

June 22, 2010

VIA HAND DELIVERY

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals & Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14519

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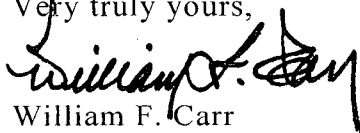
Re: Application of Mewbourne Oil Company for an order authorizing the drilling of a well in the Potash Area, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Application of Mewbourne Oil Company in the above-referenced case as well as a copy of the proposed legal advertisement. Mewbourne requests that this matter be placed on the docket for the July 22, 2010 Examiner Hearings.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr
Attorney for Mewbourne Oil Company

Enclosures

cc: D. Paul Haden
Mewbourne Oil Company

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

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

CASE NO. 14519

APPLICATION

MEWBOURNE OIL COMPANY ("Mewbourne"), pursuant to the provisions of Oil Conservation 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 to the New Mexico Oil Conservation Division for an order approving the drilling of its Parkway "26" State Com Well No. 3H to be horizontally drilled within the Potash Area from a surface location 2240 feet from the North line and 330 feet from the West line (Unit E) to a depth of 12,500 feet (true vertical depth of approximately 8,200 feet subsurface) and then in an easterly direction in the Bone Spring formation, Turkey Track-Bone Spring Pool (Pool Code 60660), to a bottom hole terminus at a location 2240 feet from the North line and 330 feet from the East line of said Section 26, and in support of its application states:

1. Mewbourne is the lessee of certain oil and gas rights under Section 26, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. Mewbourne has the right to develop the oil and gas reserves underlying this property.

2. Mewbourne proposes to drill its Parkway "26" State Com Well No. 3H from a surface location 2240 feet from the North line and 330 feet from the West line (Unit E) to a true vertical depth of approximately 8,200 feet subsurface and then in an

easterly direction in the Bone Spring formation, Turkey Track-Bone Spring Pool (Pool Code 60660), to a bottom hole terminus at a location 2240 feet from the North line and 330 feet from the East line of said Section 26.

3. The S/2N/2 of Section 26, the horizontal well project area upon which Mewbourne proposes to drill, is State of New Mexico land.

4. On April 13, 2010, by Certified Mail-Return Receipt Requested, Mewbourne notified Intrepid Potash, Inc., the lessee of potash reserves within one mile of the proposed well location, of its intent to drill this well and sought Intrepid's waiver of objection to the proposed location. This notice was received by Intrepid on April 15, 2010. No waiver has been granted by Intrepid.

5. On May 12, 2010, Mewbourne submitted an Application for Permit to Drill (C-101) and a Well Location and Acreage Dedication Plat (Form C-102) to the Division's district office for its proposed Parkway "26" State Com Well No. 3H.

6. Pursuant to Division Order R-111-P, the New Mexico Oil Conservation Division notified the New Mexico State Land Office of the application to determine whether the proposed well location is within a Life-of-Mine Reserve ("LMR") or its buffer zone.

7. On June 17, 2010, the Division's district office rejected the APD because the proposed location is within a Life-of-Mine Reserve and/or buffer zone.

8. The Division acted improperly rejecting Mewbourne's Application for Permit to Drill the Parkway "26" State Com Well No. 3H.

9. Intrepid has previously waived objection to the following two wells in the N/2 NW/4 of said Section 26:

- A. Parkway "26" State Com Well No. 1 located 875 feet from the North line and 660 feet from the West line of Section 26; and
- B. Parkway "26" State Com Well No. 2H located 660 feet from the North line and 330 feet from West line of Section 26.

Furthermore, there are four additional wells between the subject acreage and any potash reserves north of this location. It therefore does not appear that a potash lessee will underground mine around the existing wellbores in Section 26, and to the north of these wells, to access the potash reserves, if any, under the subject acreage.

10. It also does not appear that this area contains potash reserves in sufficient thickness and grade to be commercially mineable.

11. Approval of this application will not result in undue waste of potash deposits or constitute a hazard to or interfere with the mining of existing potash reserves.

12. Approval of this application will afford Mewbourne the opportunity to produce its just and equitable share of hydrocarbons underlying these state lands, will prevent waste and protect correlative rights.

13. Mewbourne requests that this application be set for hearing before an examiner of the Oil Conservation Division.

14. Mewbourne has sent notice of this application to the interested parties listed on Exhibit A to this application.

WHEREFORE, Mewbourne Oil Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 22, 2010 and that, after notice and hearing, the Division enter its order authorizing

Mewbourne to drill its proposed Parkway "26" State Com Well No. 3H from a standard surface location 2240 feet from the North line and 330 feet from the West line (Unit E) on a horizontal well project area comprised of the S/2 N/2 of Section 26, Township 19 South, Range 29 East, NMPM.

Respectfully submitted,
HOLLAND & HART, LLP

By: 

William F. Carr
Post Office Box 2208
Santa Fe, NM 87504-2208
Telephone: (505) 988-4421

ATTORNEYS FOR MEWBOURNE OIL
COMPANY, L.P.

EXHIBIT A

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

NOTICE LIST

Intrepid Potash, inc.
707 17th Street, Suite 4200
Denver, Colorado 80202-3432
Attn: Katie Keller

Commissioner of Public Lands
New Mexico State Land Office
Oil, Gas and Minerals Division
Post Office Box 1148
Santa Fe, New Mexico 87504-1148
Attn: Mr. Jeff Albers

CASE 14519: **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. 3H as a horizontal well in the Potash Area from a standard surface location 2240 feet from the North line and 330 feet from the West line (Unit E) to a depth of 12,500 feet (true vertical depth of approximately 8,200 feet subsurface) and then in an easterly direction in the Bone Spring formation, Turkey Track-Bone Spring Pool (Pool Code 60660), to a bottom hole terminus at a location 2240 feet from the North line and 330 feet from the East line of said Section 26. The project area for this horizontal well will be the S/2N/2 of Said Section 26. Said location is within the Potash Area and located approximately 13 miles northeast of Carlsbad, New Mexico.