

**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. 15065
ORDER NO. R-13799**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 19, 2013, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 3rd day of March, 2014, 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 (the "Applicant" or "Mewbourne") seeks approval of a non-standard 160-acre oil spacing and proration unit and project area (the "Unit") in the Bone Spring formation consisting of the S/2 of the S/2 of Section 17, Township 19 South, Range 33 East, NMPM, in Lea County, New Mexico. Applicant further seeks an order pooling the interests of all record title holders in the Unit for the Bone Spring formation who have not ratified or joined the proposed Communitization Agreement dated November 10, 2013.

(3) The Unit will be dedicated to Applicant's Excalibur 17 MP Federal Com. Well No. 1H (the "subject well"; API No. 30-025-41255), a horizontal well drilled from a surface location 500 feet from the South line and 20 feet from the West line (Unit letter M) of Section 17 to a standard terminus 500 feet from the South line and 330 feet from the East line (Unit letter P) of Section 17. The completed interval of the subject well in the Bone Spring formation is orthodox.

(4) The subject well is within the Tonto-Bone Spring Pool (pool code 59475). Spacing in this pool is governed by statewide Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The Unit and project area consists of four adjacent quarter-quarter sections.

(5) The subject well was spudded on November 24, 2013, and drilling was completed on December 12, 2013.

(6) The Unit comprises two federal leases and, therefore, requires a Communitization Agreement to produce from the Unit.

(7) All working interest owners in the Unit have ratified or joined the proposed Communitization Agreement, leaving only owners of bare record title who have not joined.

(8) Applicant submitted the proposed Communitization Agreement to the United States Bureau of Land Management ("BLM"); however, the Communitization Agreement cannot be approved because the record title owner for Federal Lease NM077004 has not ratified or otherwise approved the Communitization Agreement.

(9) The record title holder of Federal Lease NM077004 is the Edward R. Hudson Trust No. 4. Applicant identified Ard Oil, Limited ("Ard") of Fort Worth, Texas, as an agent for the Edward R. Hudson Trust No. 4.

(10) Applicant sent a copy of the Communitization Agreement to Ard on November 22, 2013, and did not receive a response.

(11) Accordingly, Applicant provided notice of this application and hearing seeking to pool all interests to Ard by U. S. certified mail, returned receipt requested.

(12) Applicant appeared at the hearing through counsel and presented land and geologic evidence by affidavit as follows:

- (a) The Bone Spring formation inclusive of the 2nd Bone Spring sand in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well East to West or West to East is appropriate for the Unit; and
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit as requested will not impair correlative rights.

(13) Applicant requested that no provision be made regarding sharing of costs or revenues since the party to be pooled owns only the record title.

(14) Mewbourne requested to be designated the operator of the subject well and the Unit.

(15) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(16) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

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

(18) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(19) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit 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 Unit.

(20) Mewbourne Oil Company should be designated the operator of the subject well and the Unit.

(21) The interests of the Edward R. Hudson Trust No. 4 and all interests of the heirs, devisees, and successors to the trust should be pooled for the purpose of combining all interests in the Unit that are subject to the Communitization Agreement so that the BLM may approve the agreement.

(22) Once the interests of the Edward R. Hudson Trust No. 4 and all interests of the heirs, devisees, and successors to the trust are pooled by order of the Division, then all heirs, devisees, and successors to the trust will have either ratified and joined the Communitization Agreement or will have had their interests combined by order of the Division.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the "Unit") is hereby established for the Bone Spring formation (Tonto-Bone Spring Pool; pool code 59475) consisting of the S/2 of the S/2 of Section 17, Township 19 South, Range 33 East, NMPM, in Lea County, New Mexico.

(2) Pursuant to the application of Mewbourne, the interests of all record title holders in the Unit in the Bone Spring formation who have not ratified or joined the proposed Communitization Agreement dated November 10, 2013, are hereby pooled and combined in the Unit.

(3) The Unit shall be dedicated to Applicant's Excalibur 17 MP Federal Com. Well No. 1H (API No. 30-025-41255), a horizontal well drilled from a surface location 500 feet from the South line and 20 feet from the West line (Unit letter M) of Section 17 to a standard terminus 500 feet from the South line and 330 feet from the East line (Unit letter P) of Section 17. The completed interval of the subject well in the Bone Spring formation is orthodox.

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

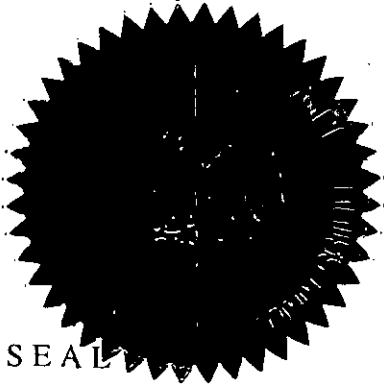
(5) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(6) All proceeds from production from the subject well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

(7) This Order is subject to approval of compulsory pooling of federal lands by the United States Bureau of Land Management.

(8) 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

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director