

ABOVE THIS LINE FOR DIVISION USE ONLY

5593

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



ADMINISTRATIVE APPLICATION CHECKLIST

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]

[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.

James Bruce
 P.O. Box 1056
 Santa Fe, New Mexico 87504

James Bruce
 Signature

Attorney for Applicant
 Title Date

2/28/07

jamesbruc@aol.com
 e-mail Address

2007 MAR 1 PM 10:37

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

February 28, 2007

Hand delivered

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Mewbourne Oil Company applies for approval of an unorthodox gas well location for the following well:

<u>Well:</u>	Lancaster 9 Fed. Com. Well No. 1
<u>Location:</u>	560 feet FNL & 660 feet FEL
<u>Well Unit:</u>	E½ of Section 9, Township 22 South, Range 26 East, N.M.P.M., Eddy County, New Mexico

78060 The well will be drilled to a depth sufficient to test the Morrow formation (Happy Valley-Morrow Gas Pool), although applicant requests unorthodox location approval for both the Morrow and Strawn formations (Happy Valley-Strawn Gas Pool). Both formations are spaced on statewide regulations (320 acre well units, with wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line). UNDESIGNATED
78070

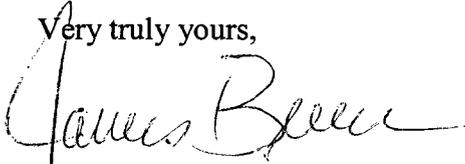
The well's location is based upon geologic and topographic reasons. Applicant originally sought to drill the well at an orthodox location 660 feet FNL and 840 feet FEL. See Exhibit A (the APD for the well). However, as shown on Exhibit A, the well is located near a levee, and the BLM, the surface owner, required applicant to move the well to the north and east of the original location. See Exhibit B.

Applicant desires to drill the well in the NE¼ of Section 9 for geologic reasons. A geologic write-up, with an attached isopach, is attached as Exhibit C. The SE¼ of Section 9 appears to be dry in the Morrow.

A land plat is attached as Exhibit D. The affected well units are the S½ of Section 3 and the E½ of Section 4. Both units are operated (in the Strawn and the Morrow) by Chi Operating, Inc. (the operating arm of Chi Energy, Inc.), which has waived objection to the location. See Exhibit E.

Please contact me if you need any further information.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above the printed name.

James Bruce

Attorney for Mewbourne Oil Company

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. New Lease #
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No.
8. Lease Name and Well No. Lancaster 9 Federal Com #1
9. API Well No.
10. Field and Pool, or Exploratory Happy Valley Morrow
11. Sec., T., R., M., or Blk. and Survey or Area Sec 9-T22S-R26E
12. County or Parish Eddy
13. State NM

1a. Type of Work: DRILL REENTER

1b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator
Mewbourne Oil Company - 14744

3a. Address
PO Box 5270 Hobbs, NM 88240

3b. Phone No. (include area code)
505-393-5905

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface 660' FNL & 840' FEL Unit A
At proposed prod. zone Same

14. Distance in miles and direction from nearest town or post office*
3 miles WSW of Carlsbad

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'

16. No. of Acres in lease
320

17. Spacing Unit dedicated to this well
160

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 179'

19. Proposed Depth
11500'

20. BLM/BIA Bond No. on file
NM1693, Nationwide

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3222' GL

22. Approximate date work will start*
ASAP

23. Estimated duration
45

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature *Kristi Green* Name (Printed/Typed) Kristi Green Date 01/25/07

Title Hobbs Regulatory

Approved by (Signature) _____ Name (Printed/Typed) _____ Date _____

Title _____ Office _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

EXHIBIT A

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name <i>Happy Valley Morrow</i>
Property Code	Property Name LANCASTER "9" FEDERAL COM	Well Number 1
OGRID No. <i>14744</i>	Operator Name MEWBOURNE OIL COMPANY	Elevation 3222'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	9	22 S	26 E		660	NORTH	840	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres <i>320</i>	Joint or Infill	Consolidation Code	Order No.
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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>OPERATOR CERTIFICATION</p> <p>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 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.</p> <p><i>Kristi Green</i> 1/25/07 Signature Date</p> <p>Kristi Green Printed Name</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>NEW MEXICO GARY L. JONES REGISTERED PROFESSIONAL SURVEYOR 7977</p>
	<p>Date Surveyed: 1/24/07</p> <p>Signature & Seal of Professional Surveyor 7977</p>
	<p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MEWBOURNE OIL COMPANY

Lancaster 9 Federal Com #1

660' FNL & 840' FEL

Sec 9-T22S-R26E

Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, Covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved, and the procedures to be followed in restoring the surface so that a complete appraisal can be made of the environmental impact associated with the proposed operations.

1. Existing Roads:

- A. Exhibit #3 is a road map showing the location of the proposed well. Existing roads are in black. Exhibit #3A is a topographic map showing the location of the proposed well and access road.
- B. **Directions to location from Carlsbad, NM: Go west of Carlsbad on CR 645 for approx 3 miles. Turn SW on lease road 1200' to new location.**

2. Proposed Access Road:

- A Will improve approx 1200' of existing lease road.
- B. The access to the location will be limited to 16' in width and will adequately drain runoff and control erosion as presently constructed.

3. Location of Existing Wells:

There are producing wells within the immediate vicinity of the well site on Exhibit 4.

4. Location of Existing and/or Proposed Facilities:

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, production facilities will be located on the well pad.
- C. All production vessels left on location will be painted to conform with BLM painting stipulations within 180 days of installation.

5. Location and Type of Water Supply

The well will be drilled with a combination of fresh water and brine water based mud systems. The water will be obtained from commercial suppliers in the area and/or hauled to the location by transport trucks over existing and proposed roads as indicated in Exhibit #3.

6. Source of Construction Materials

All material required for construction of the drill pad and access roads will be obtained from private, state, or federal pits. The construction contractor will be solely responsible for securing construction materials required for this operation and paying any royalties that may be required on those materials.

7. Methods of Handling Waste Disposal:

- A. Drill cuttings not retained for evaluation purposed will be disposed of in the reserve pit.
- B. Drilling fluids will be allowed to evaporate in the reserve pit prior to closure.
- C. Water produced during operations will be disposed of in the reserve pit.
- D. If any liquid hydrocarbons are produced during operations, those liquids will be stored in suitable tanks until sold.
- E. Current regulations regarding the proper disposal of human waste will be followed.
- F. All trash, junk, and other waste materials will be stored in proper containers to prevent dispersal and will be removed to an appropriate facility within one week of cessation of drilling and completion activities.

8. Ancillary Facilities

There are no ancillary facilities within the immediate vicinity of the proposed well site.

9. Well Site Layout

- A. A diagram of the drill pad is shown in Exhibit #5. Dimensions of the pad, pits, and location of major rig components are shown.
- B. The reserve pit will be lined with a high quality plastic sheeting to prevent migration of fluids.
- C. The pad dimension of 400' X 250' has been staked and flagged.
- D. An archaeological survey is in the process of being conducted on the proposed access road and location pad.

10. Plans for Restoration of Surface

- A. Upon cessation of the proposed operations, if the well is abandoned, the location and road will be ripped and re-seeded. The reserve pit area, after allowing to dry will be leveled. The entire location will be restored to the original contour as much as reasonable possible. All trash, garbage, and pit lining will be hauled to appropriate disposal to assure the location is aesthetically pleasing as reasonable possible. All restoration work will be completed within 180 days of cessation of activities.
- B. The disturbed area will be restored by re-seeding during the proper growing season.
- C. Three sides of the reserve pit will be fenced prior to and during drilling operations. The reserve pit will be fenced on the fourth side after the drilling rig is removed to prevent the endangerment of livestock. The fence will remain in place until the pit area has been leveled and restored.

- D. Upon cessation of the proposed operations, if the well is not abandoned, the reserve pit area will be restored as per OCD guidelines. Any additional caliche required for production facilities will be obtained from a source as described in Section 6.
- E. Within 90 days of cessation of drilling and completion operations, all equipment not necessary for production operations will be removed. The location will be cleaned of all trash and junk to assure the well site is left as aesthetically pleasing as reasonably possible.

11. Surface Ownership:

The surface is owned by: Located entirely on BLM lands

12. Other Information:

- A. Topography: Refer to the archaeological report for a detailed description of flora, fauna, soil characteristics, dwellings, and historical or cultural sites.
- B. The primary use of the surface at the location is for grazing of livestock.

13. Operator's Representative:

- A. Through APD approval, drilling, completion and production operations:

N.M. Young, District Manager
Mewbourne Oil Company
PO Box 5270
Hobbs, NM 88241
505-393-5905

14. Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Mewbourne Oil Company, its contractors and subcontractors, in accordance with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 01/25/07

Signature:

*Christi Grew for
N. M. Young*

N.M. Young, District Manager
Mewbourne Oil Company
PO Box 5270
Hobbs, NM 88241
(505) 393-5905

SECTION 9, TOWNSHIP 22 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

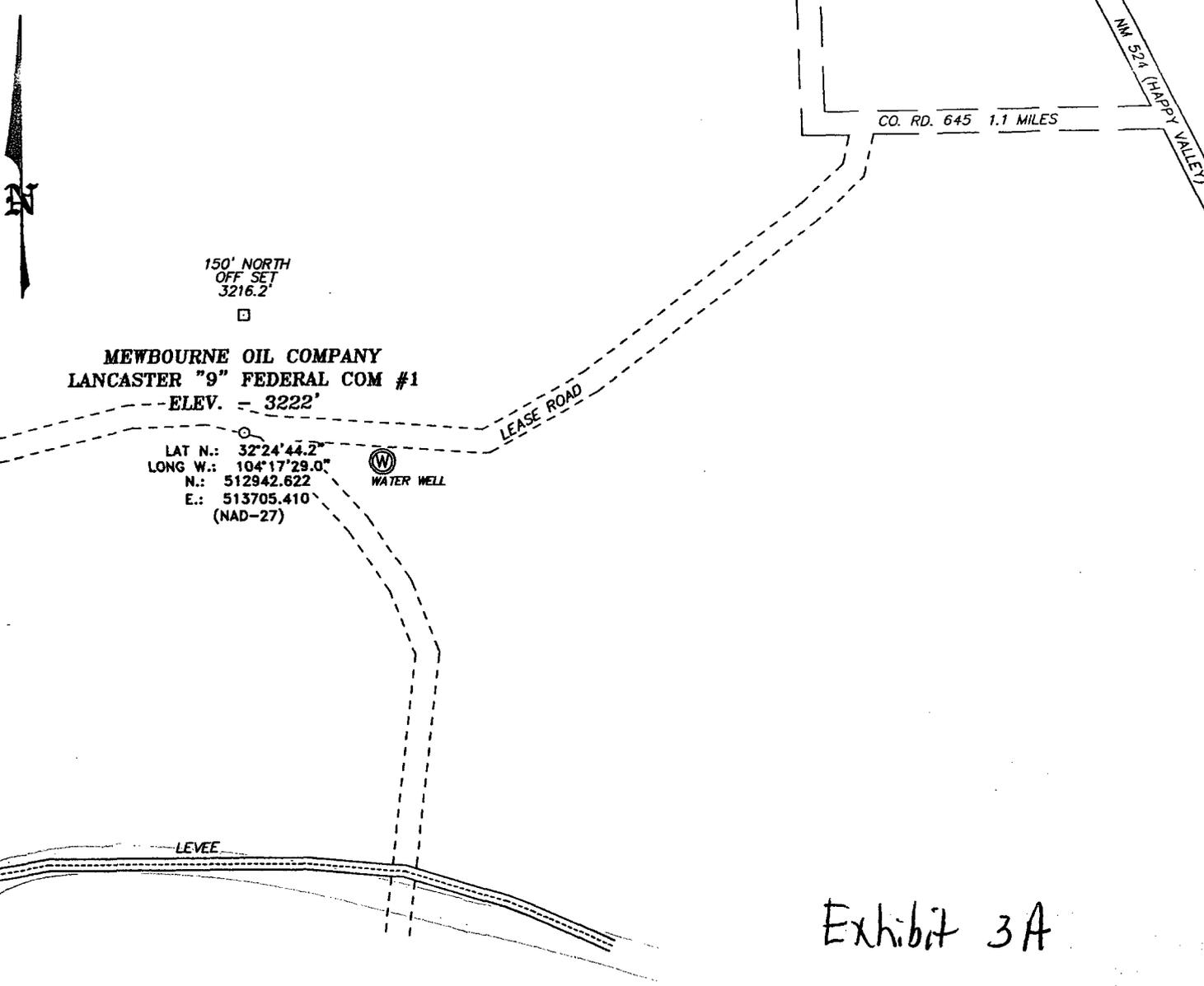
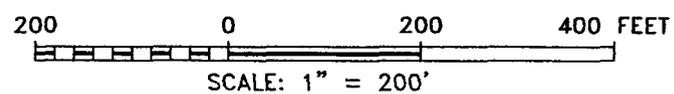


Exhibit 3A



DRIVING DIRECTIONS:

FROM THE JUNCTION OF NM 254 (HAPPY VALLEY) AND CO. RD. 645, PROCEED WEST ON CO. RD. 645 FOR 1.1 MILES TO LEASE ROAD. ON LEASE ROAD PROCEED SOUTHWEST WINDING WEST TO PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 17679 Drawn By: J. SMALL
 Date: 01-25-2007 Disk: JMS 17679W

MEWBOURNE OIL COMPANY	
REF: LANCASTER "9" FEDERAL COM #1 / WELL PAD TOPO	
THE LANCASTER "9" FEDERAL COM No. 1 LOCATED 660' FROM THE NORTH LINE AND 840' FROM THE EAST LINE OF SECTION 9, TOWNSHIP 22 SOUTH, RANGE 26 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.	
Survey Date: 01-24-2007	Sheet 1 of 1 Sheets

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
New lease number

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Lancaster 9 Federal Com #1

9. API Well No.

10. Field and Pool, or Exploratory Area
Happy Valley Morrow

11. County or Parish, State
Eddy, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Mewbourne Oil Company 14744

3a. Address
PO Box 5270 Hobbs, NM 88240

3b. Phone No. (include area code)
505-393-5905

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
660' FNL & 840' FEL of Sec 9-T22S-R26E Unit A

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Moved location</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

MOC sent in an APD for the above captioned well on 01/25/07. MOC restaked and moved the well from 660' FNL & 840' FEL to 560' FNL & 660' FEL per Barry Hunt with the BLM Carlsbad office. New Survey plat is enclosed & new location has been re-arched. If you have any questions, please call Mickey Young at 505-393-5905.

EXHIBIT **B**

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Kristi Green Title Hobbs Regulatory Asst

Signature *Kristi Green* Date 02/07/07

Approved by (Signature) _____ Name (Printed/Typed) _____ Title _____

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Office _____ Date _____

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on next page)

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name <i>Happy Valley Morrow</i>
Property Code	Property Name LANCASTER "9" FEDERAL COM	Well Number 1
OGRID No. <i>14744</i>	Operator Name MEWBOURNE OIL COMPANY	Elevation 3217'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	9	22 S	26 E		560	NORTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres <i>320</i>	Joint or Infill	Consolidation Code	Order No.
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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

Lat.: N32°24'45.2"
Long.: W104°17'26.9"
N.: 513808.850
E.: 513121.392
(NAD-27)

3210.2' 3211.5'
660'
3225.2' 3224.5'

New Lease Number

V-6815

LC-064490

OPERATOR CERTIFICATION

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 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.

Kristi Green 2/1/07

Signature _____ Date _____
Kristi Green

Printed Name _____

SURVEYOR CERTIFICATION

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.

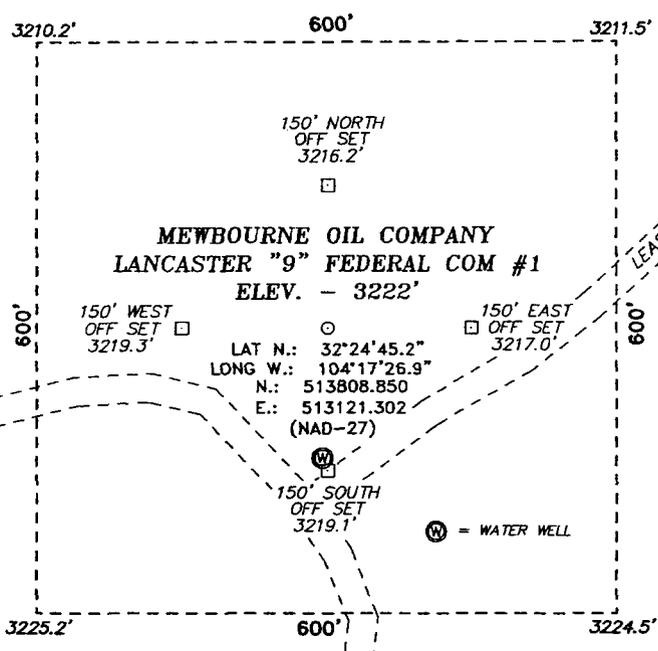
JANUARY 29, 2007

Date Surveyed _____
Signature & Seal of _____
Professional Surveyor
NEW MEXICO
7977
W.O. No. W679

Professional No. Gary Jones 7977

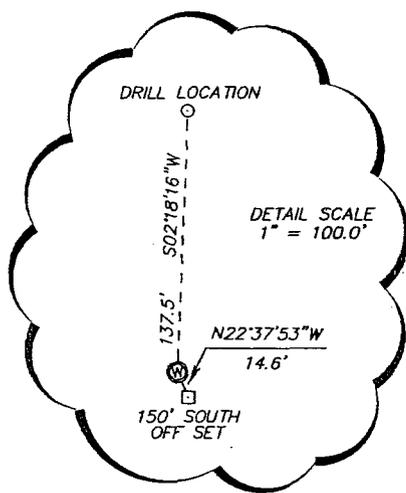
DASH SURVEYS

SECTION 9, TOWNSHIP 22 SOUTH, RANGE 26 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

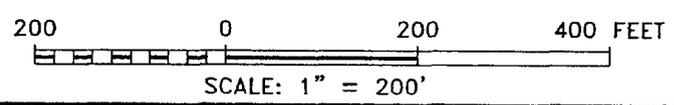


MEWBOURNE OIL COMPANY
LANCASTER "9" FEDERAL COM #1
 ELEV. - 3222'

LAT N.: 32°24'45.2"
 LONG W.: 104°17'26.9"
 N.: 513808.850
 E.: 513121.302
 (NAD-27)



DETAIL SCALE
 1" = 100.0'

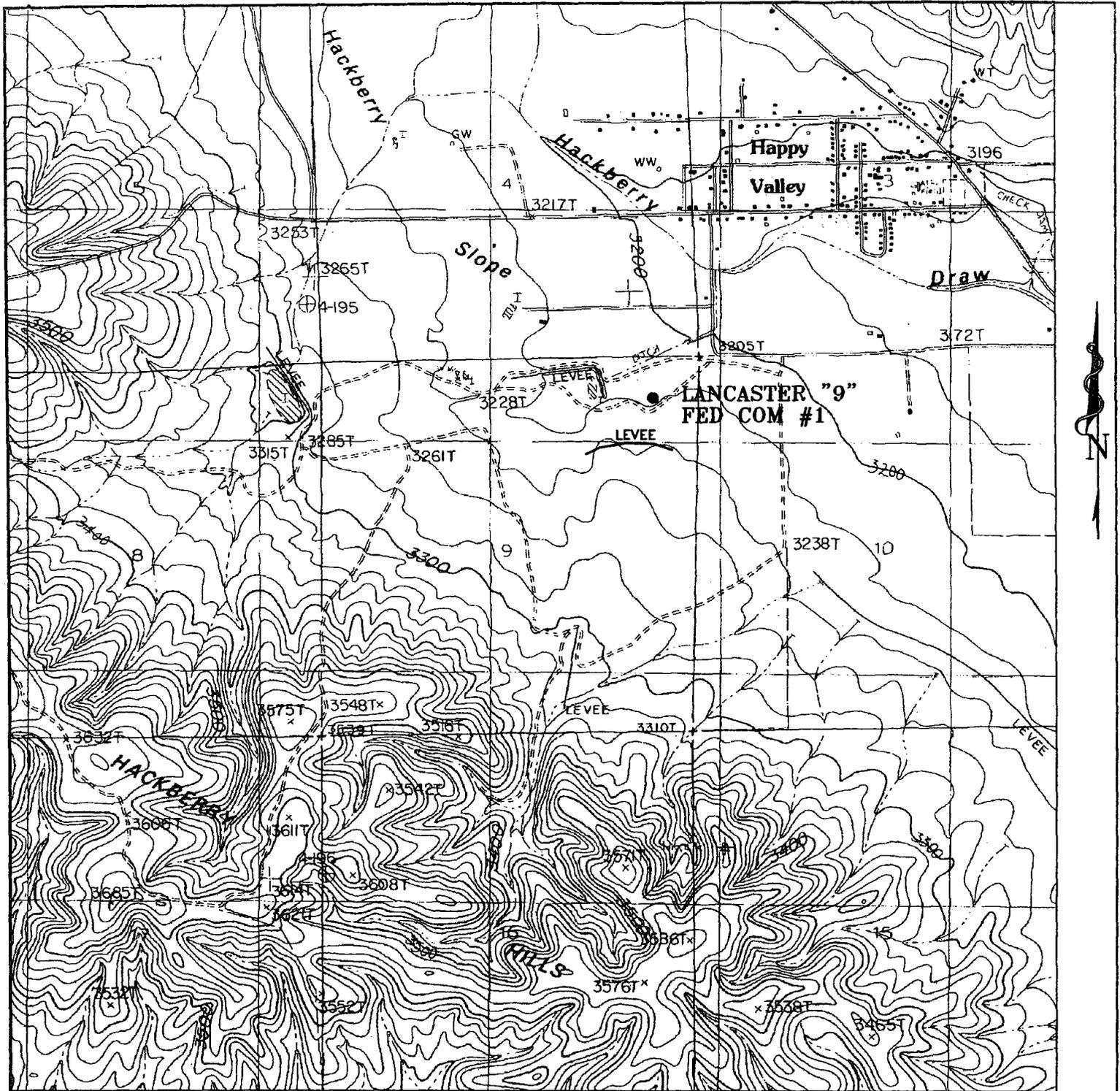


DRIVING DIRECTIONS:

FROM THE JUNCTION OF NM 254 (HAPPY VALLEY) AND CO. RD. 645, PROCEED WEST ON CO. RD. 645 FOR 1.1 MILES TO LEASE ROAD, ON LEASE ROAD PROCEED SOUTHWEST WINDING WEST 0.2 MILES TO PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786—HOBBS, NEW MEXICO

MEWBOURNE OIL COMPANY	
REF: LANCASTER "9" FEDERAL COM #1 / WELL PAD TOPO	
THE LANCASTER "9" FEDERAL COM No. 1 LOCATED 560'	
FROM THE NORTH LINE AND 660' FROM THE EAST LINE OF	
SECTION 9, TOWNSHIP 22 SOUTH, RANGE 26 EAST,	
N.M.P.M., EDDY COUNTY, NEW MEXICO.	
W.O. Number: 17679	Drawn By: J. SMALL
Date: 01-31-2007	Disk: JMS 17679W
Survey Date: 01-29-2007	Sheet 1 of 1 Sheets



LANCASTER "9" FEDERAL COM #1
 Located 560' FNL and 660' FEL
 Section 9, Township 22 South, Range 26 East,
 N.M.P.M., Eddy County, New Mexico.

basin surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number:	17679TT JMS
Survey Date:	01-29-2006
Scale:	1" = 2000'
Date:	01-31-2006

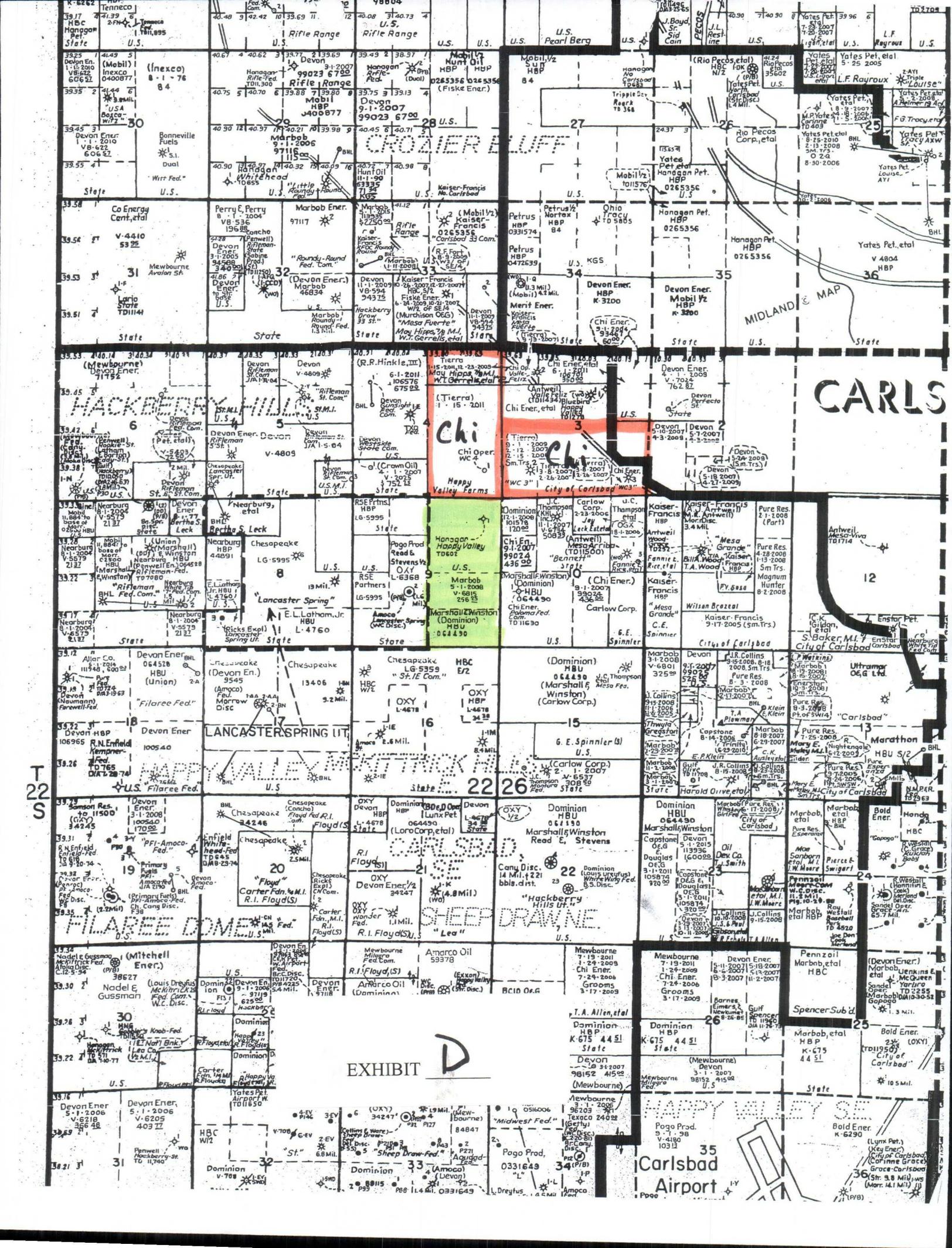
**MEWBOURNE
 OIL CO.**

Geologic Summary

The Mewbourne Oil Company #1 Lancaster 9 Fed Com is positioned to test the Middle Morrow Orange Sand as shown on the attached isopach map. Deposited in a fluvial, braided stream environment, the Middle Morrow Orange sand trends NW-SE. Existing well control suggests that the best reservoir quality sand will be found at the proposed location. The southern limit of the sand trend is defined by a dryhole in the NWSW of section 10 and an uneconomic producer in the NESW of section 9. A direct NE offset, SWSW of section 3, is completed only in the target zone and has good rate and remaining reserves left from only 8 feet of sand.

EXHIBIT

C



CROKER BUFF

CARLS

Chi

Happy Valley Farms

LANCASTER SPRING

CARLSBAD

SHEEP DRAWNE

HAPPY VALLEY SE

EXHIBIT

Carlsbad Airport

T 22 S

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

February 20, 2007

Chi Energy, Inc.
P.O. Box 1799
Midland, Texas 79702
Attn: Bill Bergman

Re: Waiver of Objection
Application for Unorthodox Location
Lancaster "9" Federal Com #1 Well
560' FNL & 660' FEL
Section 9, T22S, R26E
Eddy County, New Mexico

Dear Bill:

As discussed, Mewbourne Oil Company as Operator has plans to drill the captioned well at the referenced location to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,500' beneath the surface. Mewbourne had plans to drill the referenced well at a standard location 660' FNL & 660' FEL of the captioned Section 9, however the BLM advised it would only approve a location 560' FNL as described above due to surface concerns. The above well will be dedicated to the E/2 of the captioned Section 9 which comprises 320.00 acres.

Regarding the above, Mewbourne requests a waiver of objection from Chi Energy, Inc. as an offset operator for the New Mexico Oil Conservation Division to grant approval to Mewbourne to drill the referenced well at the referenced unorthodox location. Please indicate Chi's agreement to grant Mewbourne the requested waiver by signing and returning the duplicate originals of this letter to me at your earliest convenience so we can proceed with applying for administrative approval of the above referenced unorthodox location. Thanks for your cooperation in connection with our application.

Sincerely yours,

MEWBOURNE OIL COMPANY

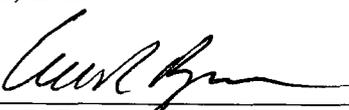

D. Paul Haden
Senior Landman

EXHIBIT E

DPH/gb

The undersigned has no objection to granting approval of the above referenced unorthodox location and waives notice of hearing regarding same.

CHI ENERGY, INC.

By: 
William R. Bergman, President

Date signed: February 20, 2007.