



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 27, 2007

Jim Bruce, Esq.
Agent for Mewbourne Oil Company
PO Box 1056
Santa Fe, NM 87504

RE: Lancaster 9 Federal Com. Well No. 1 (API No 30-015-NA)
560 feet from the North Line, 660 feet from the East line, Unit A
Section 9, Township 22 South, Range 26 East, NMPM, Eddy County
320 Acres, E/2 of Section 9 Dedication

Administrative Order NSL-5593

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application (administrative application reference No. pTDS0706150912 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 1, 2007, on behalf of Mewbourne Oil Company, OGRD 14744 ("Mewbourne"); and
- (b) the Division's records pertinent to Mewbourne's request.

Mewbourne proposes to drill the above referenced well at the above referenced unorthodox gas well location within Section 9 and requests to produce from the Morrow formation, Happy Valley-Morrow Gas Pool (78060). As a secondary target after evaluation of the Morrow, Mewbourne wishes permission to produce from the Strawn formation, Undesignated Happy Valley-Strawn Gas Pool (78070). Both of these formations would produce within a 320-acre spacing unit consisting of the E/2 of Section 9. The proposed well would be the first well in each pool within this spacing unit.

Division Rule 104.C(2) requires deep gas wells located in southeast New Mexico to be located no closer than 660 feet from any quarter section line within any standard 320 acre spacing unit. This well location is un-orthodox because it is located 100 feet from the northern boundary of this E/2 of Section 9 gas spacing unit.

Mewbourne is drilling the well in the NE/4 of Section 9 as the estimated best geologic location to encounter productive Morrow channel sands. The chosen location was moved 100

feet north at the request of the surface owner, the U.S. Bureau of Land Management and is now encroaching on the offset spacing unit to the north.

Chi Operating, Inc. as the operating arm for Chi Energy, Inc. ("Chi") is the operator of (Morrow and Strawn) spacing units to the north as well as to the northeast. Chi has been notified of this application and has signed a waiver indicating it has no objection to drilling the well at this location.

Division Rule 104.F allows the Division director to grant location exceptions in order to prevent waste and protect correlative rights. Your application on behalf of Mewbourne has been duly filed and notice has been provided as required under the provisions of Division Rules 104.F and 1210.A. In order to prevent waste and protect correlative rights, the above-described non-standard location for the Morrow formation, Happy Valley-Morrow Gas Pool (78060) and for the Strawn formation, Undesignated Happy Valley-Strawn Gas Pool (78070) within a 320-acre spacing unit consisting of the E/2 of Section 9 is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad