing.
9. Mewbourne may propose reasonable deviations from the development plan via notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. Upon no objection after twenty (20) days the deviation is automatically granted. If a protest is received the deviation is not granted and the Mewbourne must set the case for a hearing.
10. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.

11. Mewbourne shall submit each owner of an uncommitted working interest in the pool (“Pooled Working Interest”) an itemized schedule of estimated costs to drill, complete, and equip the well (“Estimated Well Costs”).
12. No later than thirty (30) days after Mewbourne submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well (“Actual Well Costs”) out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Mewbourne no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a “Non-Consenting Pooled Working Interest.”
13. No later than one hundred eighty (180) days after Mewbourne submits a Form C-105 for a well, Mewbourne shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
14. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD’s order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Mewbourne its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Mewbourne shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
15. The reasonable charges for supervision to drill and produce a well (“Supervision Charges”) shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled “Accounting Procedure-Joint Operations.”
16. No later than within ninety (90) days after Mewbourne submits a Form C-105 for a well, Mewbourne shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well (“Operating Charges”), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.

17. Mewbourne may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
18. Mewbourne may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
19. Mewbourne shall distribute a proportionate share of the costs and charges withheld pursuant to the preceding paragraph to each Pooled Working Interest that paid its share of the Estimated Well Costs.
20. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Mewbourne shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
21. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
22. Except as provided above, Mewbourne shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 et seq., and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 et seq.
23. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Mewbourne shall inform OCD no later than thirty (30) days after such occurrence.
24. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Albert Chang*

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ALBERT CHANG  
DIRECTOR  
AC/dm

Date: 6/25/2026

# R-24443 EXHIBIT A

<b>COMPULSORY POOLING APPLICATION CHECKLIST</b>	
<b>ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS</b>	
<b>Case: 25953</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date: March 5, 2026</b>	
Applicant	Mewbourne Oil Company
Designated Operator & OGRID (affiliation if applicable)	Mewbourne Oil Company (OGRID No. 14744)
Applicant's Counsel:	Hardy McLean LLC
Case Title:	Application of Mewbourne Oil Company, for Compulsory Pooling and Approval of Non-Standard Spacing Unit, Eddy County, New Mexico.
Entries of Appearance/Intervenors:	EOG Resources, Inc.
Well Family	IOU 19/23 Fed Com
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring
Pool Name and Pool Code:	Santo Nino, Bone Spring Pool (Code 54600)
Well Location Setback Rules:	Statewide
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	876.42-acre
Building Blocks:	quarter-quarter
Orientation:	West to East
Description: TRS/County	N/2 of Section 19, Township 18 South, Range 30 East, the N/2 of Section 24, Township 18 South, Range 29 East, and the N/2 of Section 23, excluding the E/2 NE/4, Township 18 South, Range 29 East, Eddy County.
Standard Horizontal Well Spacing Unit (Y/N), If No, describe <u>and is approval of non-standard unit requested in this application?</u>	No. Mewbourne is seeking for approval of a non-standard spacing unit in this application.
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	N/A
Proximity Tracts: If yes, description	N/A
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit A-6
<b>Well(s)</b>	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Add wells as needed
Well #1	IOU 19/23 Fed Com #521H (API # 30-015-57363) SHL: 410' FNL & 475' FWL (Unit D), Section 20, T18S, R30E BHL: 500' FNL & 100' FWL (Unit D), Section 23, T18S, R29E Completion Target: Second Bone Spring (Approx. 8,134' TVD)
Well #2	IOU 19/23 Fed Com #523H (API # 30-015-57364) SHL: 430' FNL & 475' FWL (Unit D), Section 20, T18S, R30E BHL: 1900' FNL & 100' FWL (Unit E), Section 23, T18S, R29E Completion Target: Second Bone Spring (Approx. 8,156' TVD)
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$10,000
Production Supervision/Month \$	\$1,000
Justification for Supervision Costs	Exhibit A-7
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit A-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibits D-1, D-2, D-3
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D-4
<b>Ownership Determination</b>	
Land Ownership Schematic of the Spacing Unit	Exhibit A-6
Tract List (including lease numbers and owners)	Exhibit A-6

# R-24443 EXHIBIT A

If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	Exhibit A-3
Pooled Parties (including ownership type)	Exhibit A-6
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit A-7
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-6
Chronology of Contact with Non-Joined Working Interests	Exhibit A-8
Overhead Rates In Proposal Letter	Exhibit A-7
Cost Estimate to Drill and Complete	Exhibit A-7
Cost Estimate to Equip Well	Exhibit A-7
Cost Estimate for Production Facilities	Exhibit A-7
<b>Geology</b>	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B
HSU Cross Section	Exhibit B-2
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit A-5
Tracts	Exhibit A-6
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-6
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibit B-1
Structure Contour Map - Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibit B-3; Exhibit B-4; and Exhibit B-5
Cross Section (including Landing Zone)	Exhibit B-3; Exhibit B-4; and Exhibit B-5
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name</b> (Attorney or Party Representative):	Dana S. Hardy
<b>Signed Name</b> (Attorney or Party Representative):	<i>/s/ Dana S. Hardy</i>
<b>Date:</b>	2/24/2026