

**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. 13305  
ORDER NO. R-12287**

**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 August 5, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23<sup>rd</sup> day of February, 2005, 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) The applicant, Mewbourne Oil Company ("Mewbourne"), 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 equivalent of irregular Section 19, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico. This unit will be simultaneously dedicated in the Morrow formation, Burton Flat-Morrow Gas Pool, to the existing RGD Well No. 1 (API No. 30-015-30175) located at a previously approved unorthodox Morrow gas well location 660 feet from the North line and 840 feet from the East line (Unit A), which is currently operated by Wynn-Crosby Energy, Inc. ("Wynn-Crosby"), and to the proposed Esperanza "19" Federal Com Well No. 2 (API No. 30-015-33494) which will be directionally drilled from a non-standard surface location 599 feet from the North line and 2043 feet from the East line (Unit B) to a standard bottomhole location approximately 780 feet from the North line and 1463 feet from the West line (Unit C), which will be drilled and operated by Mewbourne. This unit will also be simultaneously dedicated in the Strawn and/or Atoka formations to the existing Pioneer Federal Com Well No. 1 (API No. 30-015-24777) located 1980 feet from the North line

and 1740 feet from the East line (Unit G), which is currently operated by Vernon E. Faulconer, Inc. ("Faulconer"), and to the aforesaid Esperanza "19" Federal Com Well No. 2.

(3) Division Rule 104.C.(2) 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) Division records show that the RGD Well No. 1 was drilled in April 1998 by KCS Medallion Resources, Inc., and was completed in the Burton Flat-Morrow Gas Pool through perforations from 11,196-11,401 feet. Division records further show that Wynn-Crosby assumed operatorship of the well effective June 1, 2002.

(5) Division records also show that:

- (a) the Pioneer Federal Com Well No. 1 was drilled in 1984 by TXO Production Corporation. The well was initially completed as an oil well in the Wolfcamp formation through perforations from 8,952-8,960 feet, and as a gas well in the Burton Flat-Morrow Gas Pool through perforations from 11,187-11,216 feet. The well was subsequently produced as a single Morrow completion only;
- (b) Marathon Oil Company ("Marathon") assumed operatorship of the well effective January 1, 1991;
- (c) in 1991, Marathon permanently abandoned the Wolfcamp and Morrow formations in the well and subsequently completed the Strawn and Atoka formations through perforations from 10,258-10,594 feet;

- (d) by Order No. DHC-830 dated December 13, 1991, the Division authorized Marathon to downhole commingle the Strawn and Atoka formations within the Pioneer Federal Com Well No. 1. This order designated the well to be producing from the Wildcat-Strawn and Undesignated La Huerta-Atoka Gas Pools;
  - (e) by Order No. R-9668 dated May 6, 1992, the Division created the Carlsbad Springs-Strawn Gas Pool. This pool currently comprises the N/2 of Section 19. The discovery well for the pool was the Pioneer Federal Com Well No. 1;
  - (f) the Pioneer Federal Com Well No. 1 is currently being produced as a downhole commingled completion in the Undesignated La Huerta-Atoka and Carlsbad Springs-Strawn Gas Pools; and
  - (g) Faulconer assumed operatorship of the Pioneer Federal Com Well No. 1 from Marathon in November, 2000.
- (6) Division production records show that the Pioneer Federal Com Well No. 1 is currently being incorrectly reported by Faulconer as a downhole commingled completion in the La Huerta-Atoka and La Huerta-Strawn Gas Pools.
- (7) Mewbourne testified that the primary objective within the proposed Esperanza "19" Federal Com Well No. 2 is the Morrow formation. Secondary targets in the well include both the Strawn and Atoka intervals.
- (8) Mewbourne further testified that the proposed directional drilling is necessary in order to avoid a housing subdivision at or near the City of Carlsbad.

- (9) Mewbourne presented evidence that demonstrates that:
- (a) the N/2 of Section 19 is comprised of two separate Federal leases. One lease comprises Lots 1 and 2, (W/2 NW/4 equivalent) and the other lease comprises the E/2 NW/4 and NE/4;
  - (b) the N/2 of Section 19 is subject to an operating agreement dated January 20, 1984 that designates TXO Production Corporation as operator; and
  - (c) within the N/2 of Section 19, Federal Communitization Agreement No. NMNM-100728 dated May 1, 1998, is in effect for the Morrow formation and Federal Communitization Agreement No. NMNM-85343 dated August 14, 1991, is in effect for the Strawn and Atoka formations.

(10) The evidence presented demonstrates that by virtue of various agreements that have been executed within the N/2 of Section 19, the interest ownership between the RGD Well No. 1, Pioneer Federal Com Well No. 1 and the Esperanza "19" Federal Com Well No. 2 is not common. In addition, the operating rights to the Strawn formation have been segregated from the operating rights to the Morrow and Atoka formations in the RGD Well No. 1 and the Esperanza "19" Federal Com Well No. 2. Consequently, the interest ownership between the Strawn and the Atoka/Morrow intervals in the RGD Well No. 1 and the Esperanza "19" Federal Com Well No. 2 is not common.

(11) Mewbourne owns no interest in the RGD Well No. 1 or the Pioneer Federal Com Well No. 1, but has recently acquired, via a farmout agreement, all of Faulconer's interest in the spacing unit, including interest in the Atoka, Strawn and Morrow formations. Pursuant to this agreement, Faulconer will retain its interest in the Pioneer Federal Com Well No. 1 and will continue to operate this well. This agreement further stipulates that Mewbourne will report production to the Division for the Pioneer Federal Com Well No. 1.

(12) Mewbourne further testified that Wynn-Crosby does not desire to drill and operate a second Morrow producing well on this spacing unit but has agreed to participate as an interest owner with Mewbourne in the drilling of the Esperanza "19" Federal Com Well No. 2.

(13) Mewbourne presented further evidence and testimony that demonstrates that:

- (a) within the proposed Esperanza "19" Federal Com Well No. 2 there are six (6) interest owners in the Atoka/Morrow interval, sixteen (16) interest owners in the Strawn interval, and six (6) interest owners who own an interest in both the Atoka/Morrow and Strawn intervals;
- (b) all of the interest owners in the Atoka/Morrow interval in the proposed Esperanza "19" Federal Com Well No. 2 have voluntarily agreed to participate with Mewbourne in the drilling of the well;
- (c) in the event the well is recompleted to the Strawn formation at some future time, Mewbourne will seek, at that time, to secure the voluntary participation of those interest owners in the Strawn formation;
- (d) Mewbourne has acquired letters of support for its proposal to drill the Esperanza "19" Federal Com Well No. 2 from some, but not all, of the interest owners in the N/2 of Section 19; and
- (e) Mewbourne has provided notice of its application to all interest owners within the N/2 of Section 19. No interest owner appeared at the hearing in opposition to the application.

(14) Approval of the subject application will provide Mewbourne the opportunity to recover additional gas from the Burton Flat-Morrow Gas Pool, and from the Strawn and Atoka formations within the N/2 of Section 19 which may otherwise not be recovered, thereby preventing waste.

(15) No interest owner within the N/2 of Section 19 has objected to Mewbourne's proposed operation.

(16) The application should be approved.

**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 within an existing 320 acre gas spacing and proration unit comprising the N/2 of irregular Section 19, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico. This unit shall be simultaneously dedicated in the Morrow formation, Burton Flat-Morrow Gas Pool, to the existing RGD Well No. 1 (API No. 30-015-30175) located at a previously approved unorthodox Morrow gas well location 660 feet from the North line and 840 feet from the East line (Unit A), which is currently operated by Wynn-Crosby Energy, Inc., and to the proposed Esperanza "19" Federal Com Well No. 2 (API No. 30-015-33494) which will be directionally drilled from a non-standard surface location 599 feet from the North line and 2043 feet from the East line (Unit B) to a standard bottomhole location approximately 780 feet from the North line and 1463 feet from the West line (Unit C), which will be drilled and operated by Mewbourne Oil Company.

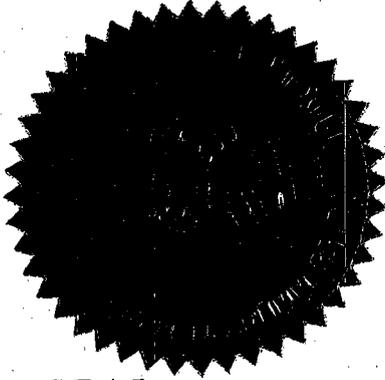
(2) In the event that the Esperanza "19" Federal Com Well No. 2 is completed in the Strawn and/or Atoka formation(s), the applicant is hereby further authorized to simultaneously dedicate the N/2 of irregular Section 19 in the Undesignated La Huerta-Atoka and Carlsbad Springs-Strawn Gas Pool to the Esperanza "19" Federal Com Well No 2 and to the existing Pioneer Federal Com Well No. 1 (API No. 30-015-24777) located 1980 feet from the North line and 1740 feet from the East line (Unit G), which is currently operated by Vernon E. Faulconer, Inc.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.  
Director

Docket Nos. 23-04 and 24-04 are tentatively set for August 19, 2004 and September 2, 2004. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner.

**CASE 13295: Continued from July 22, 2004, Examiner Hearing**

***Application of Preston Exploration, L.L.C. for Compulsory Pooling, Eddy County New Mexico.*** Applicant seeks an order pooling all mineral interests in the Morrow formation, (undesignated POW-Morrow Pool) underlying the N/2 of Section 32, Township 16 South, Range 26 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The unit is to be dedicated to applicant's San Remo 32 Com No. 1 Well to be located at a standard gas well location 1980 feet from the North line and 2130 feet from the West line of said Section 32. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is to be located approximately 2 miles northwest of Artesia, New Mexico.

**CASE 13314: Application of Burlington Resources Oil & Gas Company LP for Surface Commingling, San Juan County, New Mexico.** Applicant seeks an order granting an exception to Rule 303.A and, in accordance with Rule 303.B (4), approving surface commingling of oil production as a "pre-approved" allocation and measurement method other than individual well/lease metering for the following described wells/leases:

San Juan 29-7 Unit #191 Well, NW/4 SE/4 Section 22-T29N-R7W, Basin Fruitland Coal and Blanco Pictured Cliffs Pools

San Juan 29-7 Unit #65A Well, NW/4 SE/4 Section 22-T29N-R7W, Basin Dakota and Blanco Mesaverde Pools

San Juan 29-7 Unit #193 Well, SE/4 SE/4 Section 36-T29N-R7W, Blanco PC South Pool

San Juan 29-7 Unit #55A Well, SE/4 SE/4 Section 36-T29N-R7W, Blanco Mesaverde Pool

which shall be stored and measured at its centralized facilities located on each of the production pads located on the sections listed above. If the Division approves this application, then the applicant intends to utilize this approved method for the surface commingling of production from other wells and areas. The #191 and #65A facilities are located approximately 24 miles East of Bloomfield, New Mexico. The #193 and #55A facilities are located approximately 25 miles East-Southeast of Bloomfield, New Mexico.

**CASE 13115: Application of Apache Corporation for Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the NE/4 NW/4 of Section 13, Township 20 South, Range 38 East, forming a standard 40-acre oil spacing and proration unit for any production from the surface to the base of the Abo formation, including but not limited to the D-K-Abo Pool, the House (Drinkard) Pool, and the undesignated East House-Tubb Pool. This unit is to be dedicated to its House "13" Well No. 1 which is to be drilled at a standard well location in Unit B of this section. Also to be considered will be the costs of drilling this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 3 miles south of Nadine, New Mexico.

**CASE 13305: Continued from July 22, 2004, Examiner Hearing.**

***Application of Mewbourne Oil Company for an Exception to Division Rule 104.C(2)(c), Eddy County, New Mexico.*** Applicant seeks an order granting 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 equivalent of irregular Section 19, Township 21 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit in the Burton Flat-Morrow Gas Pool, the Undesignated La Huerta-Strawn Gas Pool and the Undesignated La Huerta-Atoka Gas Pool and any other pool in this 314.84-acre spacing unit developed on 320 acre spacing. Applicant proposes to directionally drill the Mewbourne Esperanza "19" Federal Com Well No. 2 from a non-standard surface location 599 feet from the North line and 2043 feet from the East line to a standard bottomhole location of 780 feet from the North line and 1463 feet from the West line of this section. The well will therefore be at a standard location in the Wolfcamp, Strawn, Atoka and Morrow formations. Applicant seeks

authority to simultaneously dedicate the N/2 of Section 19 in the Morrow formation to its Esperanza well and to the Wynn-Crosby Energy, Inc. RGD Well No. 1 located in the NE/4 NE/4 of the Section and to simultaneously dedicate the N/2 of Section 19 in the Strawn, Atoka and other formations to its Esperanza Well and the Vernon E. Faulconer, Inc. Pioneer Federal Com Well No. 1 located in the SW/4 NE/4 of Section 19. This unit is located approximately one mile northeast of Carlsbad, New Mexico.

**CASE 13306:** *Continued from July 22, 2004, Examiner Hearing.*

**Application of Mewbourne Oil Company for Compulsory Pooling, Eddy County New Mexico.** Applicant seeks an order pooling all mineral interests in all formations from the surface to the base of the Morrow formation in the S/2 of Section 2, Township 20 South, Range 27 East, for all formations and/or pools developed on 320-acre spacing, which includes but is not necessarily limited to the Angell Ranch-Atoka Morrow Gas Pool. Said unit is to be dedicated to its Angel Draw "2" State Com Well No. 1 to be drilled at a standard location 990 feet from the South line and 660 feet from the East line of said Section 2 and drilled to a depth sufficient to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, provisions governing subsequent operations on the pooled units, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 9 miles north of Carlsbad, New Mexico.

**CASE 13284:** *Continued from July 22, 2004, Examiner Hearing*

**Application of Mewbourne Oil Company for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 3000 feet subsurface to the base of the Morrow formation underlying the following described acreage in Section 33, Township 16 South, Range 28 East, and in the following manner: the W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Southeast Crow Flats-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the NE/4 NW/4 to form a standard oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to applicant's Falcon Keys "33" State Com. Well No. 1, to be drilled at an orthodox location in the NE/4 NW/4 of Section 33. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 12½ miles east-northeast of Artesia, New Mexico.

**CASE 13316:** *Application of Murchison Oil & Gas, Inc. for Compulsory Pooling, Eddy County, New Mexico.*

Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 19, Township 17 South, Range 27 East, and in the following manner: The N/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Logan Draw-Cisco Canyon Gas Pool, Undesignated Hart Draw-Atoka Gas Pool, and Undesignated Logan Draw-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and the SE/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Logan Draw-San Andres Pool. The units are to be dedicated to the Haines Well No. 1, to be drilled at an orthodox well location in the SE/4 NW/4 of Section 19. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 5 miles east-southeast of Artesia, New Mexico.

**CASE 13317:** *Application of Murchison Oil & Gas, Inc. for Compulsory Pooling, Eddy County, New Mexico.*

Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 2, Township 17 South, Range 28 East, and in the following manner: Lots 3, 4, S/2 NW/4, and the SW/4 (the W/2 equivalent) to form a standard 318.48-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Empire-Atoka Gas Pool and Undesignated Southeast Crow Flats-Morrow Gas Pool; Lots 3, 4, and the S/2 NW/4 (the NW/4 equivalent) to form a standard 158.48-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and Lot 4 to form a standard 39.26-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent. The units are to be dedicated to the Panda Bear State Com. Well