

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. 14608  
ORDER NO. R-8546-B

APPLICATION OF MEWBOURNE OIL  
COMPANY TO AMEND THE SPECIAL  
RULES FOR THE SANTO NINO-BONE  
SPRING POOL, EDDY COUNTY, NEW  
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 3, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 18<sup>th</sup> day of April, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) Mewbourne Oil Company (Applicant) seeks to amend the Special Rules for the Santo Nino-Bone Spring Pool (Pool Code 54600) to change the applicable well location provisions.
- (3) The Santo Nino-Bone Spring Pool is an oil pool that presently comprises the Bone Spring formation within the following lands in Eddy County, New Mexico:

Township 18 South, Range 30 East, NMPM

Section 19: SE/4

Section 29: W/2

Section 30: N/2, W/2 SE/4

(4) Special Rules for the Santo Nino-Bone Spring Pool were adopted by Order No. R-8546, issued on November 17, 1987, and made permanent by Order No. R-8546-A, issued on August 25, 1994. These rules provide for 80-acre spacing units, and require that wells be located within 150 feet of the center of a quarter-quarter section.

(5) Applicant proposes that the rules be amended to authorize any well to be placed at any location that is at least 330 feet from any unit outer boundary or quarter-quarter section line.

(6) Applicant appeared at the hearing through counsel and presented testimony as follows:

(a) Applicant's geologist testified that the early development in this area was in the first Bone Spring sand, which exhibits relatively higher porosity and permeability, and may have led to an expectation that wells would have a relatively large drainage radius. However, the Bone Spring formation in this area also includes the second Bone Spring sand which exhibits lower porosity and permeability.

(b) The geologist further testified that these sands are generally continuous across a large area including the nearby South Leo-Bone Spring Pool and Sand Tank-Bone Spring Pool, both of which are governed by statewide rules providing for 40-acre units with 330-foot setback requirements. In his opinion there is no reason, geologically, to distinguish between these nearby pools and the Santo Nino-Bone Spring Pool.

(c) Applicant's engineer testified that, following substantial production from vertical wells in the upper Bone Spring sand, Applicant and others have drilled horizontal wells, mostly in the lower Bone Spring sand. These horizontal wells have been completed across the existing units from 330-foot setbacks on each side, pursuant to OCD-approved exceptions, and fracture stimulated at evenly spaced intervals. These horizontal wells have produced substantial additional oil from units with existing vertical wells.

(7) No other party appeared at the hearing or otherwise indicated to the Division any opposition to the granting of the application in this case.

(8) The Division concludes that wells spaced according to the existing well location rules in the Santo Nino-Bone Spring Pool are not effectively draining their spacing units. Hence, the change of the well location requirements to conform to well location requirements of statewide rules will prevent waste, and will not impair correlative rights.

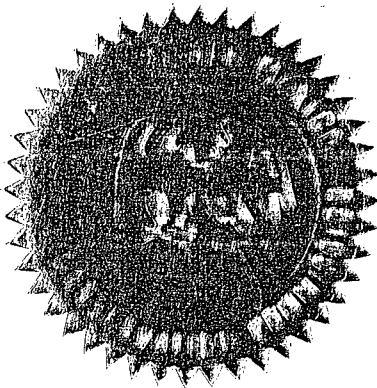
**IT IS THEREFORE ORDERED THAT:**

(1) Rule 4 of the Special Rules for the Santo Nino-Bone Spring Pool, as adopted by Order No. R-8546, issued on November 17, 1987, and made permanent by Order No. R-8546-A, issued on August 25, 1994, is hereby amended to read, in its entirety, as follows:

RULE 4. Each well shall be located at least 330 feet from any unit outer boundary or quarter-quarter section line.

(2) 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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with a large, sweeping initial "J".

JAMI BAILEY  
Director