

**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. 14918
ORDER NO. R-13655**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2012, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 26th day of November, 2012, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Mewbourne Oil Company ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation (Tamano-Bone Spring Pool [Pool Code 58040]) consisting of the N/2 of the S/2 (Units I, J, K and L) of Section 10, Township 18 South, Range 31 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Bone Spring formation.

(3) The Unit is to be dedicated to Applicant's Tamano 10 Federal Com. Well No. 8H (API No. 30-015-40109) ("the proposed well"), a horizontal well to be drilled from a surface location 1737 feet from the South line and 260 feet from the West line (Unit L) of Section 10 to a standard terminus, or bottomhole location, 1837 feet from the South line and 330 feet from the East line (Unit I) of Section 10. The completed interval will be located entirely within the applicable setbacks from the outer boundaries of the project area, so that the location of this well will be standard.

(4) Spacing in the Tamano-Bone Spring Pool is governed by statewide Rule 19.15.15.9.A NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The Unit consists of four adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented geologic evidence to the effect that:

(a) this area is suitable for development by horizontal drilling; and

(b) all quarter sections to be included in the Unit are expected to be productive in the Bone Spring, so that formation of the Unit as requested will not impair correlative rights.

(6) Applicant also presented land evidence to the effect that:

(a) the Unit consists entirely of federal lands, covered by two separate federal oil and gas leases;

(b) all working interests in the Unit are covered by a single Joint Operating Agreement, and all working interest owners have elected, under the terms of the Joint Operating Agreement, either to participate or not to participate in the proposed well; and

(c) all working interest owners except Ard Oil, Ltd., which elected not to participate pursuant to the Joint Operating Agreement, have signed a communitization agreement covering the Unit.

(7) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(8) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(10) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(11) There are interest owners in the Unit that have not agreed to pool their

interests. There are no unlocated owners in the Unit, and there is no evidence of a title dispute. Accordingly, no provision to escrow funds is needed.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(13) Mewbourne Oil Company should be designated the operator of the proposed well and of the Unit.

(14) Because the allocation of costs and revenues, risk and overhead charges, and other accounting matters are controlled by an operating agreement that is binding on all parties, there is no necessity to include provisions on such matters in this Order.

(15) Because the proposed well has already been drilled, there is no necessity to include provisions regarding the commencement of drilling in this Order.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the Unit) is hereby established in the Bone Spring formation (Tamano-Bone Spring Pool [Pool Code 58040]) consisting of the N/2 of the S/2 (Units I, J, K and L) of Section 10, Township 18 South, Range 31 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Tamano 10 Federal Com. Well No. 8H (API No. 30-015-40109) ("the proposed well"), a horizontal well drilled from a surface location 1737 feet from the South line and 260 feet from the West line (Unit L) of Section 10 to a standard terminus, or bottomhole location, 1837 feet from the South line and 330 feet from the East line (Unit I) of Section 10. The completed interval is located entirely within the applicable setbacks from the outer boundaries of the project area, so that the location of this well is standard.

(4) Should the proposed well not be completed within 120 days after the issuance of this Order, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the quarter-quarter sections included in the proposed unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an

amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which the well is completed.

(5) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(6) Mewbourne Oil Comany is hereby designated the operator of the well and of the Unit.

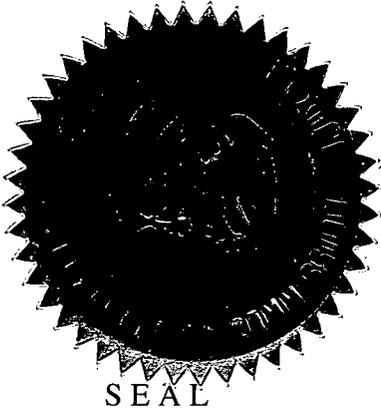
(7) The terms of participation in well costs and revenues, risk charges and overhead charges, and all other accounting matters ordinarily addressed in compulsory pooling orders shall be controlled by the terms of the Joint Operating Agreement executed by all working interest owners in this Unit.

(8) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(9) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(11) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director