

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



30-015-40986
Layla 35 OB Well #1H
Mewbourne

ADMINISTRATIVE APPLICATION CHECKLIST *Case No. 14977

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

6825

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**
- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Catanach
Print or Type Name

David Catanach
Signature

Agent for Mewbourne Oil Company
Title

5/28/13
Date

drctanach@netscape.com
E-Mail Address

May 28, 2013

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey, CPG
Division Director

Re: Application for Unorthodox Well Location
Layla 35 OB Well No. 1H
API No. (30-015-40968)
Surface Location: 150' FSL & 1980' FEL (Unit O)
BHL: 330' FNL & 1980' FEL (Unit B)
Section 35, T-23 South, R-28 East, NMPM,
Eddy County, New Mexico

Dear Ms. Bailey:

Pursuant to Division Rule 19.15.15.13, Mewbourne Oil Company ("Mewbourne") respectfully requests administrative approval of an unorthodox oil well location for its Layla 35 OB Well No. 1H. This well has been drilled as a horizontal development oil well in the South Culebra Bluff-Bone Spring Pool (15011).

The Layla 35 OB Well No. 1H will be dedicated to a 160-acre non-standard spacing and proration unit ("project area") comprising the W/2 E/2 of Section 35. There are currently no other existing Bone Spring producing wells within the project area. **(Note: The proposed 160-acre non-standard spacing and proration unit and the compulsory pooling of this unit is the subject of Case No. 14977 which is currently scheduled to be heard at the NMOCD Examiner Hearing on May 30, 2013).**

The South Culebra Bluff-Bone Spring Pool is currently governed by "The Special Rules and Regulations for the South Culebra Bluff-Bone Spring Pool" as established by Division Order No. R-6139 dated October 12, 1979. These rules require standard 80-acre spacing and proration units comprising the N/2, S/2, E/2 or W/2 of a governmental quarter section with wells to be located within 150 feet of the center of a governmental quarter-quarter section.

Pursuant to these rules, a well in the South Culebra Bluff-Bone Spring Pool cannot be located closer than 510 feet to a direct offset tract, and cannot be located closer than 783 feet to a diagonal offset tract.

The proposed unorthodox location is necessary in order to maximize the recovery of oil and gas reserves from the South Culebra Bluff-Bone Spring Pool underlying the W/2 E/2 of Section 35.

The affected offset tracts are described as follows:

Tract 1: E/2 W/2 of Section 26-23S-28E. This tract is currently being developed in the South Culebra Bluff-Bone Spring Pool by Chevron MidContinent, LP;

Tract 2: S/2 SE/4 of Section 26-23S-28E. This tract is undeveloped in the South Culebra Bluff-Bone Spring Pool. The leasehold owner of this tract is COG Operating, LLC;

Tract 3: NE/4 of Section 2-24S-28E. This tract is undeveloped in the South Culebra Bluff-Bone Spring Pool. The leasehold owner of this tract is Kaiser-Francis Oil Company; and

Tract 4: NW/4 of Section 2-24S-28E. This tract is undeveloped in the South Culebra Bluff-Bone Spring Pool. The leasehold owner of this tract is Southwest Royalties, Inc.

Mewbourne Oil Company has obtained waivers of objection to the proposed unorthodox location from Chevron MidContinent, LP, Kaiser-Francis Oil Company and Southwest Royalties, Inc. These waivers of objection are attached for your review. Pursuant to Division rules, notice of this application is being provided to COG Operating, LLC.

Attached is a Form C-102 showing the proposed well and proposed project area. Also attached is a map showing the affected offset acreage and an offset leasehold notice letter.

In summary, approval of the application will provide Mewbourne Oil Company the opportunity to recover additional oil and gas reserves from the South Culebra Bluff-Bone Spring Pool underlying the W/2 E/2 of Section 35 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach, Agent
Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Xc: OCD-Artesia

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III
1000 Rio Brazos Rd., Artes, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
August 1, 2011
Permit 160422

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-40968	2. Pool Code 15011	3. Pool Name CULEBRA BLUFF;BONE SPRING, SOUTH
4. Property Code 39630	5. Property Name LAYLA 35 OB FEE COM	6. Well No. 001H
7. OGRID No. 14744	8. Operator Name MEWBOURNE OIL CO	9. Elevation 3021

10. Surface Location

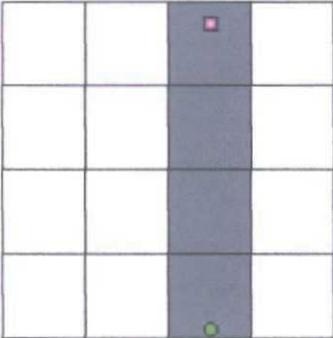
UL - Lot	Section	Township	Range	Lot Idn	Feet From	N-S Line	Feet From	E-W Line	County
O	35	23S	28E		150	S	1980	E	EDDY

11. Bottom Hole Location If Different From Surface

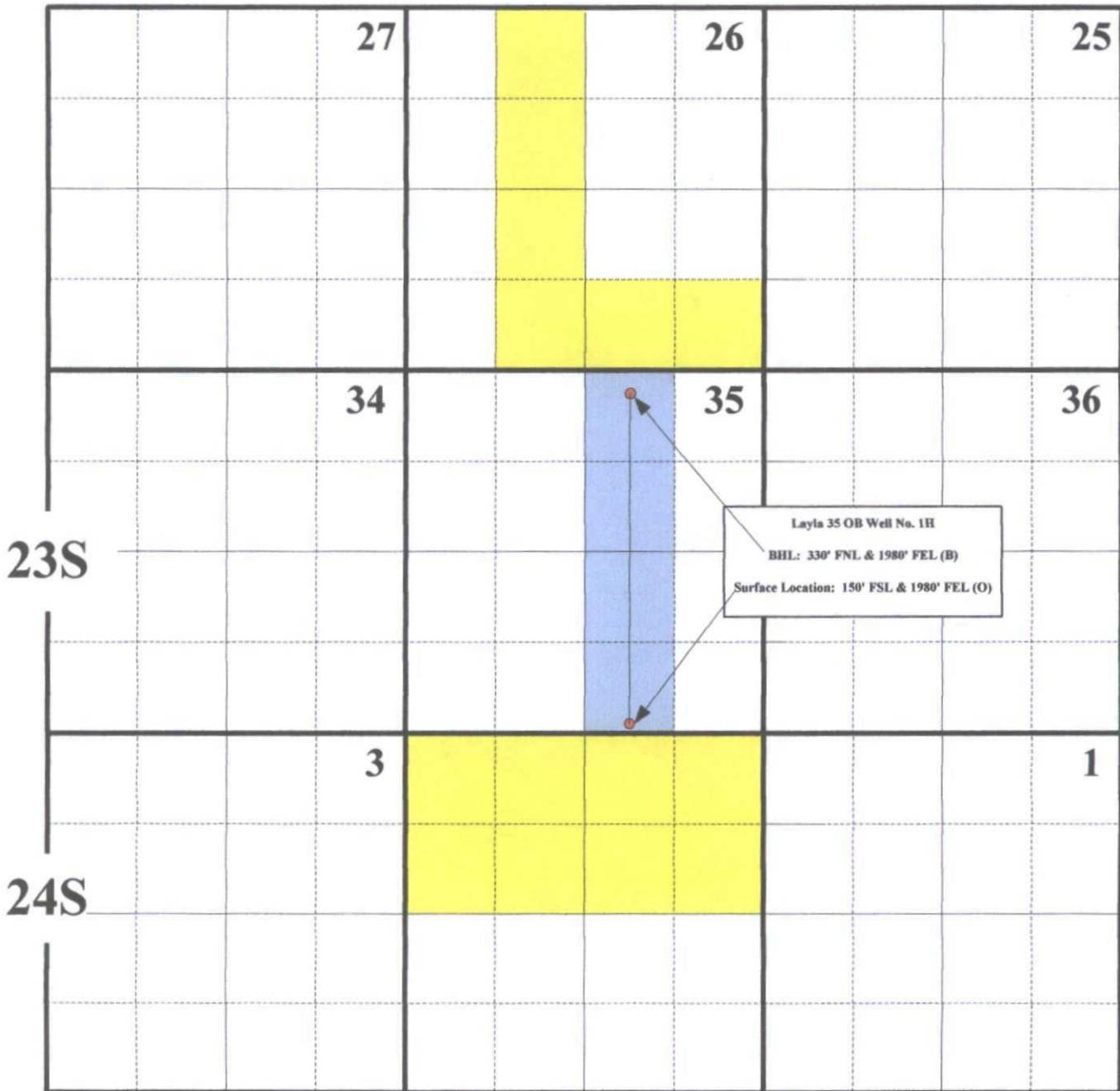
UL - Lot	Section	Township	Range	Lot Idn	Feet From	N-S Line	Feet From	E-W Line	County
B	35	23S	28E	B	330	N	1980	E	EDDY

12. Dedicated Acres 160.00	13. Joint or Infill	14. Consolidation Code	15. Order No.
-------------------------------	---------------------	------------------------	---------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s); or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: Monty Whetstone Title: Vice President Operations Date: 1/14/2013</p> <hr/> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: Gary Jones Date of Survey: 12/18/2012 Certificate Number: 7977</p>
--	---

28E



-  160-Acre Project Area
-  Affected Offset Acreage

Mewbourne Oil Company
Application for Unorthodox Well Location
Layla 35 OB Well No. 1H
Affected Offset Acreage

May 28, 2013

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: COG Operating, LLC
One Concho Center
600 W. Illinois Avenue
Midland, Texas 79701

Re: Mewbourne Oil Company
Unorthodox Oil Well Location
Layla 35 OB Well No. 1H (API No. 30-015-40968)
Surface Location: 150' FSL & 1980' FEL (Unit O)
Bottomhole Location: 330' FNL & 1980' FEL (Unit B)
Section 35, T-23 South, R-28 East, NMPM,
South Culebra Bluff-Bone Spring Pool
Eddy County, New Mexico

Ladies and Gentlemen:

Enclosed please find a copy of the application filed by Mewbourne Oil Company ("Mewbourne") for approval of an unorthodox oil well location for its Layla 35 OB Well No. 1H located at the surface and bottomhole location described above. The well will test the South Culebra Bluff-Bone Spring Pool and will be dedicated to a 160-acre spacing and proration unit ("project area") comprising the W/2 E/2 of Section 35, Township 23 South, Range 28 East, NMPM. The unorthodox location is necessary in order to maximize the recovery of oil and gas reserves underlying the W/2 E/2 of Section 35.

As the owner of an interest that may be affected by the proposed unorthodox oil well location, you are being provided notice as per Division rules and regulations. Objections must be filed in writing at the Division's Santa Fe office within 20 days from the date this notice was sent to you. If no objection is received within twenty days after the filing of this application and proof of notice with the Division, the application may be approved.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach, Agent
Mewbourne Oil Company
550 W. Texas, Suite 1020
Midland, Texas 79701

Enclosure

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

April 30, 2013

Via Email: kevinstubbs@chevron.com and
Certified Mail-Return Receipt No. 7206

Chevron MidContinent, LP
P.O. Box 2100
Houston, Texas 77252
Attn: Mr. Kevin C. Stubbs

Re: Unorthodox Location and
Non Standard Unit
Layla "35" OB Fee #1H Well
150' FSL & 1980' FEL (SL)
330' FNL & 1980' FEL (BHL)
Section 35, T23S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

As an offset leasehold owner, Mewbourne Oil Company ("Mewbourne") hereby requests a waiver of objection from Chevron MidContinent, LP ("Chevron") regarding Mewbourne's proposed unorthodox location and non standard unit for the captioned well.

In reference to the above, Mewbourne as Operator proposes to drill the referenced well at the referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,361 feet beneath the surface and shall be drilled from a southerly direction to a northerly direction to evaluate the Second Bone Spring Sand interval in the Bone Spring formation for oil and gas production. The terminus of the proposed wellbore is referenced above as the BHL. The estimated measured depth will be approximately 12,950 feet with the well being dedicated to the W/2E/2 of the captioned Section 35 as the pooled proration unit and project area.

The above surface location is closer to the quarter-quarter Section line than is prescribed for the Culebra Bluff South Bone Spring Pool (Pool 15011) which provides for locations to be no closer than 330 feet from the quarter-quarter Section line and provides for 80 acre oil proration units. These Pool Rules also provide that the well location should be 150 feet from the center of the quarter - quarter Section line.

Chevron MidContinent, LP
Layla "35" OB Fee #1H Well
April 30, 2013
Page 2 of 2

Please indicate Chevron's agreement to Mewbourne's requested waiver of objection by signing and returning the duplicate original of this letter to the undersigned at your earliest convenience.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Chevron MidContinent, LP hereby waives objection to the above referenced unorthodox location and non-standard unit this 30th day of April, 2013.

CHEVRON MIDCONTINENT, LP

By: Edward T Van Bort

Name printed: EDWARD T VAN BORT

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

April 29, 2013

Via Email waynef@kfoc.net and
Certified Mail-Return Receipt No. 7183

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74121-1468
Attn: Mr. Wayne Fields

Re: Unorthodox Location and
Non Standard Unit
Layla "35" OB Fee #1H Well
150' FSL & 1980' FEL (SL)
330' FNL & 1980' FEL (BHL)
Section 35, T23S, R28E
Eddy County, New Mexico

Gentlemen:

As an offset leasehold owner, Mewbourne Oil Company ("Mewbourne") hereby requests a waiver of objection from Kaiser-Francis Oil Company regarding Mewbourne's proposed unorthodox location and non standard unit for the captioned well.

In reference to the above, Mewbourne as Operator proposes to drill the referenced well at the referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,361 feet beneath the surface and shall be drilled from a southerly direction to a northerly direction to evaluate the Second Bone Spring Sand interval in the Bone Spring formation for oil and gas production. The terminus of the proposed wellbore is referenced above as the BHL. The estimated measured depth will be approximately 12,950 feet with the well being dedicated to the W/2E/2 of the captioned Section 35 as the pooled proration unit and project area.

The above surface location is closer to the quarter-quarter Section line than is prescribed for the Culebra Bluff South Bone Spring Pool (Pool 15011) which provides for locations to be no closer than 330 feet from the quarter-quarter Section line and provides for 80 acre oil proration units. These Pool Rules also provide that the well location should be 150 feet from the center of the quarter - quarter Section line.

Kaiser-Francis Oil Company
Layla "35" OB Fee #1H Well
April 29, 2013
Page 2 of 2

In exchange for the requested waiver, Mewbourne would be agreeable to granting Kaiser-Francis a similar waiver should Kaiser-Francis decide to drill a well on its property in Section 2, T24S, R28E to evaluate the Bone Spring formation for oil and gas production as well as furnishing Kaiser-Francis well information as it becomes available for Mewbourne's referenced well.

Please indicate Kaiser-Francis's agreement to Mewbourne's requested waiver of objection by signing and returning the duplicate original of this letter to the undersigned at your earliest convenience.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

Kaiser-Francis Oil Company hereby waives objection to the above referenced unorthodox location and non-standard unit this 29th day of April, 2013.

KAISER-FRANCIS OIL COMPANY

By: Wayne A. Fields

Name printed: WAYNE A. FIELDS

ATTORNEY-IN-FACT

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

May 23, 2013

Via Email dhoward@claytonwilliams.com and
Certified Mail-Return Receipt No. 7497

Southwest Royalties, Inc.
6 Desta Drive, Suite 2100
Midland, Texas 79705
Attn: Dawn Howard

Re: Unorthodox Location and
Non Standard Unit
Layla "35" OB Fee #1H Well
150' FSL & 1980' FEL (SL)
330' FNL & 1980' FEL (BHL)
Section 35, T23S, R28E
Eddy County, New Mexico

Ladies and Gentlemen:

As an offset leasehold owner, Mewbourne Oil Company ("Mewbourne") hereby requests a waiver of objection from Southwest Royalties, Inc. ("Southwest") regarding Mewbourne's proposed unorthodox location and non standard unit for the captioned well.

In reference to the above, Mewbourne as Operator proposes to drill the referenced well at the referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,361 feet beneath the surface and shall be drilled from a southerly direction to a northerly direction to evaluate the Second Bone Spring Sand interval in the Bone Spring formation for oil and gas production. The terminus of the proposed wellbore is referenced above as the BHL. The estimated measured depth will be approximately 12,950 feet with the well being dedicated to the W/2E/2 of the captioned Section 35 as the pooled proration unit and project area.

The above surface location is closer to the quarter-quarter Section line than is prescribed for the Culebra Bluff South Bone Spring Pool (Pool 15011) which provides for locations to be no closer than 330 feet from the quarter-quarter Section line and provides for 80 acre oil proration units. These Pool Rules also provide that the well location should be 150 feet from the center of the quarter - quarter Section line.

Southwest Royalties, Inc.
Layla "35" OB Fee #1H Well
April 23, 2013
Page 2 of 2

Please indicate Southwest's agreement to Mewbourne's requested waiver of objection by signing and returning the duplicate original of this letter to the undersigned at your earliest convenience. In exchange of the requested waiver, Mewbourne agrees to grant Southwest a similar waiver if Southwest drills a Bone Spring well on the leasehold in the W/2 of Section 2, T24S, R28E, Eddy County, New Mexico.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Hatch
Senior Landman

DPH/gb

Southwest Royalties, Inc. hereby waives objection to the above referenced unorthodox location and non-standard unit this 24th day of May, 2013.

SOUTHWEST ROYALTIES, INC.

By: Dawn M. Howard

Name printed: Dawn M. Howard

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

MIDLAND TX 79701 **OFFICIAL USE**

Postage	\$	\$1.32
Certified Fee		\$3.10
Return Receipt Fee (Endorsement Required)		\$2.55
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$6.97



COG Operating, LLC
Sent To **One Concho Center**
Street, Apt. or PO Box No. **600 W. Illinois Avenue**
City, State, Zip **Midland, Texas 79701**
Attn: Jan Spradlin

PS Form 3800, August 2006 See Reverse for Instructions

7012 0470 0001 5964 7728