



Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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February 16, 2012

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 7901

Attn: Mr. Steven J. Smith

Re: Horseshoe State Exploratory Unit
Automatic Elimination Effective February 7, 2012
Eddy County, New Mexico

Dear Mr. Smith:

Our records reflect that pursuant to Article 9 of the Horseshoe State Exploratory Unit the contraction/automatic elimination date on this unit occurred on February 7, 2012. Our review of this unit reflects the following:

- The Horseshoe State Exploratory Unit was approved effective February 7, 2007.
- Article 9 of the Horseshoe State Exploratory Unit provides for the following:
 - Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.
- The Horseshoe State Unit Well No. 1 (30-015-34164) (L) Sec. 33-23S-25E was determined to be a commercial Morrow well by our letter of December 19, 2007. This well is currently producing from the Horseshoe Bend; Morrow (Gas) pool (78680). The OCD spacing assigned to this well is the W/2 of Sec. 33-23S-25E, 320.00 Acres.
- No drilling operations were being conducted within the unit boundaries on February 7, 2012.

In view of the above please be advised that the Horseshoe State Exploratory unit has been automatically contracted to the NMOCD spacing unit of the Well No. 1 effective February 7, 2012. The unit boundaries now consist of the W/2 of Section 33-23S-25E.

Please also be advised that due to the automatic elimination, the following State Lease has expired by its own terms effective February 7, 2012:

V0-6613-1, S/2 Sec. 28-23S-25E, 320.00 Acres issued 4-1-2002 to Mewbourne Oil Company

Mewbourne Oil Company

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Please submit revised Exhibits "A" and "B" for this unit to reflect the revised acreage due to the contraction.

Please notify all interested parties of this action.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
Larry J. Roybal, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/LR/pm

cc: Reader File,
OCD-Attention: Mr. Ed Martin
TRD-Attention: Mr. Valdean Severson
Kurt McFall – Royalty Management Division