

**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. 15396
ORDER NO. R-14077**

**APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD
PROJECT AREA AND TWO UNORTHODOX OIL WELL LOCATIONS, EDDY
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 15, 2015, at Santa Fe New Mexico, before Examiner Michael McMillan, and October 29, 2015 before Examiner Phillip R. Goetze.

NOW, on this 9th day of November, 2015, the Division Director, having considered the testimony, the record, and the recommendations of Examiner McMillan,

FINDS THAT:

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

(2) Mewbourne Oil Company ("Applicant") seeks approval of a 560-acre non-standard project area ("Project Area") for oil production from the Bone Spring formation, Loco Hills; Bone Spring, East Pool (Pool code 39513), comprised of the N/2, E/2 SW/4, and SE/4 of Section 15, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) Applicant also seeks approval of two non-standard locations within the Project Area.

(4) The drilled and proposed wells within the Project Area are within the Loco Hills; Bone Spring, East Pool. Spacing in this pool is governed by Division Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a

governmental quarter-quarter section, with wells to be located no closer than 330 feet to the outer boundary of the spacing unit.

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

- (a) The Bureau of Land Management ("BLM") is currently conducting a habitat evaluation in Section 15 and, consequently, the NW/4 NW/4 of Section 15 is the only tract within that section that surface occupancy is allowed.
- (b) The Project Area consists of three different federal leases that are subject to Communitization Agreement 134237, effective May 15, 2014. The Communitization Agreement has been signed by the Applicant and working interest owners.
- (c) Applicant and the working interest owners within the proposed project area have executed a Joint Operating Agreement for the development of the Project Area.
- (d) Record title owners have signed the Communitization Agreement.
- (e) Working interest owners, offset owners and all affected parties were notified of the hearing.
- (f) The W/2 SW/4 of Section 15 is unleased BLM acreage. Applicant has attempted on many occasions to lease the land, but was unsuccessful.
- (g) Applicant has drilled and completed the Leo 15 DA Federal Com. Well No. 1H (API 30-015-42185) from a surface location in Unit D of Section 15 to a standard terminus in Unit A of Section 15.
- (h) Applicant has drilled and completed the Leo 15 B2DH Federal Com. Well No. 1H (API 30-015-42898) from a surface location 430 feet from the North line and 370 feet from the West line (Unit D) of Section 15 to a terminus 2573 feet from the North Line and 333 Feet from the East line (Unit H) of Section 15. Because the well encroached on the South boundary of Unit H, approval of a non-standard location is required.
- (i) Applicant has drilled the Leo 15 B2DP Federal Com. Well No. 1H (API 30-015-43241) from a surface location 530 feet from the North line and 370 feet from the West line (Unit D) of Section 15 to a terminus 1215 feet from the South Line and 356 Feet from the East line (Unit P) of Section 15.
- (j) Applicant is drilling the Leo 15 B2DN Federal Com. Well No. 1H (API 30-015-43312) from a surface location 630 feet from the North line and 370 feet from the West line (Unit D) of Section 15 to a terminus 347 feet from

the South Line and 992 Feet from the East line (Unit P) of Section 15. This well encroaches on the unleased BLM acreage comprising the W/2 SW/4 of Section 15; as a result approval of a non-standard location is required.

- (k) The completed, drilled and proposed wells will develop all of the 40-acre tracts in the Project Area in Section 15.
- (l) Based on historical results and geological evidence, horizontal Bone Spring wells drilled in an East-West direction is preferable to wells drilled in a North-South direction.
- (6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) Applicant is proposing a non-standard Project Area through voluntary consolidation of acreage within Section 15 to optimally develop the Bone Spring formation.

(8) Formation of this Project Area is required due to surface restrictions from the BLM habitat evaluation.

(9) Formation of this Project Area will not cause stranded acreage. All of the 40-acre tracts were penetrated, and the completion methods for all of the wells should effectively drain all of these tracts in the Project Area. Further the NE/4 SE/4 (Unit I) should be adequately drained by the Leo 15 B2DH Federal Com. Well No. 1H and the Leo 15 B2DP Federal Com. Well No. 1H wells.

(10) The E/2 NE/4, SE/4 SW/4, and SE/4 of Section 15 are within the Potash Area, as defined by Order No. R-111-P, issued on April 21, 1988.

(11) Applicant's proposal to create a non-standard 560-acre, more or less, non-standard Project Area for development of oil reserves from the Bone Spring formation should be approved in order to protect correlative rights and prevent waste.

(12) The non-standard location for the Leo 15 B2DN Federal Com. Well No. 1H (API 30-015-43312) should be approved.

(13) The non-standard location request for the Leo 15 B2DH Federal Com. Well No. 1H (API 30-015-42898) should be dismissed. The completed interval of the well is within 330 feet of the exterior of Project Area boundaries, even though the well encroaches on an interior Unit boundary. Therefore, the completed interval for this well is standard.

(14) The Project Area should be considered as one dedicated acreage block with 100 percent voluntary commitment of owners of mineral interests.

(15) Applicant's C-102 for the Leo 15 B2DP Federal Com. Well No. 1H and Leo 15 B2DN Federal Com. Well No. 1H wells does not match the testimony. The "As drilled" C-102 for these wells should match the directional survey to show the Units that were penetrated.

IT IS THEREFORE ORDERED THAT:

(1) The application of Mewbourne Oil Company (OGRID 14744) to establish a 560-acre non-standard Project Area for production of oil from the Bone Spring formation, Loco Hills; Bone Spring, East Pool comprised of the N/2, E/2 SW/4, and SE/4 of Section 15, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) This non-standard Project Area shall be in whole dedicated to any horizontal well drilled to targets within the Bone Spring formation and shall be initially dedicated to the following existing and proposed wells:

- (a) Leo 15 DA Federal Com. Well No. 1H (API No. 30-015-42185)
- (b) Leo 15 B2DH Federal Com. Well No. 1H (API No. 30-015-42898)
- (c) Leo 15 B2DP Federal Com. Well No. 1H (API No. 30-015-43241)
- (d) Leo 15 B2DN Federal Com. Well No. 1H (API No. 30-015-43312)

(3) The Non-standard location for the Leo 15 B2DN Federal Com. Well No. 1H (API 30-015-43312) is approved.

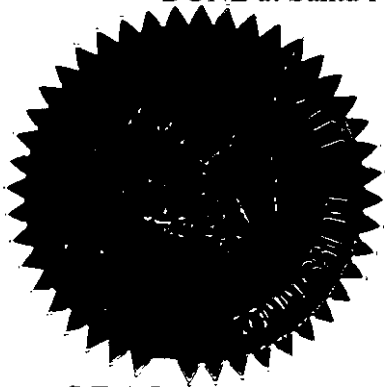
(4) The Non-standard location request for the Leo 15 B2DH Federal Com. Well No. 1H (API 30-015-42898) is dismissed.

(5) Mewbourne Oil Company shall provide updated C-102's based on directional surveys that show the Units penetrated for the wells listed in Ordering Paragraph (2) within 30 days after approval of this Order, or date of completion whichever is later, to the Artesia and Santa Fe Offices.

(6) The Applicant shall notify the Division of the voluntary commitment of all interest owners in the Unit.

(7) Jurisdiction of this case is hereby 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

David R. Catanach

DAVID R. CATANACH
Director