

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

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

Case No. 20499

APPLICATION

Pursuant to NMSA § 70-2-17, Mewbourne Oil Company (“Mewbourne”) applies for an order pooling all uncommitted mineral interests in the Bone Spring formation in a 400-acre, more or less, standard horizontal spacing unit comprised of the N/2 S/2 of Section 3, the N/2 S/2 of Section 4, and the N/2 SE/4 of Section 5, Township 20 South, Range 30 East in Eddy County, New Mexico. In support of its application, Mewbourne states:

1. Mewbourne (OGRID No. 14744) is a working interest owner in the N/2 S/2 of Section 3, the N/2 S/2 of Section 4, and the N/2 SE/4 of Section 5 and has the right to drill a well thereon.

2. The horizontal spacing unit will be dedicated to the Caballo Loco 3/5 B2IJ Fed Com #2H well, which will be horizontally drilled from a surface location in Unit M in Section 2 to a bottom hole location in Unit J in Section 5, Township 20 South, Range 30 East.

3. The completed interval for the well will be orthodox.

4. Mewbourne has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well, but has been unable to obtain voluntary agreements from all of the mineral interest owners.

5. The pooling of all uncommitted mineral interests in the Bone Spring formation underlying the N/2 S/2 of Section 3, the N/2 S/2 of Section 4, and the N/2 SE/4 of Section 5 will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to allow Mewbourne to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in the horizontal spacing unit should be pooled.

WHEREFORE, Mewbourne requests that this application be set for hearing on June 13, 2019 and that, after notice and hearing, the Division enter an order:

A. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the N/2 S/2 of Section 3, the N/2 S/2 of Section 4, and the N/2 SE/4 of Section 5;

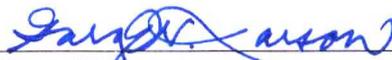
B. Designating Mewbourne as the operator of the Caballo Loco 3/5 B2IJ Fed Com #2H well;

C. Authorizing Mewbourne to recover its costs of drilling, equipping, and completing the Caballo Loco 3/5 B2IJ Fed Com #2H well and allocating the costs among the well's working interest owners;

D. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

E. Imposing a 200% penalty for the risk assumed by Mewbourne in drilling and completing the Caballo Loco 3/5 B2IJ Fed Com #2H well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

HINKLE SHANOR LLP

A handwritten signature in blue ink, appearing to read "Gary W. Larson", is written over a horizontal line.

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PROPOSED NOTICE

Case No. _____: Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all uncommitted mineral interests in the Bone Spring formation in a 400-acre, more or less, standard horizontal spacing unit comprised of the N/2 S/2 of Section 3, the N/2 S/2 of Section 4, and the N/2 SE/4 of Section 5, Township 20 South, Range 30 East, NMPM, in Eddy County. The horizontal spacing unit will be dedicated to the Caballo Loco 3/5 B2IJ Fed Com #2H well, which will be horizontally drilled from a surface location in Unit M in Section 2 to a bottom hole location point in Unit J in Section 5. The completed interval for the well will be orthodox. Also to be considered will be the costs of drilling and completing the well and the allocation of the costs, the designation of Mewbourne Oil Company as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well location is approximately 20 miles northeast of Carlsbad, New Mexico.