

**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 TO
CONSIDER:**

**AMENDED CASE NO. 16207
ORDER NO. R-20644**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 4, 2019 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 24th day of June 2019, 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 of the subject matter.
- (2) Mewbourne Oil Company (“Mewbourne” or “Applicant”), seeks to compulsory pool additional parties not subject to the initial Division Order No. R-14805, issued on August 1, 2018.
- (3) The spacing unit is comprised of the S/2 N/2 of Section 28, and the S/2 NE/4 of Section 29, all in Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico.
- (4) The Unit will be dedicated to the Pavo Frio 29 28 B2GH Federal Com Well No. 1H (“Subject Well”; API No. 30-015-45404), a horizontal well drilled from a surface location, 2100 feet from the North line and 2500 feet from the West line (Unit F) of Section 29, to a terminus 2100 feet from the North line and 330 feet from the East line (Unit H) of Section 28, all in Township 18 South, Range 29 East. The completed interval of the Subject Well will be at an orthodox location.
- (5) The Subject Well is within the Palmillo; Bone Spring, East Pool (pool code 49553) and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from

the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six adjacent quarter-quarter sections oriented west to east.

(6) EOG Resources, Inc. made a pre-hearing statement, and an appearance through counsel at the hearing, but otherwise did not object to granting this application. No other party appeared at the hearing, or otherwise opposed the granting of this application.

(7) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) Applicant is seeking to compulsory pool additional interests not subject to the initial order;
- (b) The Subject Well has been drilled but not completed;
- (c) Applicant stated that reasonable charges for supervision (combined fixed rates) should be identical to the Original Order per month, per well, while drilling and identical to the Original Order per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*";
- (d) Applicant requested reasonable charges for supervision (combined fixed rates) should be fixed at \$8,000 per month, per well, while drilling and \$800 per month per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*";
- (e) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instrument.
- (f) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division concludes that:

(8) This is an amended Order for Division Order No. R-14805, issued on August 1, 2018 to compulsory pool additional affected parties not subject to the original Order.

(9) All provisions of the Original Order should remain in full force and effect unless otherwise noted.

(10) Applicant's request for reasonable charges for supervision (combined fixed rates) should be fixed at \$8,000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*" **should not be approved**. To ensure protection of correlative rights, all parties subject to the compulsory pooling should be charged identical rates.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 240 acres (more or less) within the Palmillo; Bone Spring, East (Pool Code 49553) and all other pools hereafter defined within the Bone Spring formation underlying the S/2 N/2 of Section 28, and the S/2 NE/4 of Section 29, all in Township 18 South, Range 29 East, NMPM, in Eddy County, New Mexico.

(2) The Unit shall be dedicated to the Proposed Pavo Frio 29 28 B2GH Federal Com Well No. 1H ("Subject Well"; API No. 30-015-45404), a horizontal well drilled from a surface location, 2100 feet from the North line and 2500 feet from the West line (Unit F) of Section 29, to a terminus 2100 feet from the North line and 330 feet from the East line (Unit H) of Section 28, all in Township 18 South, Range 29 East. The Subject Well has been drilled but not completed.

(3) This is an amended Order for Division Order No. R-14805, issued on August 1, 2018 to compulsory pool additional affected parties not subject to the original Order.

(4) All provisions of Division Order No. R-14805, issued on August 1, 2018 shall remain in full force and effect unless otherwise noted or stated herein.

(5) The operator shall notify each pooled working interest owner for whom it has a valid address before it files with the Division any request for extension of the time to commence completion and shall certify its compliance with this requirement in its request for extension. The Division may grant an extension at its discretion after 20-days from receipt of the request if no objection is received. Otherwise, the Division shall not grant the extension without a hearing.

(6) Should the Subject Well not be completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(7) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not more than what are reasonable, attributable to pooled working interest owners.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Adrienne Sandoval in blue ink.

ADRIENNE SANDOVAL
Director