

**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. 14307
ORDER NO. R-13116**

**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 16, 2009, at Santa Fe, New Mexico, before Examiners David K. Brooks and Terry G. Warnell.

NOW, on this 23rd day of April, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

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 ("Applicant"), seeks an order pooling all uncommitted interests from the surface to the base of the Morrow formation in the W/2 of Section 9, Township 20 South, Range 25 East, NMPM, in Eddy County, New Mexico, as follows:

(a) the W/2 to form a standard 320-acre, more or less, gas spacing unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the undesignated North Cemetery-Wolfcamp Gas Pool (74720), the East Dagger Draw-Strawn Gas Pool (96793), and the Cemetery-Morrow Gas Pool (74640);

(b) the SW/4 to form a standard 160-acre, more or less, gas spacing unit for all formations or pools spaced on 160 acres within this vertical extent: and

(c) the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for all formations or pools spaced on 40 acres within this vertical extent.

(3) The above-described units ("the Units") are to be dedicated to Applicant's First National Bank of Albuquerque A Well No. 1 (API No. 30-015-21409); (the "well") to be re-entered at a standard location 660 feet from the South and West lines (Unit M) of Section 9.

(4) Two or more separately owned tracts are embraced within the Units, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Units that are separately owned.

(5) Applicant is an owner of an oil and gas working interest within the 320-acre Unit, and is the designated operator, pursuant to a Joint Operating Agreement, on behalf of owners of working interests in the other Units. Applicant has the right to re-enter and proposes to re-enter the well to access a common source of supply within the Units.

(6) There are interest owners in the Units that have not agreed to pool their interests. However there are no unlocated owners, and no evidence of a title dispute concerning any interest in any of the Units.

(7) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Units the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Units.

(8) Applicant should be designated the operator of the well and of the Units.

(9) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(10) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3 of the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests, whatever they may be, in the oil and gas from the surface to the base of the Morrow formation in the W/2 of Section 9, Township 20 South, Range 25 East, NMPM, in Eddy County, New Mexico, are hereby pooled as follows:

(a) the W/2 to form a standard 320-acre, more or less, gas spacing unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the undesignated North Cemetery-Wolfcamp Gas Pool (74720), the East Dagger Draw-Strawn Gas Pool (96793), and the Cemetery-Morrow Gas Pool (74640);

(b) the SW/4 to form a standard 160-acre, more or less, gas spacing unit for all formations or pools spaced on 160 acres within this vertical extent; and

(c) the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for all formations or pools spaced on 40 acres within this vertical extent.

(2) The Units shall be dedicated to Applicant's First National Bank of Albuquerque A Well No. 1 (API No. 30-015-21409), (the "well") to be re-entered at a standard location 660 feet from the South and West lines (Unit M) of Section 9.

(3) The operator of the Units shall commence re-entry of the well on or before April 23, 2010, and shall thereafter continue re-entry operations in the well with due diligence sufficient to test the Morrow formation.

(4) In the event the operator does not commence the re-entry of the well on or before April 23, 2010, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(5) Should the well not be completed within 120 days after commencement of re-entry operations, then Ordering Paragraph (1) shall be of no further effect, and the Units created by this Order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the well for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of the well and any other well drilled on any of the Units pursuant to Division Rule Part 13, Sections 9 through 11, the pooled units created by this Order shall terminate, unless this order has been amended to authorize further operations.

(7) Mewbourne Oil Company (OGRID 14744) is hereby designated the operator of the well and of the Units.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Units, including unleased mineral interests, who are not parties to an operating agreement governing the Units.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Units an itemized schedule of estimated costs of re-entering, completing and equipping the well ("well costs"). All costs of re-entry and all costs of completing the well in the

Morrow formation and equipping the well for production from that formation shall be allocated among the parties in proportion to their interests in the 320-acre Unit. If the well is completed in any other formation, only the additional costs of completing the well in that formation and equipping the well to produce from that formation shall be allocated among the parties in proportion to their interests in the Unit applicable to that formation.

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(10) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(13) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(14) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3 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 in excess of what are reasonable, attributable to pooled working interest owners.

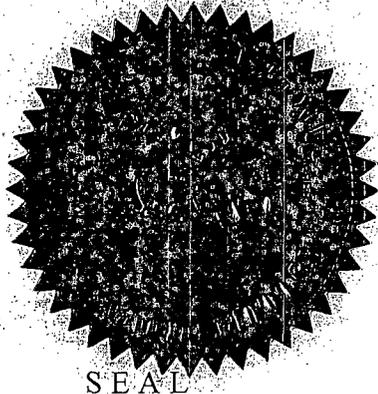
(15) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and Units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(18) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Mark E. Fesmire, P.E.

MARK E. FESMIRE, P.E.
Director