

HOLLAND & HART LLP



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March 1, 2011

**VIA HAND DELIVERY**

Mr. Daniel Sanchez  
Acting Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14614*

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

Dear Mr. Sanchez:

Enclosed is an original and one copy of the application of Mewbourne Oil Company in the above-referenced case as well as a copy of a legal advertisement.

Mewbourne Oil Company requests that this matter be placed on the docket for the March 31, 2011 Examiner Hearings.

Very truly yours,

William F. Carr  
Ocean Munds-Dry  
Attorneys for Mewbourne Oil Company

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

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

CASE NO. 14614

**APPLICATION**

MEWBOURNE OIL 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, (1978), for an order (1) creating a non-standard spacing unit comprised of the W/2 E/2 of Section 34, Township 19 South, Range 32 East, NMPM, which will be the horizontal well project area for the Ocelot "34" Federal Com No. 1H Well to be horizontally drilled from a surface location 475 feet from the North line and 1932 feet from the East line of said Section 34 and then in a southerly direction in the Second Sand Interval of the Bone Spring formation, to a bottom hole terminus at a location 330 feet from the South line and 1980 feet from the East line of said Section 34, and (2) pooling all mineral interests in the Bone Spring formation in this non-standard spacing and proration unit - horizontal well project area, and in support of its application states:

1. Mewbourne is a working interest owner in the W/2 E/2 of Section 34, of Township 19 South, Range 32 East, NMPM, 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 Ocelot "34" Federal Com No. 1H Well which it proposes to drill as a horizontal oil well

from a surface location 475 feet from the North line and 1932 feet from the East line of said Section 32 and then in a southerly direction in the Second Sand Interval of the Bone Spring formation, to a bottom hole terminus at a location 330 feet from the South line and 1980 feet from the East line of said Section 34.

3. This well will penetrate the Bone Spring formation at a location 450 feet from the North line and 1932 feet from the East line of Section 34.

4. 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.

5. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

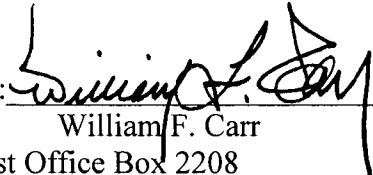
6. In order to permit the Mewbourne to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Mewbourne Oil Company should be designated the operator of this non-standard spacing unit and the well to be drilled thereon.

WHEREFORE, Mewbourne Oil Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 31, 2011 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 W/2 E/2 of Section 34, Township 19 South, Range 32 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:   
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ATTORNEYS FOR MEWBOURNE OIL COMPANY

CASE 14614: **Application of Mewbourne Oil Company for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order creating a non-standard spacing unit comprised of the W/2 E/2 of Section 34, Township 19 South, Range 32 East, NMPM; and pooling all mineral interests in the Bone Spring formation in this non-standard spacing and proration unit which spacing unit will be the project area for its proposed Ocelot "34" Federal Com No. 1H well to be horizontally drilled from a surface location 475 feet from the North line and 1932 feet from the East line of said Section 34 and then in a southerly direction in the second sand interval of the Bone Spring formation, to a bottom hole terminus at a location 330 feet from the South line and 1980 feet from the East line of said Section 34. This well will penetrate the Bone Spring formation at location 475 feet from the North line and 1932 feet from the East line of Section 34. 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 \_\_\_ miles \_\_\_\_\_ of \_\_\_\_\_, New Mexico.