

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

**IN THE MATTER OF THE
HEARING CALLED BY THE OIL
CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

**CASE NO. 15080
ORDER NO. R-13796**

ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:15 a.m. on January 23, 2014, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 14th day of February, 2014, 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) Case Nos. 15079 and 15080 were consolidated at the hearing for the purpose of testimony, but separate orders should be issued for each case.

(3) In Case No. 15080, Mewbourne Oil Company ("Mewbourne" or "Applicant") seeks approval of a non-standard 160-acre oil spacing and proration unit and project area (the "Unit") in the Bone Spring formation, the South Leo-Bone Spring Pool (**Pool Code 37920**) comprised of the S/2 N/2 of Section 34, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Bone Spring formation.

(4) The Unit will be dedicated to Applicant's Dorado 34 EH Fed. Com. Well No. 1H (**API No. 30-015-41896**), a horizontal well to be drilled from a surface location 2206 feet from the North line and 47 feet from the West line (Unit E) of Section 34, and then in an easterly direction in the Bone Spring formation to a terminus, or bottomhole location, 1977 feet from the North line and 330 feet from the East line (Unit H) of Section 34. The completed interval of the well in the Bone Spring formation is orthodox.

(5) Spacing in this 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.

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

(a) Notice of the proposed 160-acre, more or less, non-standard oil spacing and proration unit was provided to all surrounding affected parties within the Bone Spring formation.

(b) Notice of this compulsory pooling application was provided to all proper interest owners.

(c) The working interests in the Unit are not affected by this order. Compulsory pooling is sought only against **record title owners** who have **divested** all operating rights in the Bone Spring formation.

(d) The area is suitable for development by horizontal drilling.

(e) All quarter-quarter sections within the Unit are expected to be productive in the Bone Spring formation, so that formation of the Unit will not impair correlative rights.

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

The Division concludes as follows:

(8) Approval of the proposed non-standard 160-acre unit will prevent waste by facilitating the development of the Unit, because compulsory pooling is necessary so that the Unit can be communitized as required by the United States Bureau of Land Management.

(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 the proposed well to a common source of supply within the Unit.

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

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to each interest owner 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 (**OGRID No. 14744**) should be designated the operator of the well and of the Unit.

(14) Because the parties whose interests will be pooled by this order do not own any working interest, there is no need to provide for allocation of costs, risk charges, or overhead rates.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre, more or less, oil spacing and proration unit (the "Unit") is hereby established for all oil and gas production from the Bone Spring formation, the South Leo-Bone Spring Pool consisting of the S/2 N/2 of Section 34, Township 18 South, Range 30 East, NMPM, 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 Dorado 34 EH Fed. Com. Well No. 1H (**API No. 30-015-41896**), a horizontal well to be drilled from a surface location 2206 feet from the North line and 47 feet from the West line (Unit E) of Section 34, and then in an easterly direction in the Bone Spring formation to a terminus, or bottomhole location, 1977 feet from the North line and 330 feet from the East line (Unit H) of said Section 34. The completed interval of the well in the Bone Spring formation is orthodox.

(4) Upon final plugging and abandonment of the 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.

(5) Mewbourne Oil Company (**OGRID 14744**) is hereby designated the operator of the well and of the Unit.

(6) The operator of the Unit shall commence drilling the proposed horizontal well on or before February 20, 2015, and shall thereafter continue drilling the well with due diligence to test the Bone Spring formation.

(7) In the event the operator does not commence drilling the proposed well on or before February 20, 2015, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(8) Should the proposed well not be drilled and completed within 180 days after commencement thereof, 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 the 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.

(9) All proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act, (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended)

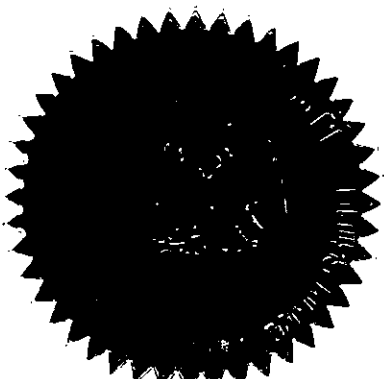
(10) Should all of the parties to this compulsory pooling order reach voluntary agreement subsequent to the entry of this order, this order shall thereafter be of no further effect.

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

(12) This order is subject to the approval of the Bureau of Land Management (BLM) for pooling of federal oil and gas leases.

(13) Jurisdiction over 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 designated above.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

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

JAMI BAILEY
Director