



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



RECEIVED 00
2012 FEB 21 A 11:35

In Reply Refer to

NMNM125386A
3180 (P0220)

Reference:

Red Hills West Unit Area (NM125386X)

Application for First Revision of the Bone Springs Participating Area

Red Hills West Unit 10 #2H Well

Lea County, New Mexico

CERTIFIED—RETURN RECEIPT REQUESTED

7008 3230 0002 0987 6285

FEB 15 2012

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, TX 79701

Gentlemen:

Your application dated December 13, 2011 with Exhibit "A" and "B", requesting approval for the First Revision of the Initial Bone Springs Participating Area, Red Hills West Unit, is hereby approved and is effective August 25, 2011, pursuant to Section 11 of the Red Hills West Unit Agreement, Lea County, New Mexico.

The First Revision of the Initial Bone Springs Participating Area results in the addition of 1760.00 acres to the participating area, for a total of 1920.00 acres and is based upon the completion of Red Hills West Unit 10 #2H (3002539911), as a well capable of producing unitized substances in paying quantities.

The First Revision of the Initial Bone Springs Participating Area now includes the following described lands:

Township 26 South, Range 32 East, Lea County, New Mexico

Section 3: W/2

Section 8: All

Section 9: All

Section 10: W/2


Containing 1920.00 acres, more or less

This First Revision of the Initial Bone Springs participating area has been assigned number NMNM125386A for production and accounting reporting purposes. If you have any questions regarding this letter, please contact Edward G. Fernandez, Petroleum Engineer at the Division of Lands and Minerals at (575) 234-2220.

Copies of this approval letter are being distributed to the appropriate Federal agencies and one copy is returned herewith. Please advise all interested parties of the First Revision of the Initial Bone Springs Participating Area, NM-125386A, Red Hills West Unit, and the effective date of August 25, 2011.

Since there is a well currently producing, this approval requires the submission of a Payor Information Form MMS-4025 to the Office of Natural Resource Revenue (ONRR) within 30 days (30 CFR 210.51). Please notify the designated payor or payors as soon as possible regarding this requirement. Any producing royalties that are due must be reported and paid within 90 days of the Bureau of Land Management's approval date or the payors will be assessed interest for late payment under the Federal Oil and Gas Royalty Management Act of 1982 (See 30 CFR 218.54). If you need assistance or clarification, please contact the Office of Natural Resource Revenue at 1-800-525-9167 or 303-231-3504.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don Peterson', with a long horizontal flourish extending to the right.

Don Peterson
Assistant Field Manager,
Lands and Minerals

Enclosure

cc: ONRR, Denver (MS357B-1)
New Mexico Taxation & Revenue Dept.
Revenue Processing Division
NMOCD
NM9210
NMP0220 (CFO I&E)

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

December 13, 2011

Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220-6292
Attn: Mr. Ed Fernandez

Re: Red Hills West Unit Area (NM125386X)
Application for the First Revision of the Bone Springs Participating Area
Red Hills West Unit "10" #2-H Well
Lea County, New Mexico

Dear Mr. Fernandez:

Mewbourne Oil Company, as unit operator for the Red Hills West Unit approved by the Bureau of Land Management effective October 5, 2010, pursuant to the provisions of section 11 thereof respectfully submits for your approval the selection of the following lands to constitute the First Revision of the Bone Springs Participating Area, to wit:

Township 26 South, Range 32 East, Lea County, New Mexico

Section 3: W/2

Section 8: All

Section 9: All

Section 10: W/2

Containing 1,920.00 acres, more or less.

In support of this application, the following numbered items are attached and made a part hereof:

- (1) A copy of the Commercial Well Determination letter dated December 7, 2011 for the Red Hills West "10" Fed #1-H. We are in the process of filing the necessary paperwork to change the well name to the Red Hills West Unit "10" #2-H Well.
- (2) An Exhibit "A" ownership map reflecting the boundaries of the unit area and the boundary of the proposed initial Bone Spring participating area.
- (3) An Exhibit "B" schedule showing the lands entitled to participate in the unitized substances produced from the Bone Spring formation, with the percentage of participation for each lease or tract.

RECEIVED

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

Included with this submittal are triplicate geological and engineering reports and maps supporting and justifying the proposed selection of lands for inclusion in the first revision of the Bone Springs Participating Area.

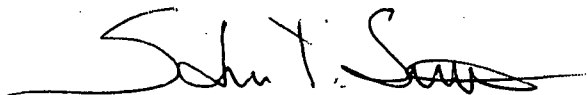
The proposed first revision of the Bone Spring Participating Area is based upon information and knowledge obtained from (i) the completion of the Red Hills West Unit "8" #1-H on December 28, 2010 and (ii) the completion of the Red Hills West Unit "10" #2-H on August 25, 2011. The RHWU "8" #1-H well was drilled and completed horizontally in the E/2E/2 of Section 8, T26S, R32E, with initial production of 366 barrels of oil and 116 MCF of gas per day. To date this well has produced over 56,200 barrels of oil and 251,500 MCF of gas as reflected on the attached production summary and graph. The RHWU "10" #2-H well was drilled and completed horizontally in the E/2W/2 of Section 10, T26S, R32E, with initial production of 289 barrels of oil and 1,814 MCF of gas per day. To date this well has produced over 28,600 barrels of oil and 73,300 MCF of gas as reflected on the attached production summary and graph.

Applicant believes that the Avalon Shale section of the Bone Spring formation will be commercially productive at every drillable location within the Unit and respectfully requests your approval of the above selected lands to constitute the First revision of the Bone Spring Participating Area for the Red Hills West Unit effective August 25, 2011, pursuant to section 11 of the Unit Agreement.

Again, we thank you for your assistance in this effort. I can be reached by phone at (432) 682-3715 or via email at ssmith@mewbourne.com if there are any questions or concerns.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

Enclosures



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



NMNM125386X

3180 (P0220)

Your reference:

Request for Commercial Well Determination

Red Hills West "10" Fed #1-H Well

E/2W/2 Sec. 10, T. 26 S., R. 32 E.

Red Hills West Unit Area (NM-125386X)

Lea County, New Mexico

DEC 07 2011

CERTIFIED—RETURN RECEIPT REQUESTED

7008 3230 0002 0987 6193

Mewbourne Oil Company

500 W. Texas Suite 1020

Midland, Texas 79701

Gentlemen:

Pursuant to your letter of November 29, 2011 this office concurs with your determination that the Red Hills West "10" Federal #1H (30-025-39911) is capable of producing unitized substances in paying quantities from the Bone Springs formation.

Mewbourne Oil Company is required, pursuant to Section 11 of the unit agreement, to submit an application for a Second Bone Springs participating area or an expansion of the existing Bone Springs participating area (NM-125386A) embracing those lands reasonably proven capable of producing unitized substance from the Bone Springs formation in paying quantities, within sixty days (60) from the receipt of this letter. Operator shall also submit a 2012 Unit Plan of Development within 90 days of receipt of this letter.

Under provisions of 43 CFR 3165.3, you may request a State Director Review of the decision described above. Such a request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such request shall not result in a suspension of the order unless the reviewing official so determines. Procedures governing appeals form instructions, orders, or decisions are contained in 43 CFR 2175.4 and 43 CFR Part 4.

Please contact Edward G. Fernandez, Petroleum Engineer at 575-234-2220 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Peterson', with a long horizontal stroke extending to the right.

Don Peterson
Assistant Field Manager,
Lands and Minerals

cc:

ONRR, Denver

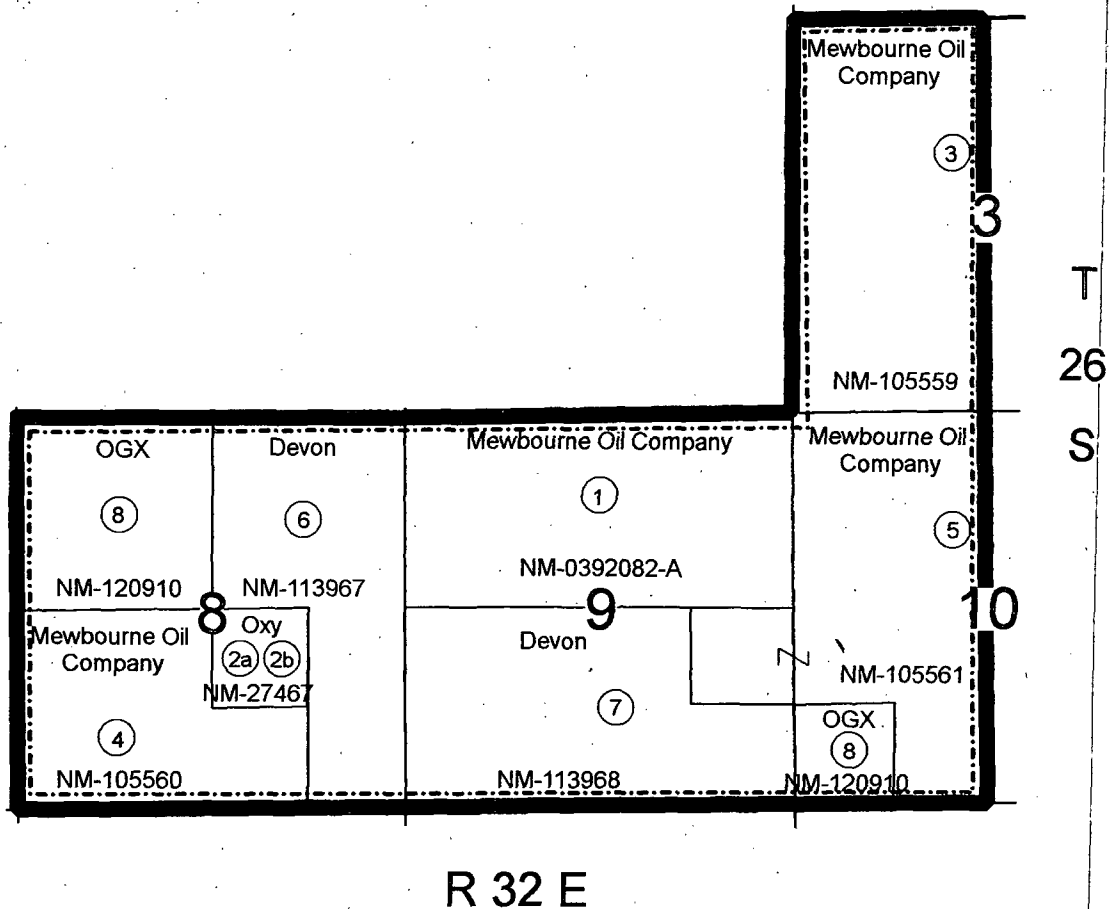
New Mexico Taxation and Revenue Department, Revenue Processing Division,
NM 9200

NM P0220, File Room

Exhibit "A"

Red Hills West Unit Area

Lea County, New Mexico



① Tract Number

Scale: 2" = 1 mile

□ Unit Outline

□ Proposed First Revision of the Bone Spring Participating Area

EXHIBIT "B"
RED HILLS WEST UNIT
LEA COUNTY, NEW MEXICO
FIRST REVISION BONE SPRING PARTICIPATING AREA

| TRACT NO. | DESCRIPTION | SERIAL NUMBER | NUMBER OF ACRES | PERCENTAGE OF PARTICIPATION | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|-----------------------------|---|---------------|-----------------|-----------------------------|----------------------------|--|---|
| <u>FEDERAL LANDS</u> | | | | | | | |
| 1 | <u>T-26-S, R-32-E, NMPM</u> SEC. 9: N/2 | NM-0392082-A | 320.00 | 16.666667% | USA 100% | MAGNUM HUNTER PRODUCTION INC. 100% | MEWBOURNE OIL COMPANY 100% |
| 2(b) | <u>T-26-S, R-32-E, NMPM</u> SEC. 8: NW/4SE/4 LIMITED TO DEPTHS BELOW 4,525' | NM-27467 | 40.00 | 2.083333% | USA 100% | OCCIDENTAL PERMIAN LTD. 100% | OCCIDENTAL PERMIAN LTD. 100% |
| 3 | <u>T-26-S, R-32-E, NMPM</u> SEC. 3: Lots 3, 4, S/2 NW/4 & SW/4 | NM-105559 | 320.00 | 16.666667% | USA 100% | MEWBOURNE OIL COMPANY 100% | MEWBOURNE OIL COMPANY GREAT WESTERN DRILLING LTD 71.43% 28.57% |
| 4 | <u>T-26-S, R-32-E, NMPM</u> SEC. 8: SW/4 & SW/4SE/4 | NM-105560 | 200.00 | 10.416667% | USA 100% | MEWBOURNE OIL COMPANY 100% | MEWBOURNE OIL COMPANY GREAT WESTERN DRILLING LTD 71.43% 28.57% |
| 5 | <u>T-26-S, R-32-E, NMPM</u> SEC. 9: NE/4SE/4 SEC. 10: NW/4, N/2SW/4 & SE/4SW/4 | NM-105561 | 320.00 | 16.666667% | USA 100% | MEWBOURNE OIL COMPANY 100% | MEWBOURNE OIL COMPANY GREAT WESTERN DRILLING LTD 71.43% 28.57% |
| 6 | <u>T-26-S, R-32-E, NMPM</u> SEC. 8: NE/4 & E/2SE/4 | NM-113967 | 240.00 | 12.500000% | USA 100% | DEVON ENERGY PRODUCTION COMPANY, LP 100% | DEVON ENERGY PROD. CO., LP 100% |
| 7 | <u>T-26-S, R-32-E, NMPM</u> SEC. 9: SW/4, W/2SE/4 & SE/4SE/4 | NM-113968 | 280.00 | 14.583333% | USA 100% | DEVON ENERGY PRODUCTION COMPANY, LP 100% | DEVON ENERGY PROD. CO., LP 100% |

| | | | | | | | | |
|---|---|-----------|---------------|-------------------|-------------|---------------------------|-------------------|------|
| 8 | T-26-S, R-32-E, NMPM SEC. 8: NW/4 SEC. 10: SW/4SW/4 | NM-120910 | <u>200.00</u> | <u>10.416667%</u> | USA 100% | OGX RESOURCES LLC 100% | OGX RESOURCES LLC | 100% |
|---|---|-----------|---------------|-------------------|-------------|---------------------------|-------------------|------|

| | | |
|-------|----------------|--------------------|
| TOTAL | <u>1920.00</u> | <u>100.000000%</u> |
|-------|----------------|--------------------|

| | | |
|----------------|---------|---------|
| | SUMMARY | |
| FEDERAL LANDS | 1920.00 | 100% |
| STATE LANDS | 0 | 0.00% |
| PATENTED LANDS | 0 | 0.00% |
| TOTAL | 1920.00 | 100.00% |
