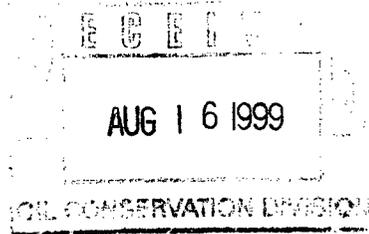


JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



August 13, 1999

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Administrative application for an unorthodox location:

Federal "R" Well No. 2
1980 feet FSL & 660 feet FEL
S½ §17, Township 17 South, Range 27 East, NMPM
Eddy County, New Mexico

Operator: Mewbourne Oil Company

Dear Mr. Stogner:

Regarding the above application, enclosed is a waiver of objection from Murchison Oil & Gas, Inc., one of the offset operators.

Very truly yours,

James Bruce

Attorney for Mewbourne
Oil Company

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

July 23, 1999

(915) 682-3715
FAX (915) 685-4170

Murchison Oil & Gas Inc.
1445 Ross Ave., Suite 5300, LB 152
Dallas, Texas 75202-2807
Attn: Charlene M. Crump

Re: Federal "R" No. 2 Well
1980' FSL & 660' FEL of Section 17,
T17S, R27E
Eddy County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company, as Operator, has intentions to drill the captioned well at the referenced location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 9,250 feet beneath the surface with the S/2 of the captioned Section 17 being dedicated to the well. Well spacing for the Logan Draw - Morrow Gas Pool is 320 acres, with wells to be located no closer than 1650 feet from the end line and 660 feet from the side line of the spacing unit.

Regarding the above, Mewbourne Oil Company hereby requests a waiver of objection from Murchison Oil & Gas Inc. as an offset Operator for the granting of a drilling permit for the referenced well and unorthodox location as described above.

If Murchison Oil & Gas Inc. as an offset Operator has no objection to the granting of a drilling permit for the captioned well and location, please indicate Murchison's waiver of objection by signing and returning the duplicate original of this letter to the undersigned.

Sincerely yours,

MEWBOURNE OIL COMPANY

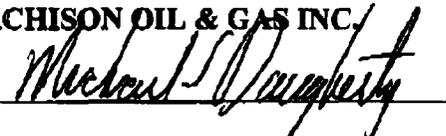


D. Paul Haden
Senior Landman

DPH/gb

The undersigned has no objection to the granting of a drilling permit for the captioned well at the referenced location.

MURCHISON OIL & GAS INC.

By: 

Date signed: 8/9/99

Name: MICHAEL S. DAUGHERTY

Title: VICE PRESIDENT OPERATIONS



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 20, 1999

Mewbourne Oil Company
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Re: Application dated July 29, 1999 for Mewbourne Oil Company to drill its proposed Federal "R" Well No. 2 at an unorthodox gas well location within the Logan Draw-Morrow Gas Pool 1980' FSL & 660' FEL (I) of Section 17, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

Dear Mr. Bruce:

On August 10, 1999 the Division received an objection from Chi Energy, Inc. to the subject application, see copy of a letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for September 16, 1999. Please provide adequate notice pursuant to Rule 1207.A(5) of the Division's Rules and Regulations.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
Chi Energy, Inc. (Attention: John W. Qualls) – Midland, Texas
Kathy Valdes, NMOCD – Santa Fe

CHI ENERGY, INC.

P.O. BOX 1799

MIDLAND, TEXAS 79702

August 10, 1999

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

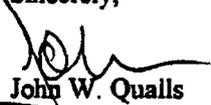
"VIA FAX AND MAIL"

**Re: Mewbourne Oil Company
Unorthodox Morrow Gas Well Location
Federal "R" Well No. 2
Township 17 South, Range 27 East, N.M.P.M.
Section 17: 1980' FSL & 660' FEL
Eddy County, New Mexico**

Dear Mr. Stogner:

Chi Energy, Inc. owns a working interest in OXY USA Inc.'s operated Celtic State #1, offsetting the proposed unorthodox location referenced above. Chi believes the referenced unorthodox location is an effort to drain reserves underlying Chi's leasehold causing waste and thus should be denied. Please advise when this application will be scheduled for a formal hearing.

Sincerely,


John W. Qualls

JWQ/fh