

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

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September 30, 2008

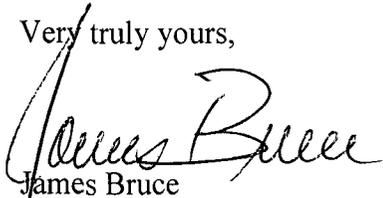
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14202

Dear Florene:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an original and one copy of an application for an order authorizing the drilling of a well in the potash area, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the October 30, 2008 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Mewbourne Oil Company

Parties Being Notified

Intrepid Potash, Inc.
Suite 1700
700 17th Street
Denver, Colorado 80202

Jeff Albers
Oil, Gas and Minerals Division
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**APPLICATION OF MEWBOURNE OIL
COMPANY FOR AN ORDER AUTHORIZING
THE DRILLING OF A WELL IN THE POTASH
AREA, EDDY COUNTY, NEW MEXICO.**

Case No. 14202

APPLICATION

Mewbourne Oil Company, pursuant to the provisions of Division Order No. R-111-P ("The Rules and Regulations Governing the Exploration and Development of Oil and Gas in Certain Areas Herein Defined, Which Are Known to Contain Potash Reserves"), applies for an order approving the drilling of its Parkway "26" State Com. Well No. 1 to test the Morrow formation within the Potash Area, at a location 875 feet from the north line and 660 feet from the west line (Unit D) of Section 26, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and in support of thereof, states:

1. Applicant is an owner of oil and gas rights under the W $\frac{1}{2}$ of Section 26, and has the right to develop the oil and gas reserves underlying this property.
2. Applicant proposes to drill its Parkway "26" State Com. Well No. 1 to a total depth of approximately 11,800 feet to test the Morrow formation (Undesignated West Parkway-Morrow Gas Pool) on a standard 320-acre gas spacing unit comprised of the W $\frac{1}{2}$ of Section 26.
3. The NW $\frac{1}{4}$ of Section 26, the tract upon which applicant proposes to drill, is state land that is located within the Potash Area.
4. Order No. R-111-P states that "no mining operations shall be conducted in the Potash Area that would, in the opinion of the Division or its duly authorized representative, constitute a hazard to oil or gas production, or that would unreasonably interfere with the orderly development and production from any oil or gas pool." C(2).

5. Applicant proposes to drill in an area where oil and gas are currently being produced, and therefore potash mining operations would unreasonably interfere with oil and gas development and production.

6. Applicant's application for permit to drill ("APD") was improperly rejected because it was not afforded the opportunity to show that potash would not be unduly affected by applicant's well.

7. Applicant should be afforded the opportunity to show that its proposed well location would not unduly waste commercial potash. See Order No. R-111-P ¶ 20.

8. Further, by rejecting applicant's APD, the Division has denied applicant, its lessor, and other owners of the oil and gas rights underlying the W½ of Section 26 the opportunity to produce the recoverable oil and gas under their property. Unless reversed, this will cause the waste of hydrocarbons. Applicant therefore requests that this matter be set for hearing before the Division.

9. Since the W½ of Section 26 is unsuitable for potash mining, future oil and gas drilling in the W½ of Section 26 should be approved without the necessity of coming to hearing. Therefore, applicant also requests that applications for permit to drill in the W½ of Section 26 should not be denied simply because the area is within an LMR or the buffer zone of an LMR.

10. Approval of this application will protect correlative rights for it will afford applicant and the other owners of the oil and gas rights in the W½ of Section 26 the opportunity to produce their just and equitable share of the reserves under their property, for it will honor the mutual agreement between the owners of both the potash and the oil and gas interests for the development of these lands. Approval of this application will otherwise be in the best interests of conservation and the prevention of waste.

WHEREFORE, applicant requests that this application be set for hearing before an Examiner of the Division, and that, after notice and hearing, the Division enter its order authorizing applicant to drill its proposed Parkway "26" State Com. Well No. 1 to test the Morrow formation, and granting other appropriate relief.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce". The signature is written in a cursive style with a large initial "J".

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

PROPOSED ADVERTISEMENT

Case No. 14202 Application of Mewbourne Oil Company for an order authorizing the drilling of a well in the Potash Area, Eddy County, New Mexico. Applicant seeks an order approving the drilling of its proposed Parkway "26" State Com. Well No. 1 to an approximate depth of 11,800 feet to test the Morrow formation (Undesignated West Parkway-Morrow Gas Pool) within the Oil-Potash Area, at a location 875 feet from the north line and 660 feet from the west line (Unit D) of Section 26, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. The W/2 of Section 26 will be dedicated to the well. Applicant also seeks approval of future oil and gas drilling in the W/2 of Section 26 without the necessity of going to hearing. The unit is located approximately 13-1/2 miles south-southwest of Loco Hills, New Mexico.

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