



May 25, 2010

**HAND DELIVERED**

Mark E. Fesmire, P. E.  
Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14496*

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Re: **Application of Mewbourne Oil Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the Application of Mewbourne Oil Company in the above-referenced case as well as a copy of the legal advertisement. Mewbourne Oil Company requests that this matter be placed on the docket for the June 24, 2010 Examiner hearings.

Very truly yours,

*Ocean Munds-Dry*  
Ocean Munds-Dry

Enclosures

cc: Mr. Steven J. Smith  
Senior Landman  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, Texas 79701

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

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

CASE NO. 14496

**APPLICATION**

MEWBOURNE ENERGY COMPANY (“Mewbourne”) through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard spacing unit comprised of the S/2 N/2 of Section 36, Township 19 South, Range 29 East, NMPM, which will be the Project Area for the Three Palms “36” State Com Well No. 2H to be horizontally drilled from a surface location 1980 feet from the North line and 330 feet from the East line and then in a westerly direction in the Bone Spring formation, Parkway-Bone Spring Pool, to a bottom hole terminus at a location 2270 feet from the North line and 330 feet from the West line of said Section 36 and (2) pooling all mineral interests in the Bone Spring formation in this non-standard spacing and proration unit, and in support of its application states:

1. Mewbourne is a working interest owner in the S/2 N/2 of said Section 36 and has the right to drill 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. Mewbourne proposes to dedicate the above-referenced spacing and proration unit to its Three Palms “36” State Com Well No. 2H which it proposes to drill as an oil well from a standard surface location 1980 feet from the North line and 330 feet from the East line (Unit H) of said Section 36, and then in a westerly direction in the Bone Spring formation to a bottomhole

terminus at a point 2270 feet from the North line and 330 feet from the West line (Unit E) of said Section 36.

3. Mewbourne has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the subject spacing units who are identified on **Exhibit A** to this application.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. In order to permit Mewbourne to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Mewbourne Oil Company should be designated the operator of this non-standard spacing unit and the well to be drilled thereon.

WHEREFORE, Mewbourne Oil Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 24, 2010 and, after notice and hearing as required by law, the Division enter its order:

- A. creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the S/2 N/2 of Section 36, Township 19 South, Range 29 East, NMPM;
- B. pooling all mineral interests in the subject spacing and proration units;
- C. designating Mewbourne Oil Company operator of this unit and the well to be drilled thereon;
- D. authorizing Mewbourne Oil Company to recover its costs of drilling, equipping and completing the well;
- E. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. imposing a penalty for the risk assumed by Mewbourne Oil Company in drilling and completing the well against any working interest owner who does not voluntarily

participate in the drilling of the well.

Respectfully submitted,  
HOLLAND & HART LLP

By: Ocean Munds-Dry  
William F. Carr  
Ocean Munds-Dry  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR MEWBOURNE OIL COMPANY

**EXHIBIT A**

**APPLICATION OF  
MEWBOURNE OIL COMPANY  
FOR A NON-STANDARD SPACING AND PRORATION UNIT AND  
COMPULSORY POOLING  
S/2 N/2 OF SECTION 36, TOWNSHIP 19 SOUTH, RANGE 29 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO.**

**NOTIFICATION LIST**

St. Mary Land & Exploration Company  
Attn: Rita Bures  
3300 North A Street, Building 7, Suite 200  
Midland, Texas 79705

CASE 102496 : **Application of Mewbourne Oil Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard spacing unit comprised of the S/2 N/2 of Section 36, Township 19 South, Range 29 East, NMPM, and (2) pooling all mineral interests in the Bone Spring formation, Parkway-Bone Spring Pool, in this non-standard spacing and proration unit which spacing unit will be the project area for the Three Palms "36" State Com Well No. 2H to be horizontally drilled from a surface location 1980 feet from the North line and 330 feet from the East line (Unit H) and then in a westerly direction in the Bone Spring formation to a bottom hole terminus at a location 2270 feet from the North line and 330 feet from the West line (Unit E) of said Section 36. 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, designation of Mewbourne Oil Company as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 10 miles northeast of Carlsbad, New Mexico.

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