



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Wyoming State Office Reservoir Management Group
2987 Prospector Drive
Casper, Wyoming 82604-2968



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In Reply Refer To:
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(3186.1)
FNR Unit
NMNM135781X

NOV 19 2018

Mewbourne Oil Company
Attn: Lee M. Scarborough
500 W. Texas, Suite 1020
Midland, Texas 79701

Re: Allocation of Production
FNR Federal Unit No. 1H Well
SHL: NW $\frac{1}{4}$ SE $\frac{1}{4}$, Sec. 17, T.23S., R.30E. (Lease No. NMNM114355)
BHL: SW $\frac{1}{4}$ SE $\frac{1}{4}$, Sec. 20, T.23S., R.30E. (Lease No. NMNM132942)
FNR Unit
Eddy County, New Mexico

Gentlemen:

On March 6, 2018, we determined that the initial unit obligation well in the FNR Unit, the FNR Federal Unit No. 1H, was determined to be a unit paying well with a first production date of October 21, 2015. Since there were no provisions to establish a participating area in the FNR Unit Agreement, the allocation of production to the different tracts was assigned IID NMNM135781X. The FNR Unit was approved as a resource development unit and all tracts participate in any unit production as provided for in Exhibit "C" to the unit agreement. The allocation of production for a resource development unit is similar to the allocation of production for a secondary unit in that all unit tracts participate in any production from the unit.

Since the FNR Unit Agreement does not provide for the establishment of participating areas, the only method to accept royalty payments is to handle the FNR Unit as a secondary unit. We changed the case type code in LR2000 to reflect a secondary unit.

If you have any questions, please call the undersigned at (307) 261-7685.

Sincerely,

/s/ J. David Chase

J. David Chase
Chief, Reservoir Management Group

cc: ONRR, Glen Reese
Carlsbad FO, Chris Walls
NMSO, James Glover
New Mexico State Land Office, Steve Wust
New Mexico Oil Conservation Division, William Jones