

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 11956

APPLICATION

Pursuant to Division Rule 1207.A.(2)-(4), Mewbourne Oil Company applies for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the N½ of Section 35, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N½ of said Section 35.

2. Applicant has drilled its Black River "35" State Com. Well No. 1, at a location 760 feet from the North line and 1650 feet from the West line of Section 35,¹ to test the Morrow formation, and seeks to dedicate the N½ of Section 35 to the well for all pools or formations developed on 320 acre spacing, including the South Carlsbad-Morrow Gas Pool and the North Black River-Atoka Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 35 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all interest owners to participate in the drilling of the well or to otherwise commit their interests to the well,

¹The well's location is unorthodox in the Morrow formation only (South Carlsbad-Morrow Gas Pool). The unorthodox location was approved by Division Administrative Order NSL-3831.

certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all interest owners in the N½ of Section 35, pursuant to NMSA 1978 §70-2-17 (1995 Repl. Pamp.).

5. Pursuant to Division Rule 1207.A.(a), applicant submits the following information:

(i) A Form C-102, outlining the spacing unit to be pooled and the well location, is attached hereto as Exhibit A. The well was drilled to a depth of approximately 12,000 feet;

(ii) The only party to be pooled is Natomas North America, Inc. ("Natomas"), a California corporation, which owns a 50% record title interest only (no operating rights) in State of New Mexico Oil and Gas Lease K-3328-2, covering the SW¼NE¼ and SE¼NW¼ of Section 35. Regulations of the Commissioner of Public Lands require that record title owners of state oil and gas leases execute communitization agreements. Natomas' last address of record (in 1984) was 1155 Dairy Ashford, Houston, Texas 77079. That address is no longer current;

(iii) The formations to be pooled are the Wolfcamp, Cisco, Canyon, Strawn, Atoka, and Morrow. The existing pools are described in ¶2 above;

(iv) The pooled unit is for gas production;

(v) Since Natomas is not an operating rights owner, it is not liable for any well costs. However, the applicant was unable to locate Natomas and obtain its signature on a communitization agreement for the well. Recently, the

applicant determined that Natomas apparently merged into Maxus Bulgaria, Inc. ("Maxus"). The only officer or director of Maxus listed with the California Secretary of State is c/o Michael C. Forrest, 717 North Harwood Street, Dallas, Texas 75201. A letter mailed to Mr. Forrest, requesting that Natomas/Maxus sign the communitization agreement, is attached hereto as Exhibit B. Phone calls to Mr. Forrest (214-363-4775) have been unreturned. In addition, a similar letter has been mailed to Maxus at the address of its last known registered agent, Prentice-Hall Corporation System, Inc., Suite 100, 2730 Gateway Oaks Drive, Sacramento, California 95833. A copy of that letter is attached hereto as Exhibit C;

(vi) Geological maps are not attached to this application, since a risk penalty is not being requested against Natomas/Maxus. However, geologic maps were submitted to the Division in the applicant's request for the unorthodox location in the Morrow formation;

(vii) The overhead rates are \$6000 for a drilling well and \$600 for a producing well; and

(viii) Attached hereto as Exhibit D is a copy of the well's AFE.

6. The pooling of all interests underlying the N $\frac{1}{2}$ of Section 35 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division enter its order:

- A. Pooling all interest owners in the N $\frac{1}{2}$ of Section 35, from the surface to the base of the Morrow formation; and
- B. Granting such further relief as the Division deems proper.

Respectfully submitted,



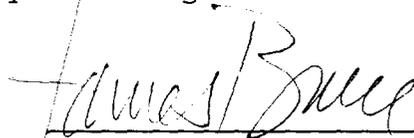
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

VERIFICATION

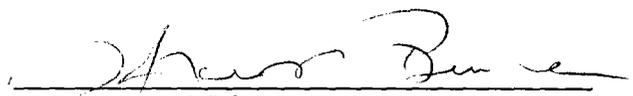
STATE OF NEW MEXICO)
COUNTY OF SANTA FE) ss.

James Bruce, being duly sworn upon his oath, deposes and states: I am over the age of 18, and have personal knowledge of the matters set forth herein; and, the matters stated herein are true and correct to the best of my knowledge and belief.



James Bruce

SUBSCRIBED AND SWORN TO before me this 10th day of March, 1998, by James Bruce.



Notary Public

My Commission Expires:
3/14/01

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

March 6, 1998

Michael C. Forrest
717 North Harwood Street
Dallas, Texas 75201

Re: Natomas North America, Inc.

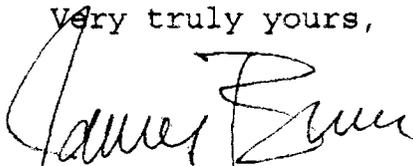
Dear Mr. Forrest:

I represent Mewbourne Oil Company ("Mewbourne"), the operator of the Black River "35" State Com. Well No. 1, located in the N $\frac{1}{2}$ of Section 35, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico. The N $\frac{1}{2}$ of Section 35 is comprised of State of New Mexico oil and gas leases. Natomas owns 50% of record title to state lease K-3328-2, which covers the SW $\frac{1}{4}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35. Natomas does not own any working interest in the lease, and thus is not liable for well costs, nor is it entitled to a share of revenues from the well.

The well was drilled and completed as a producing well in the Morrow formation. Mewbourne needs to complete a "communitization" (pooling) agreement for the well. In order to do that, it needs the signatures of all record title owners to the state oil and gas leases, including Natomas. As a result, I ask that you call either Steve Cobb at Mewbourne (915-682-3715), or Mewbourne's title attorney, Allen Harvey (915-682-1616), to obtain the appropriate agreement for Natomas' signature. I am also providing them with your address and phone number.

Finally, the records of the California Secretary of State indicate that Natomas may have merged into Maxus Bulgaria, Inc. Please let me know if that is correct, so that the communitization agreement lists the correct interest owner. Thank you.

Very truly yours,


James Bruce



JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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612 OLD SANTA FE TRAIL
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(505) 982-2043
(505) 982-2151 (FAX)

March 6, 1998

Maxus Bulgaria, Inc.
c/o Prentice-Hall Corporation System, Inc.
Suite 100
2730 Gateway Oaks Drive
Sacramento, California 95833

Re: Natomas North America, Inc. n/k/a Maxus Bulgaria, Inc.

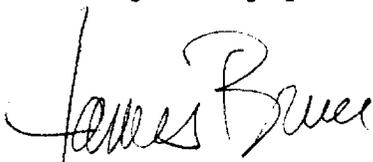
Dear Sirs:

I represent Mewbourne Oil Company ("Mewbourne"), the operator of the Black River "35" State Com. Well No. 1, located in the N $\frac{1}{2}$ of Section 35, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico. The N $\frac{1}{2}$ of Section 35 is comprised of State of New Mexico oil and gas leases. Natomas/Maxus owns 50% of record title to state lease K-3328-2, which covers the SW $\frac{1}{4}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35. Natomas/Maxus does not own any working interest in the lease, and thus is not liable for well costs, nor is it entitled to a share of revenues from the well.

The well was drilled and completed as a producing well in the Morrow formation. Mewbourne needs to complete a "communitization" (pooling) agreement for the well. In order to do that, it needs the signatures of all record title owners to the state oil and gas leases, including Natomas/Maxus. **As a result, I ask that you forward this letter to Natomas/Maxus, with instructions that they contact either Steve Cobb at Mewbourne (915-682-3715), or Mewbourne's title attorney, Allen Harvey (915-682-1616), to obtain the appropriate agreement for Natomas/Maxus' signature.**

Please call if you have any questions. Thank you.

Very truly yours,


James Bruce



**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: **Black River**
 Well Name and No.: **Black River '35' State Com. #1**
 Section: **35** Block:
 County: **Eddy**

Field: **South Carlsbad Morrow**
 Location: **760' FNL & 1650' FWL**
 Township: **23S** Range: **26E**
 Proposed Depth: **11,950**

DESCRIPTION		Cost To Casing Point	Completion Cost
		AFE NO.	AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,000
301	Location, Roads and Surveys	\$12,000	\$2,000
302	Footage or Turnkey Drilling \$25/foot	\$299,000	
303	Day Work	\$9,000	\$8,000
304	Fuel, Water and Other	\$17,500	\$2,000
305	Completion/Workover Rig 6 days		\$9,000
306	Mud and Chemicals	\$25,000	
307	Cementing Single stage long string	\$17,000	\$10,000
308	Logging and Wireline CBL, perforate	\$15,000	\$4,500
309	Casing-Tubing Services Csg inspection, tubing testing	\$2,100	\$6,500
310	Mud Logging	\$5,000	
311	Testing	\$500	\$1,000
312	Treating 1 breakdown, 1 small frac		\$38,000
313	Coring		
320	Transportation	\$2,000	\$6,000
321	Welding and Construction Labor	\$2,000	\$400
322	Contract Supervision		
330	Equipment Rental	\$6,000	\$2,500
334	Well/Lease Legal/Tax	\$5,000	\$2,000
335	Well/Lease Insurance	\$6,000	
350	Intangible Supplies		
360	Pipeline ROW and Easements		
367	Pipeline Interconnect		
375	Company Supervision	\$9,000	\$4,000
380	Overhead Fixed Rate	\$5,000	\$5,000
399	Contingencies	\$8,300	\$3,000
Total Intangibles		\$446,900	\$102,900
TANGIBLE COST 181			
Conductor Casing			
	Surface Casing 13 3/8" @ 500'	\$7,400	
	Intermediate Casing 9 5/8" @ 4,000'	\$45,000	
	Production Casing 5 1/2" @ 11,950'		\$85,000
	Production Casing		
	Tubing 2 7/8" @ 11,850'		\$40,100
860	Drilling Head	\$3,700	
865	Tubing Head		\$2,500
870	Upper Section		\$7,500
875	Sucker Rods		
880	Packer, Pump & Other Subsurface 5 1/2" PLS with profiles		\$7,500
885	Pumping Unit & Prime Mover		
890-1	Tanks (Steel & Fiberglass) 1 stock, 1 FG water		\$4,000
894-5	Separation Equipment (fired, Non-fired) 750k gas unit		\$7,500
898	Metering Equipment		
900	Line Pipe		
905	Valves		\$6,000
906	Miscellaneous Fittings & Accessories		\$6,000
910	Production Equipment Installation		\$6,000
920	Pipeline Construction		
Total Tangibles		\$58,100	\$172,100
SUBTOTAL		\$503,000	\$275,000
TOTAL WELL COST		\$778,000	

Date Prepared: May 21, 1997
 Prepared By: Erik L. Hoover

Company Approval:
 Date Approved:
 Joint Owner Approval:

Joint Owner Interest:
 Joint Owner Amount:

Drilling Cost, \$/ft	\$42.09
Completion Cost, \$/ft	\$23.01
Total Well Cost, \$/ft	\$65.10

