

HOLLAND & HART<sup>LLP</sup>



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September 27, 2011

**VIA HAND DELIVERY**

Jami Bailey, Director  
Energy, Minerals and Natural Resources  
Department  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14750*

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**Re: Mewbourne Oil Company's two applications for (1) a non-standard oil spacing and proration unit, unorthodox well location and compulsory pooling, Eddy County, New Mexico, and (2) a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico; and its amended application for Case No. 14736.**

Dear Ms. Bailey,

Enclosed is Mewbourne Oil Company's applications in the above-referenced matters and copies of a legal advertisement for each. Mewbourne requests that you set the matters for hearing before an Examiner of the Oil Conservation Division on October 27, 2011.

Sincerely,

Adam G. Rankin

AGR

cc: Steve Smith

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

**IN THE MATTER OF THE APPLICATION  
OF MEWBOURNE OIL COMPANY FOR A NON-  
STANDARD OIL SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

CASE NO.

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**APPLICATION**

Mewbourne Oil Company ("Mewbourne") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a non-standard oil spacing and proration unit in the Bone Spring formation, comprised of the W½E½ of Section 11, Township 26 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, which will be the project area for the Delaware Ranch 11 Fed. Com. Well No. 2-H, to be horizontally drilled from a surface location 450 feet from the north line and 1700 feet from the east line and then in a southerly direction in the Bone Spring formation to a bottom-hole terminus at a location 330 feet from the south line and 1700 feet from the east line of said Section 11; and (2) pooling all mineral interests in the Bone Spring formation underlying the non-standard spacing and proration unit, and in support thereof, states:

1. Applicant is an interest owner in the W½E½ of said Section 11, and has the right to drill a well thereon. Mewbourne has an interest in each of the 40-acre spacing units in this project area and therefore has standing to bring this pooling application.

2. Applicant proposes to drill its Delaware Ranch 11 Fed. Com. Well No. 2-H to a depth sufficient to test the Avalon Shale formation from a surface location 450 feet from the north line and 1700 feet from the east line in the NW¼NE¼, and then in a

southerly direction in the Bone Spring formation to a bottom-hole terminus at a location 330 feet from the south line and 1700 feet from the east line in the SW¼SE¼ of said Section 11.

3. Applicant seeks to dedicate the W½E½ of Section 11 to the proposed well to form a non-standard 160-acre oil spacing and proration unit (the “project area”).

4. Applicant has in good faith sought to obtain the voluntary joinder of all mineral interest owners in the W½E½ of said Section 11 for the purposes set forth herein.

5. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, Applicant seeks an order pooling all mineral interest owners underlying the W½E½ of Section 11, pursuant to NMSA 1978, Sections 70-2-17 and -18.

6. Approval of the non-standard unit and the pooling of all mineral interests underlying the W½E½ of Section 11 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Mewbourne requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 27, 2011, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard oil spacing and proration unit (“project area”) in the Bone Spring formation comprised of the W½E½ of said Section 11, Township 26 South, Range 28 East, N.M.P.M., Eddy County, New Mexico;
- B. Pooling all mineral interests in the subject spacing and proration units;

- C. Designating Mewbourne as operator of this unit and the well to be drilled thereon;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners and authorizing Mewbourne to recover its costs of drilling, equipping and completing the well;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

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**ATTORNEYS FOR  
MEWBOURNE OIL COMPANY**

Case No. 14750 Application of Mewbourne Oil Company for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order: (1) approving a 160-acre non-standard oil spacing and proration unit ("project area") in the Bone Spring formation, comprised of the W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 11, Township 26 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and (2 ) pooling all mineral interests underlying the non-standard oil spacing and proration unit ("project area"). The unit is to be dedicated to the Delaware Ranch 11 Fed. Com. Well No. 2-H, a horizontal well with a surface location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  and a bottom-hole location in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 11. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as the actual operating costs and charges for supervision, designation of applicant as operator of the unit and the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 11 miles south of Malaga, New Mexico.

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