

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. 14554 (Re-Opened)
ORDER NO. R-13350-A
Nomenclature

APPLICATION OF MEWBOURNE OIL COMPANY TO
RE-OPEN CASE NO. 14554 TO MAKE THE SPECIAL
RULES AND REGULATIONS FOR THE NORTH SEVEN
RIVERS-GLORIETA-YESO POOL PERMANENT, AND
TO EXPAND THE POOL, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 9, 2012 and on September 20, 2012, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 6th day of November, 2012, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) By Order No. R-13350, issued on January 18, 2011, the Division expanded the North Seven Rivers-Glorieta-Yeso Pool (Pool Code 97565), and adopted Temporary Special Rules for the North Seven Rivers-Glorieta-Yeso Pool.

(3) The Temporary Special Rules for the North Seven Rivers-Glorieta-Yeso Pool provide for a depth-bracket allowable of 240 barrels of oil per day effective from the date of first production, but otherwise provide for the application to this pool of statewide rules.

(4) Rule 4 provides that the Temporary Special Rules will expire one year from the issuance of Order No. R-13550 unless the applicant appears before a Division examiner and demonstrates that such rules should be made permanent.

(5) Mewbourne Oil Company ("Applicant") seeks an order making the Temporary Special Rules for the North Seven Rivers-Glorieta-Yeso Pool ("the Temporary Special Rules") permanent, effective retroactively from January 18, 2012, the date of automatic termination provided in Rule 4. Applicant also seeks expansion of the North Seven Rivers-Glorieta-Yeso Pool.

(6) The North Seven Rivers-Glorieta-Yeso Pool presently includes the Glorieta and Yeso formations within the following area:

Township 19 South, Range 24 East

Section 36: SE/4

Township 19 South, Range 25 East

Section 15: SW/4

Section 16: NE/4

Section 22: All

Section 23: S/2

Section 24: W/2

Section 26: W/2

Section 27: All

Section 31: SW/4

Section 34: All

Section 35: All

Township 20 South, Range 25 East

Section 2: W/2

Section 3: All

Section 4: S/2

Section 5: S/2

Section 6: E/2

Section 7: NE/4

Section 9: All

Section 10: All

Section 11: SE/4

Section 14: W/2

Section 15: All

Section 22: NW/4

(7) In order to include newly drilled wells and to make the entire pool contiguous, Applicant requests expansion of the pool to include the following additional lands:

Township 19 South, Range 25 East

Section 13: All
Section 16: S/2
Section 20: S/2
Section 21: NE/4 and S/2
Section 24: E/2
Section 25: All
Section 26: E/2
Section 28: SE/4
Section 31: SE/4
Section 32: SW/4
Section 33: N/2
Section 36: W/2

Township 19 South, Range 26 East

Section 18: SW/4
Section 19: NW/4
Section 30: W/2

Township 20 South, Range 24 East

Section 1: N/2

Township 20 South, Range 25 East

Section 1: W/2
Section 2: E/2
Section 4: N/2
Section 5: N/2
Section 8: N/2
Section 11: SW/4
Section 16: All
Section 17: E/2
Section 20: S/2
Section 21: All
Section 29: NE/4

(8) Applicant appeared at the hearing through counsel and presented geologic and engineering testimony and exhibits, as follows:

(a) The Glorieta and Yeso formations are continuous throughout the pool and the proposed expansion. This is a thick, tight, but highly productive reservoir, very suitable for development with horizontal wells. There is some production from the Glorieta, but most production is from the Yeso.

(b) Production graphs from representative wells throughout the pool show that new wells completed within the pool produce at rates substantially in excess of the 80 barrels per day per spacing unit permitted by the statewide depth

bracket allowable that would govern if the Temporary Special Rules were allowed to expire, and close to or even, in some cases, above, the 240 barrels per day per spacing unit allowed by the Temporary Special Rules.

(c) Production graphs for project areas where Applicant has drilled horizontal wells across spacing units containing existing vertical wells, or has drilled additional horizontal wells in the same project area, indicate that when the new wells came on production, unit production rose to levels approximating initial production, indicating that existing wells are not depleting these units notwithstanding production at the higher allowable permitted by the Temporary Special Rules.

(d) Graphs of the gas-oil ratios of representative units throughout the pool indicate that these ratios have remained relatively constant at around 1,000 standard cubic feet per barrel of oil, and have not increased substantially above that level, indicating that reservoir oil is not being depleted at higher rates of production.

(e) A plot of gas-oil ratio for the entire pool against cumulative oil production also indicates a gas-oil ratio remaining relatively constant at around 1,000 standard cubic feet per barrel of oil.

(f) New wells are being completed in the pool that are capable of producing oil at rates substantially above the statewide allowable.

(g) The presence of multiple productive zones in the pool suggests future development by multiple horizontals completed at different depths, which will share allowables, again indicating the need for the higher allowables permitted by the Temporary Special Rules.

(9) Although all operators of wells within one mile of the outer boundaries of the pool were duly noticed, no other party appeared at the hearing or otherwise signified opposition to the granting of this Application.

(10) The Division accordingly concludes that granting this Application will prevent waste by allowing production of additional hydrocarbons that might not otherwise be produced, and will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Mewbourne Oil Company, **Rules 1, 2 and 3** of the **Temporary Special Rules for the North Seven Rivers-Glorieta-Yeso Pool**, as set forth in Ordering Paragraph (3), on Pages 6 and 7, of Order No. R-13350, are hereby made permanent, and re-designated the **Special Rules for the North Seven Rivers-Glorieta-Yeso Pool**, effective from and after January 18, 2012.

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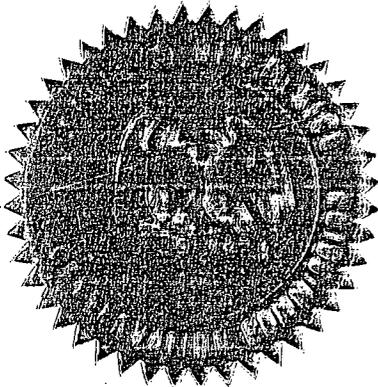
Page 5 of 5

(2) The horizontal boundaries of the North Seven Rivers-Glorieta-Yeso Pool (Pool Code 97565) are hereby expanded to add thereto the lands specifically described in Finding Paragraph (7) of this Order.

(3) Nothing in this Order shall preclude Applicant from applying for a further increased allowable in this pool if it deems such necessary for efficient exploitation of the pool, with resultant increased Estimated Ultimate Recovery.

(4) Jurisdiction of 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 hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey", written in a cursive style.

JAMI BAILEY
Director