

MILLER, STRATVERT & TORGERSON, P.A.
LAW OFFICES

RANNE B. MILLER
ALAN C. TORGERSON
ALICE TOMLINSON LORENZ
GREGORY W. CHASE
ALAN KONRAD
LYMAN G. SANDY
STEPHEN M. WILLIAMS
STEPHAN M. VIDMAR
ROBERT C. GUTIERREZ
SETH V. BINGHAM
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DEBORAH A. SOLOVE
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SHARON P. GROSS
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JOHN R. FUNK
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THOMAS M. DOMME
DAVID H. THOMAS III
C. BRIAN CHARLTON
RUTH O. PREGENZER
JEFFREY E. JONES
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RALPH WM. RICHARDS
LEONARD D. SANCHEZ
ROBIN A. GOBLE
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JAMES R. WOOD
DANA M. KYLE
KIRK R. ALLEN
RUTH M. FUESS
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KYLE M. FINCH
CYNDI A. MADRID
H. BROOK LASKEY
KATHERINE W. HALL
KENNETH B. BACA
FRED SCHILLER
MICHAEL I. GARCIA

ALBUQUERQUE, N.M.

500 MARQUETTE N.W., SUITE 1100
POST OFFICE BOX 25687
ALBUQUERQUE, N.M. 87125-0687
TELEPHONE: (505) 842-1950
FAX: (505) 243-4408

LAS CRUCES, N.M.

500 SOUTH MAIN, SUITE 600
POST OFFICE BOX 1209
LAS CRUCES, N.M. 88004-1209
TELEPHONE: (505) 523-2481
FAX: (505) 526-2215

FARMINGTON, N.M.

300 WEST ARRINGTON
POST OFFICE BOX 869
FARMINGTON, N.M. 87499-0869
TELEPHONE: (505) 326-4521
FAX: (505) 325-5474

SANTA FE, N.M.

150 WASHINGTON AVENUE, SUITE 300
POST OFFICE BOX 1986
SANTA FE, N.M. 87501-1986
TELEPHONE: (505) 989-9614
FAX: (505) 989-9857

November 17, 1997

PLEASE REPLY TO SANTA FE

WILLIAM K. STRATVERT, COUNSEL
PAUL W. ROBINSON, COUNSEL

HAND-DELIVERED

Mr. Michael Stogner, Chief Engineer
New Mexico Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: NMOCD Administrative Order NSL-3745 Approving an Unorthodox Well Location for its Scanlon Draw "35" State No. 1 Well, 660 feet from the South line and 1980 feet from the West line of Section 35, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico .

Dear Mr. Stogner:

As we discussed, Mewbourne Oil Company requests reinstatement of Administrative Order NSL-3745 approving an unorthodox well location for Mewbourne's Scanlon Draw "35" State No. 1 Well to be drilled at a well location 660 feet from the South line and 1980 feet from the West line Section 35, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. Administrative Order NSL-3745 approving of Mewbourne's unorthodox location was entered on December 27, 1996. A copy of Administrative Order NSL-3745 is attached.

This location in the Morrow formation, North Turkey Track-Morrow Field, is unorthodox for geological reasons. Attached hereto as Exhibits A and B are the Lower Morrow Net "Orange" Sandstone Isopach Map and a summary of the reasons supporting Mewbourne's requested unorthodox well location. Exhibit A reflects the location of the Mewbourne Oil Company Scanlon Draw 34 State Com No. 1 well located in the SW/SE (Unit O) of Section 34,

Mr. Michael Stogner, Chief Engineer
Oil Conservation Division
November 17, 1997
Page 2

T-18-S, R-28-E, which was completed in April of 1997, subsequent to the original order for administrative approval. The circumstances outlined in Mewbourne's original application for administrative approval are otherwise unchanged.

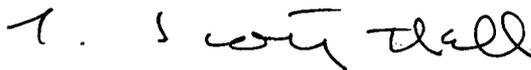
Attached hereto as Exhibit C is a plat showing the subject spacing unit (W/2 Sec. 35), the proposed unorthodox well location, the offsetting wells and the diagonal and adjoining spacing units.

We have recently had the records of the Eddy County Clerk examined by a landman and have determined that the operators and ownership of the mineral interests for the affected adjoining and diagonal spacing units are unchanged from the time the original application for administrative approval was submitted in December of 1996. Those affected adjoining and diagonal operators and interest owners were notified of the application of December 5, 1996 under Rules 104(F)(2) and 1207(A)(5). The landman's verification letter is attached as Exhibit E. With respect to the assignment of working interests from Perry R. Bass, Trustee to WD Partners, L.P. in the E/2 of Section 2, we have verified that WD Partners, L.P. is a Bass entity. The various working interest assignments by Amoco throughout the affected spacing units were to Amoco's joint venture entity, Altura Energy, LTD. Mewbourne is the operator of the laydown proration unit in the S/2 of Section 32 dedicated to the referenced Scanlon Draw 34 State Com No. 1. Otherwise, as indicated, there have been no changes in operators.

As you know, Bass Enterprises Production Company and Santa Fe Energy Resources Company initially opposed Mewbourne's proposed unorthodox well location. No other interest owners objected to the non-standard location. Since that time, Bass and Santa Fe Energy have waived their objections and have agreed to the reinstatement of Administrative Order NSL-3745. Copies of the waiver letters for Bass and Santa Fe Energy are attached as Exhibits F and G. Mewbourne has scheduled a rig and is ready to commence the Scanlon Draw "38" State No. 1 immediately. Accordingly, early reinstatement of NSL-3745 would be appreciated.

Sincerely,

MILLER, STRATVERT & TORGERSON, P.A.



J. Scott Hall
Attorney for Mewbourne Oil Company

JSH:CMB
Enclosures: 3 Sets of Reference Exhibits

cc: Mr. Steve Cobb, Mewbourne Oil Company
Ernest Carroll, Esq.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

December 27, 1996

Mewbourne Oil Company
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504

Attention: William F. Carr

Administrative Order NSL-3745

Dear Mr. Carr:

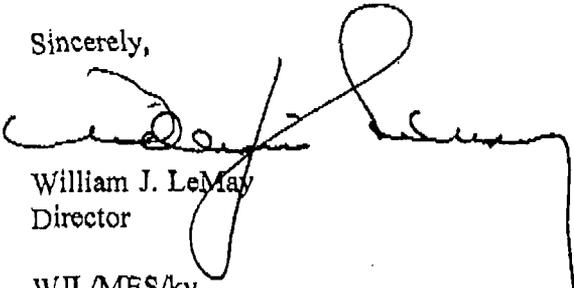
Reference is made to your application on behalf of the operator, Mewbourne Oil Company, dated December 5, 1996, for approval to drill its Scanlon Draw "35" State Well No. 1 at an unorthodox gas well location to test the Morrow formation 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35, Township 18 South, Range 28 East, NMPM, North Turkey Track-Morrow Gas Pool, Eddy County, New Mexico. The W/2 of said Section 35 shall be dedicated to the well to form a standard 320-acre gas spacing and proration unit for said pool.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Kathy Valdes, OCD - Santa Fe

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

MEWBOURNE OIL COMPANY'S - SCANLON DRAW "35" STATE #1
NORTH TURKEY TRACK (MORROW) FIELD
SCANLON DRAW PROSPECT
Section 35(N)-T18S-R28E
Eddy County, New Mexico

UNORTHODOX DRILLSITE RECOMMENDATION:

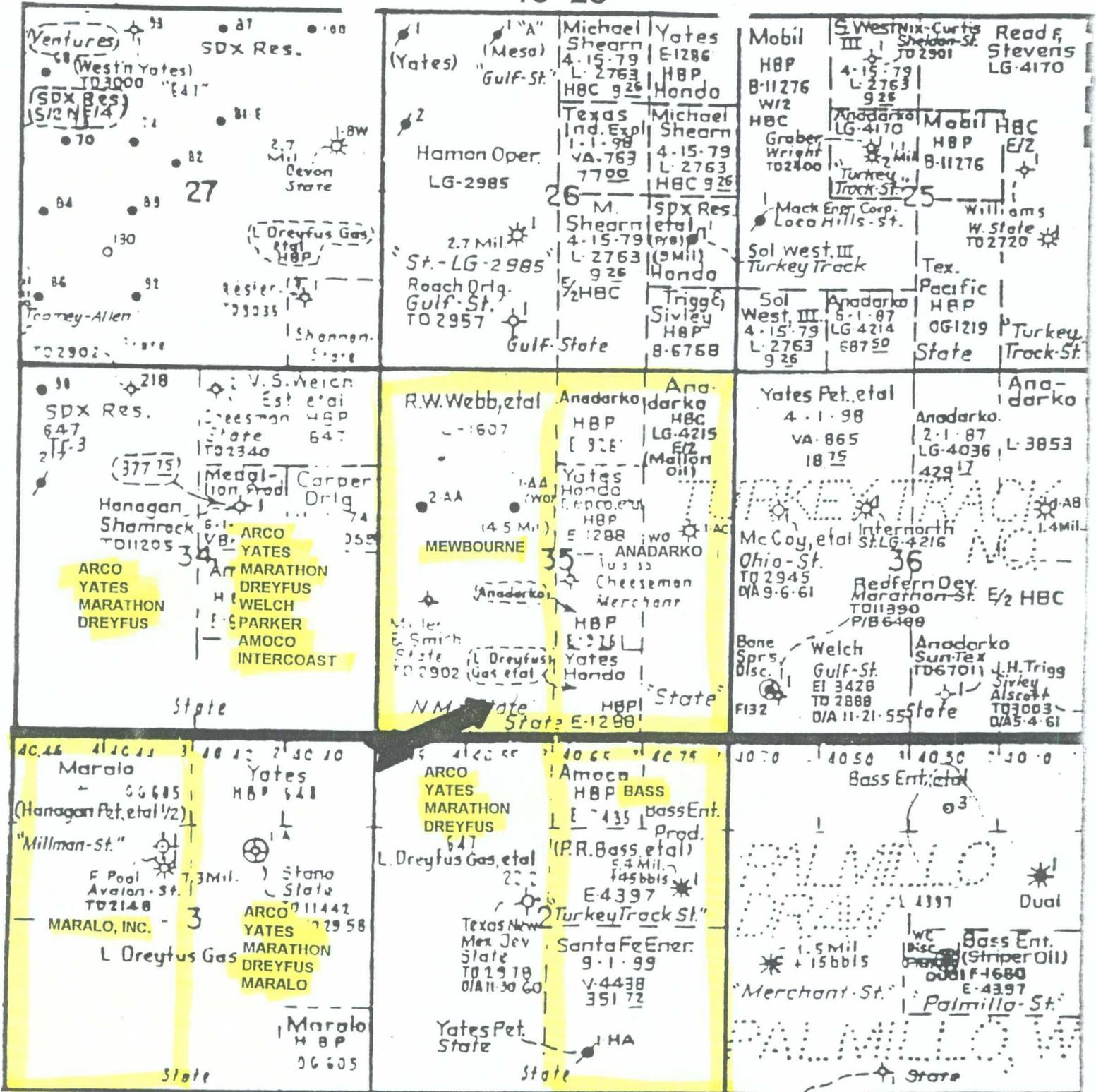
The Lower Morrow "Orange" sand is the primary objective for this 11,200' test. Stratigraphically the "Orange" sand is positioned approximately 50' below the top of the Lower Morrow and is interpreted to be in a "channel sand" deposition facies. It is a significant gas producer in this area.

This will be a west-half (stand-up) proration unit and it is critical that the drillsite be located 660' FSL and 1980' FWL, Unit (N), Section 35, T18S-R28E. The east-half (Morrow) proration unit is dedicated to Anadarko Production Company's State "AC" Com. #1 located in unit (H), Section 35, T18S-R28E. Accordingly, an unorthodox location will be required to test this prospect.

The Lower Morrow "Orange" net sand Isopach Map clearly illustrates the need for this unorthodox location. Morrow tests are the only wells shown on this map and the "Orange" sand producers are indicated as such. The test well is an attempt to extend "Orange" sand production to the northwest from the Bass Enterprise Production - Turkey Track "2" Well #1 located in Section 2(H), T19S-R28E.

Our interpretation indicates that a well drilled at 660' FSL and 1980' FWL will encounter approximately 15' of Lower Morrow "Orange" net sand whereas the nearest standard location (1650' FSL and 1980' FWL) would encounter only approximately 5' of Lower Morrow "Orange" net sand. Anadarko Production Company's New Mexico "AA" State #1 located in 35(F) was drilled in 1978 and has only 8' of "Orange" net sand. It was originally completed as a "Orange" sand producer for 4.5 MMCFGPD and produced until it was **plugged back** in 1981 after producing (0.487 BCF and 2,522 barrels). This well is now operated by Xeric Oil & Gas Company and produces only from the Queen-Grayburg-San Andres section.

It is critical that the drillsite be located 660' FSL and 1980' FWL.



SECTION 35-18S-28E
 EDDY COUNTY, NEW MEXICO

OPERATORS AND INTEREST OWNERS
IN ADJOINING AND DIAGONAL OFFSETS

Mewbourne Oil Company
Scanlon Draw "35" State Well No. 1
660 feet from the South line and 1980 feet from the West line
Section 35, Township 18 South, Range 28 East, NMPM
Eddy County, New Mexico

Maralo, Inc.
Post Office Box 832
Midland, Texas 79702
Attn: Mr. R.A. Lowery

Amoco Production Company
Post Office Box 3092
Houston, TX 77253
Attn: Mr. Jerry West

Bass Enterprises Production Company
Post Office Box 2760
Midland, TX 79702
Attn: Mr. John Smitherman

InterCoast Oil and Gas Company
7130 South Lewis Avenue, Suite 700
Tulsa, OK 74136
Attn: Mr. Rick Deffenbaugh

ARCO Permian
Post Office Box 1610
Midland, TX 79702-2600
Attn: Mr. Lee Scarborough

V.S. Welch Estate
1035 Carolyn Way
Beverly Hills, CA 70210

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210
Attn: Mr. Robert Bullock

Frank M. Parker
c/o Thomas G. Calhoun 11, Trustee
4429 North Central Expressway
Dallas, TX 75205

Marathon Oil Company
Post Office Box 552
Midland, TX 79702
Attn: Mr. Randal Wilson

Anadarko Petroleum Corporation
Post Office Box 2497
Midland, TX 79702
Attn: Mr. Kirk Ary

Louis Dreyfus Natural Gas
1400 Quail Springs Parkway, #600
Oklahoma City, OK 73134
Attn: Mr. Russell Waters



J.O. EASLEY, INC.

P.O. Box 245 88211-0245
119 South Roselawn, Suite 302
Artesia, New Mexico 88210

Telephone (505) 746-1070
Fax (505) 746-1073

November 14, 1997

Miller, Stratvert & Torgerson, P.A.
Attn: Mr. J. Scott Hall
P. O. Box 1986
Santa Fe, New Mexico 87501-1986

Fax and Mail

RE: Application of Mewbourne Oil Company for Administrative Approval of
Unorthodox Well Location; Eddy County, New Mexico

Dear Mr. Hall:

Pursuant to your request I have examined the Currier Abstract Company index records and viewed all instruments filed of record in Eddy County, New Mexico from November 1, 1996 through November 5, 1997 with regard to the following noted tracts. Unless noted below, it appears that there has been no change to the Operating Rights, Record Title Rights, Leasehold Rights or Unleased Mineral Rights that would revise the Affected Parties list you provided me as Exhibit D under your letter dated November 10, 1997.

Township 19 South, Range 28 East, NMPM

Section 3: E/2 (No Change)

Section 2: W/2 (No Change)

- E/2 (1) Book 273, Page 473, dated 12-27-96, filed 2-12-97,
Assn of OGL **from** Perry R. Bass, Trustee **to** WD Partners,
L.P. of 201 Main Street, Fort Worth, Texas 76102.
Conveys all assignors interest in Lease E-4397 insofar as it
covers Lot 1 (NE/4NE/4), S/2NE/4.
- (2) Book 275, Page 482, dated 12-27-96, filed 3-10-97,
Assn. of OGL **from** Perry R. Bass, Trustee **to** WD Partners,
L.P. of above address. Conveys all assignors interest in
Lease E-7435 insofar as it covers Lot 2 (NW/4NE/4) and
only as to depths from surface to base of the Morrow.

- (3) Book 278, Page 42, dated 3-6-97, filed 4-7-97, Conveyance Assignment & Bill of Sale **from** Amoco Production Co. and TOC-Rocky Mountains, Inc. **to** Altura Energy, LTD, of P. O. Box 4294, Houston, Texas 77210-4294. Conveys Lease E-7435 being Lot 2.

Township 18 South, Range 28 East, NMPM

Section 34: E/2 (1) Book 278, Page 42, dated 3-6-97, filed 4-7-97, Conveyance Assignment & Bill of Sale **from** Amoco Production Co. and TOC-Rocky Mountains, Inc. **to** Altura Energy, LTD, of P. O. Box 4294, Houston, Texas 77210-4294. Conveys all Assignors interest in this E/2.

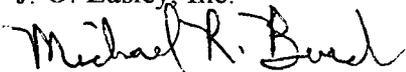
- (2) Book 282, Page 672, dated 5-27-97, filed 5-30-97, Partial Assn. OGL **from** Harvard Petroleum, LTD Series 1980-A **to** Harvard Petroleum Corporation, of P. O. Box 936, Roswell, NM 88202. Conveys all assignors interest in Lease # 647 insofar as it covers SW/4, E/2SE/4, SW/4SE/4 and Lease E-6945 insofar as it covers NW/4SE/4 and only as to depths from 3500' below the surface down to the base of the Morrow.

Section 35: E/2 (No Change)

W/2 (Drill Site Tract)

Upon review, should you have any questions or need additional information, please feel free to give me a call. Thank you.

Sincerely,
J. O. Easley, Inc.



Michael R. Burch, CPL

mrb/s

BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.

FORT WORTH, TEXAS 76102-5131

817/295-8400

November 14, 1997

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

Attention: Mr. Steve Cobb

Re: NMOCD Case No. 11713 and 11758; Application
of Bass Enterprises Production Co. and
Santa Fe Energy Resources for Rescission of
NSL 3745 and for Exception To General Rule
104.D(3), Etc.; Eddy County, New Mexico; Order
Nos. NSL-3745 and R-10869; De Novo.

Dear Mr. Cobb:

Bass Enterprises Production Co., (Bass) hereby withdraws and waives any objection to the unorthodox well location proposed by Mewbourne Oil Company, (Mewbourne), for the Scanlon Draw "35" well proposal to be drilled by Mewbourne to the Morrow formation at a location 660 feet from the South line and 1,980 feet from the West line (Unit N) of Section 35, T18S-R28E, NMPM, Eddy County, New Mexico. Bass further withdraws its objection to the reinstatement of New Mexico Oil Conservation Division (NMOCD) Administrative Order NSL-3745 approving the unorthodox location for the Scanlon Draw "35" No. 1 well and agrees that Order No. R-10869 may be vacated and that NMOCD Case Nos. 11713 and 11758 (De Novo) may be dismissed. This agreement by Bass is conditioned upon Bass' participation as a working interest owner in the above well according to that certain Letter Agreement dated November 12, 1997.

Very truly yours,


J. Wayne Bailey

JWB:ca

EXHIBIT F



Santa Fe Energy Resources, Inc.

November 14, 1997

Mr. Steve Cobb
Land Manager
Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, Texas 79701

Re: NMOCD Case No. 11713 and 11758; Application of Bass Enterprises Production Company and Santa Fe Energy Resources, Inc. for Recission of NSL 3745 and for Exception To General Rule 104.D(3), Etc.; Eddy County, New Mexico; Order No.s NSL-3745 and R-10869; De Novo

Dear Mr. Cobb:

Santa Fe Energy Resources, Inc., (Santa Fe), hereby withdraws and waives any objection to the unorthodox well location proposed by Mewbourne Oil Company, (Mewbourne), for the Scanlon Draw "35" well proposal to be drilled by Mewbourne to the Morrow formation at a location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35, T-18-S, R-28-E, NMPM, Eddy County, New Mexico. Santa Fe further withdraws its objection to the reinstatement of New Mexico Oil Conservation Division (NMOCD) Administrative Order NSL-3745 approving the unorthodox location for the Scanlon Draw "35" No. 1 well and agrees that Order No. R-10869 may be vacated and that NMOCD Case No.s 11713 and 11758 (De Novo) may be dismissed. This agreement by Santa Fe is conditioned upon Santa Fe's participation as a working interest owner in the above well according to that certain Letter Agreement dated November 12, 1997.

Yours very truly,

SANTA FE ENERGY RESOURCES, INC.

DD DeCarlo by WDF

D. D. DeCarlo
Division Production Manager *JWB*

JWH/rm

EWOR2319

Central Division
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3551

EXHIBIT G