

**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. 13330
ORDER NO. R-12245**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR AN EXCEPTION TO
DIVISION RULE 104.C (2)(c), EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a. m. on September 16, 2004, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 13th day of December, 2004, 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 the subject matter.

(2) The Applicant, Mewbourne Oil Company ("Mewbourne" or "Applicant") seeks an exception to Division Rule 104.C.(2)(c) to allow two operators in all formations developed on 320-acre spacing in the N/2 of Section 20, Township 22 South, Range 28 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit in the Undesignated West Indian Flats-Strawn Gas Pool, Undesignated Dublin Ranch-Atoka Gas Pool, and Dublin Ranch-Morrow Gas Pool. This unit will be simultaneously dedicated to the existing Foal "20" Federal Well No. 1 (API No. 30-015-28988) located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 20, which is currently operated by Jetta Operating Company ("Jetta"), and Mewbourne's Dinero "20" Federal Well No. 2 (API No. 30-015-33512) located 1880 feet from the North line and 990 feet from the East line (Unit H) of Section 20.

(3) Division Rule 104.C.(2)(c) provides that in Southeast New Mexico an initial and infill well may be drilled on a standard gas spacing and proration unit

comprising 320 acres provided that: (i) the initial and infill well shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; (ii) the infill well shall be located within the quarter section not containing the initial well; and (iii) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(4) Jetta Operating Company acquired operatorship of the Foal "20" Federal Well No. 1 in July 2002 from Devon SFS Operating, Inc., and this well is currently producing from the Dublin-Morrow Gas Pool, and a standard 320-acre unit comprised of the N/2 of Section 20 is dedicated to the well.

(5) The Dinero "20" Federal Well No. 2 was recently drilled by Mewbourne and is currently testing the Morrow formation for commercial production. The Applicant testified that the middle Morrow is productive, and even though the Morrow formation is its primary target, it also requests that it be allowed to operate the well regardless of whether it is a Morrow, Atoka or Strawn well.

(6) Mewbourne presented evidence that demonstrates that:

- (a) the whole of Section 20 is one single federal lease (NM-86542);
- (b) the working interest owners in Jetta's Foal "20" Federal Well No.1 in the N/2 of Section 20 are Jetta Operating Company (75%), and Nearburg Exploration Company (25%);
- (c) the working interest owners in Mewbourne's Dinero "20" Federal Well No. 2 in the N/2 of Section 20 are Mewbourne (47.6875%), Jetta (22.3125%), Nearburg (15%), and EOG Resources (15%);
- (d) Applicant has the largest single working interest in the Dinero "20" Federal Well No. 2;
- (e) Applicant has the right to drill and has drilled a well within the NE/4 of Section 20 to recover additional reserves on well units developed on 320-acre spacing;
- (f) Applicant has discussed with the Bureau of Land Management (BLM) about having two operators on this 320-acre spacing unit and BLM did not object to Mewbourne drilling and operating the well;
- (g) notice of this application was given to Jetta Operating Company, Inc., Nearburg Exploration Company, and EOG Resources, Inc.,

and none of them appeared at the hearing to oppose this application; and

(h) the working interest owners within this N/2 of Section 20 are in agreement that Mewbourne should drill and operate the infill well in the 320-acre spacing unit.

(7) Mewbourne owns the largest single working interest in the Dinero "20" Federal Well No. 2, and requests that it be named the operator of the well in the 320-acre spacing unit.

(8) Mewbourne testified that production from the Strawn, Atoka, and Morrow wells on this spacing unit will be separately metered and reported to the Division.

(9) The Undesignated West Indian Flats-Strawn Gas Pool, Undesignated Dublin Ranch-Atoka Gas Pool, and Dublin Ranch-Morrow Gas Pool are non-prorated gas pools and are therefore not subject to production restrictions. Pursuant to Division rules, the Foal "20" Federal Well No. 1 and the Dinero "20" Federal Well No. 2 are allowed to produce at capacity.

(10) Approval of this application will enable Mewbourne to produce additional gas reserves from the Undesignated West Indian Flats-Strawn Gas Pool, Undesignated Dublin Ranch-Atoka Gas Pool, and Dublin Ranch-Morrow Gas Pool underlying the N/2 of Section 20 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

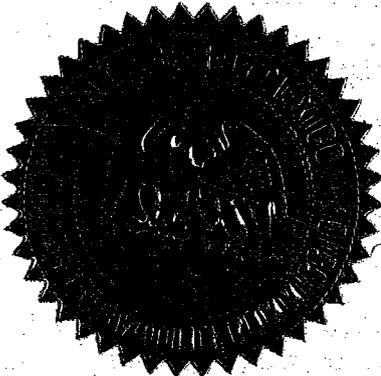
(1) The Applicant, Mewbourne Oil Company, is hereby granted an exception to Division Rule 104.C.(2)(c) to allow two operators in all formations developed on 320-acre spacing in the N/2 of Section 20, Township 22 South, Range 28 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit in the Undesignated West Indian Flats-Strawn Gas Pool, Undesignated Dublin Ranch-Atoka Gas Pool, and Dublin Ranch-Morrow Gas Pool. This unit shall be simultaneously dedicated to the existing Foal "20" Federal Well No. 1 (API No. 30-015-28988) located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 20, which is currently operated by Jetta Operating Company, and Mewbourne's Dinero "20" Federal Well No. 2 (API No. 30-015-33512) located 1880 feet from the North line and 990 feet from the East line (Unit H) of Section 20, which will be operated by Mewbourne Oil Company.

(2) Production from the Strawn, Atoka, and Morrow wells on this spacing unit shall be separately metered and reported to the Division, and there will be no commingling of this production.

(3) Prior to commencing production from the Dinero "20" Federal Well No. 2, Mewbourne Oil Company shall consult with the Bureau of Land Management (BLM) to ensure that its proposed method of production within the subject spacing and proration unit is in compliance with all applicable rules and procedures of BLM.

(4) Jurisdiction is hereby 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive.

MARK E. FESMIRE, P.E.
Director