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May 10, 2011

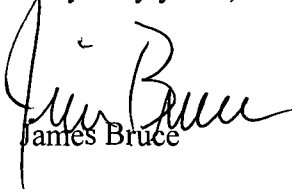
Case 14658

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set the application for the June 9, 2011 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Mewbourne Oil Company

Parties Being Pooled

SM Energy Company  
Building 7, Suite 200  
3300 North A Street  
Midland, Texas 79705

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF MEWBOURNE OIL COMPANY

FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

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Case No. 14658

APPLICATION

Mewbourne Oil Company applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S $\frac{1}{2}$ N $\frac{1}{2}$  of Section 35, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from the surface to the top of the Bone Spring formation underlying the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 35, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ N $\frac{1}{2}$  of Section 35, and has the right to drill a well thereon.
2. Applicant proposes to drill its Four Peaks 35 Fed. Com. Well No. 2 to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate (i) the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 35 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the S $\frac{1}{2}$ N $\frac{1}{2}$  of Section 35 to the well to form a non-standard 160 acre oil spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing. The well is a horizontal well, with a surface location 1975 feet from the north line and 330 feet from the west line, and a terminus 1975 feet from the north line and 330 feet from the east line, of Section 35.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ N $\frac{1}{2}$  of Section 35 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S½N½ of Section 35, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the S½N½ of Section 35 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½N½ of Section 35;
- B. Pooling all mineral interests from the surface to the top of the Bone Spring formation underlying the SW¼NW¼ of Section 35, and the Bone Spring formation underlying the S½N½ of Section 35;
- C. Approving the unorthodox oil well location;
- D. Designating applicant as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Mewbourne Oil Company

PROPOSED ADVERTISEMENT

Case No. 14658 :

***Application of Mewbourne Oil Company for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.*** Mewbourne Oil Company seeks an order approving an 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S/2N/2 of Section 35, Township 19 South, Range 29 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Bone Spring formation underlying the SW/4NW/4 of Section 35 to form a standard 40 acre oil spacing and proration unit, and (ii) the Bone Spring formation underlying the S/2N/2 of Section 35 to form a non-standard 160 acre oil spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Four Peaks 35 Fed. Com. Well No. 2, a horizontal well with a surface location in the SW/4NW/4, and a terminus in the SE/4NE/4, of Section 35. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 19 miles east-southeast of Lakewood, New Mexico.

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