



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:

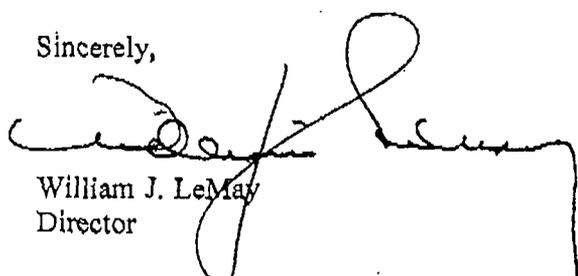
Reference is made to your application on behalf of the operator, Mewbourne Oil Company, dated December 5, 1996, for approval to drill its Scanlon Draw "35" State Well No. 1 at an unorthodox gas well location to test the Morrow formation 660 feet from the South line and 1980 feet from the West line (Unit 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:

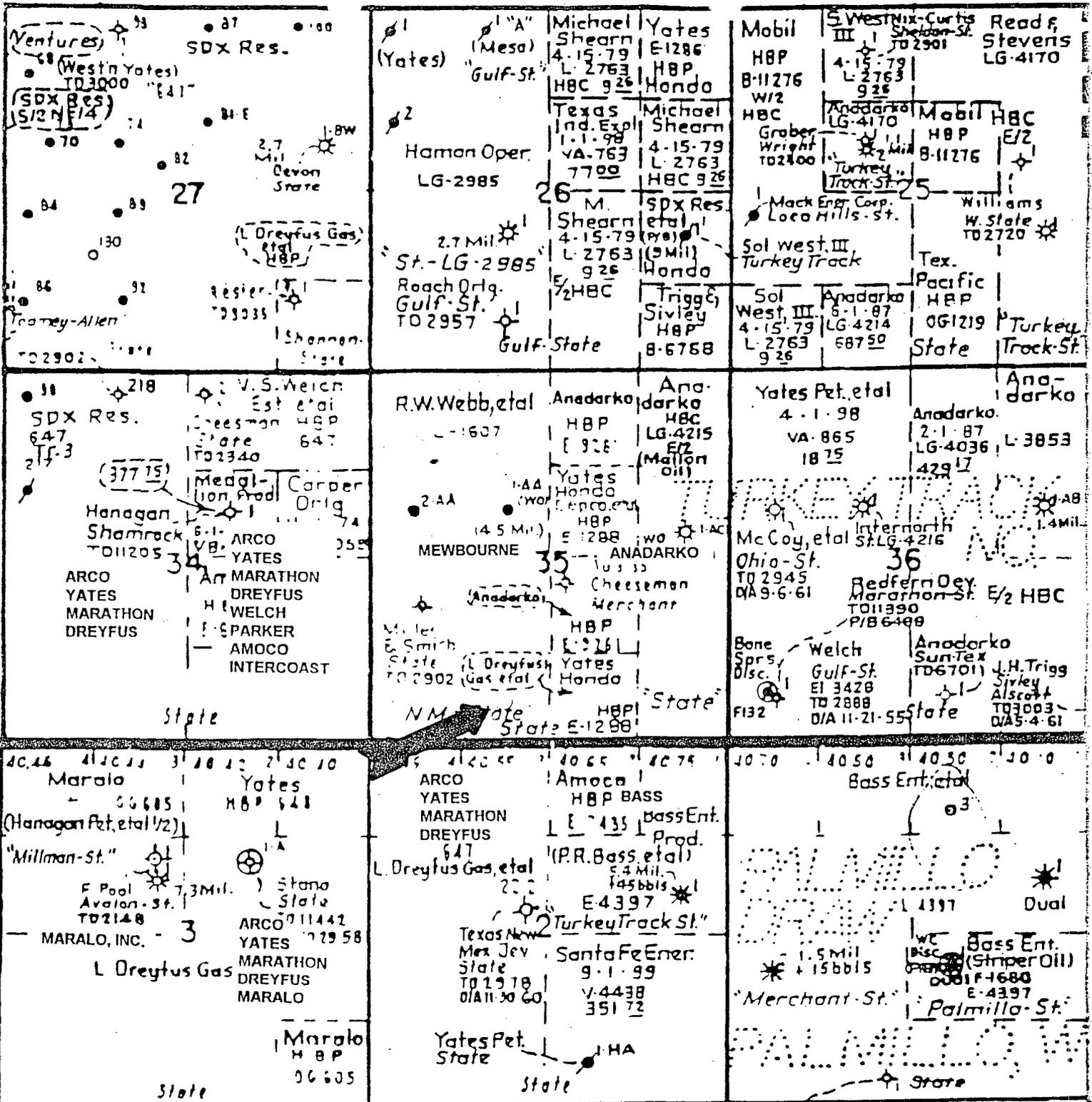
The Lower Morrow "Orange" sand is the primary objective for this 11,200' test. Stratigraphically the "Orange" sand is positioned approximately 50' below the top of the Lower Morrow and is interpreted to be in a "channel sand" deposition facies. It is a significant gas producer in this area.

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

November 14, 1997

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

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

mrbs

BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.
FORT WORTH, TEXAS 76102-3131
817/395-8400

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, NMF, 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



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 *JDS*

JWH/rm

EWOR2319

Central Division
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3661

EXHIBIT G

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF BASS ENTERPRISES PRODUCTION COMPANY AND SANTA FE ENERGY COMPANY FOR THE RESCISSION OF DIVISION ADMINISTRATIVE ORDER NSL-3745, EDDY COUNTY, NEW MEXICO. *Case No. 11713*

APPLICATION OF BASS ENTERPRISES PRODUCTION COMPANY FOR AN EXCEPTION TO DIVISION GENERAL RULE 104.D(3) TO SIMULTANEOUSLY DEDICATE GAS PRODUCTION, OR IN THE ALTERNATIVE, FOR AN UNORTHODOX "INFILL" GAS WELL LOCATION AND AN EXCEPTION TO DIVISION GENERAL RULE 104.D(3) TO SIMULTANEOUSLY DEDICATE GAS PRODUCTION, EDDY COUNTY, NEW MEXICO. *Case No. 11758*

Order No. R-10869

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 20, 1997 and on April 3, 1997, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 5th day of September, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Division Administrative Order NSL-3745, dated December 27, 1996, Mewbourne Oil Company ("Mewbourne"), was granted authorization to drill its Scanlon

Draw "35" State Well No. 1 (API No. 30-015-29384) at an unorthodox gas well location in order 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 is to be dedicated to said well in order to form a standard 320-acre gas spacing and proration unit for said pool.

(3) From August, 1978 to October, 1981 the Anadarko Production Company New Mexico State "AA" Well No. 1 (API No. 30-015-22698), located at a standard gas well location within the standard 320-acre gas spacing and proration unit that is the W/2 of said Section 35, 1980 feet from the North and West lines (Unit F) of said Section 35 produced 487,059 MCF of gas and 2,522 barrels of condensate from the North Turkey Track-Morrow Gas Pool. This well is currently operated by Xeric Oil and Gas Corporation and is completed in and producing oil from the Artesia-Queen Grayburg-San Andres Pool.

(4) The North Turkey Track-Morrow Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 23:	All
Sections 25 through 27:	All
Section 28:	N/2
Section 34:	E/2
Sections 35 and 36:	All

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM

Section 20:	E/2
Section 21:	All
Section 22:	S/2
Section 23:	S/2
Section 26:	W/2
Sections 27 through 29:	All
Section 30:	S/2
Sections 31 through 35:	All
Section 36:	S/2

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 1:	All
Section 2:	E/2

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Sections 4 through 6: All.

(5) The North Turkey Track-Morrow Gas Pool is a "non-prorated gas pool" and is not governed by the "*General Rules for the Prorated Gas Pools of New Mexico*", as promulgated by Division Order No. R-8170, as amended. Said gas pool is therefore subject to the Division's Statewide Rule 104.C(2)(b), which provides for 320-acre gas spacing and proration units, or drilling units, and requires that wells be located no closer than 660 feet to the nearest side boundary of the designated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary thereon and General Rule 104.D(3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one.

(6) In Case No. 11713 the applicants, Bass Enterprises Production Company ("Bass"), who is the operator of a North Turkey Track-Morrow Gas Pool producing well, the Turkey Track "2" State Com Well No. 1 (API No. 30-015-28481), located at a standard gas well location 2180 feet from the North line and 660 feet from the East line (Unit H) of Section 2, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, in which the 321.40-acre area comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of said Section 2 is therein dedicated, and 50.22 % working interest owner of said 321.40-acre gas spacing and proration unit, and Santa Fe Energy Company ("Santa Fe"), owner of approximately 49.78 % working interest in said well and 321.40-acre unit, both seek to rescind said Division Administrative Order NSL-3745.

(7) In Case No. 11758, Bass seeks to drill its proposed Turkey Track "2" State Well No. 2 as an "infill" gas well to the above-described Turkey Track "2" State Com Well No. 1 at a standard gas well location within the 321.40-acre North Turkey Track-Morrow gas spacing and proration unit and an exception to Division General Rule 104.D(3) authorizing the simultaneous dedication of North Turkey Track-Morrow Gas Pool production from both wells within said 321.40-acre gas spacing and proration unit. IN THE ALTERNATIVE, if Division Administrative Order NSL-3745 approving Mewbourne's unorthodox Morrow gas well location in Section 2, Township 19 South, Range 28 East, NMPM, North Turkey Track-Morrow Gas Pool is upheld in Case 11713, Bass then seeks to drill its Turkey Track "2" State Com Well No. 2 at a corresponding unorthodox "infill" gas well location 660 feet from the North line and 1980 feet from the East line (Lot 2/Unit B) of said Section 2 and an exception to Division General Rule 104.D(3) authorizing the simultaneous dedication of North Turkey Track-Morrow Gas Pool production from both wells within said 321.40-acre gas spacing and proration unit.

(8) Yates Petroleum Company, who is the leasehold mineral interest owner in

the W/2 equivalent of said Section 2, neither supported nor opposed the subject applications.

(9) Division General Rule 104.F(4) provides that the Division Director may approve a properly filed administrative application for an unorthodox location 20 days after receipt of said application provided no affected parties [see Rule 104.F(3) for definition] to said unorthodox location has entered an objection thereto.

(10) On December 5, 1996, Mewbourne filed an application with the Division for administrative review, pursuant to Division General Rule 104.F(2), for approval to drill its Scanlon Draw "35" State Well No. 1 (API No. 30-015-29384) at an unorthodox gas well location in order to test the Morrow formation 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 35. Mewbourne's chosen location is unorthodox to the south line of the dedicated acreage. Mewbourne provided notice of this application to Bass and Santa Fe in compliance with Division rule.

(11) Bass and Santa Fe objected to the Mewbourne location by letter dated December 20, 1996, which was received by the Division on December 27, 1996. The 20-day deadline for receipt of the objection was December 26, 1996. On December 31, 1996, Bass and Santa Fe filed their application in Case 11713 seeking rescission of said Administrative Order NSL-3745.

(12) Mewbourne opposed the application and asserted that rescission was only appropriate if it was shown that there were improprieties in the procedures by which Administrative Order NSL-3745 was obtained. By letter dated February 17, 1997, the Division accepted Bass' and Santa Fe's application for the rescission of Administrative Order NSL-3745 and overruled Mewbourne's objections thereto. Further, Administrative Order NSL-3745 was stayed pending review of this matter by a Division Examiner. Bass and Santa Fe were allowed to present geologic and engineering evidence on February 20, 1997.

(13) Subsequent to the presentation of Bass' and Santa Fe's objection and the staying of Order NSL-3745 by Motion filed March 26, 1997. On April 3, 1997, the Division again denied Mewbourne's objection to Bass and Santa Fe's application, whereupon a hearing was held April 3, 1997, at which time Mewbourne presented its geologic and engineering evidence.

(14) It was Bass' and Santa Fe's testimony in this matter that due to the characteristics of the Morrow formation in this area, penalties on wells due to unorthodox well locations are ineffective and, therefore, Bass did not recommend the imposition of a production penalty on the proposed Mewbourne well but, instead, advised the Division

that, if the Mewbourne non-standard location was approved, it would seek approval of an offsetting well and simultaneous dedication of the wells in the E/2 equivalent of said Section 2.

(15) The combined geological and engineering evidence and testimony presented by Bass, Santa Fe, and Mewbourne indicate that:

(a) the Morrow formation in this area to be a series of river channels;

(b) the Morrow channel in the immediate area of said Sections 35 and 2 does not trend in an east-southeasterly/west-northwesterly direction as mapped by Mewbourne for its administrative application but, instead, in a north-northwesterly/south-southeasterly direction;

(c) Bass and Santa Fe, in their mapping of the Morrow sand, used two methods:

(i) a structure map of the lower Morrow and an isopach of the lower Morrow Barnett interval identifying the areas favorable for sand deposition; and,

(ii) secondly, utilizing a normalized gamma-ray Bass presented a net sand reservoir map and illustrated how this is in good relationship to reservoir porosity thickness:

Such investigation allows for an accurate engineering analysis of the main productive channels of the Morrow sands;

(d) the mapping presented by Bass and Santa Fe reflects regional trends widely supported by industry and shows that Mewbourne has an orthodox or standard location 1650 feet from the South line and 1980 feet from the West line (Unit K) of said Section 35 with essentially the same reservoir potential as Mewbourne's proposed unorthodox location available to access commercial reserves in this lower

Morrow sand interval;

(e) the middle Morrow horizon in the immediate area of said Sections 2 and 35 is shown by Bass and Santa Fe:

(I) to be of economic importance; and,

(ii) that Mewbourne will encounter this reservoir at both their proposed unorthodox location and at a location immediately to the north considered to be standard;

(f) Mewbourne's failed to map this interval thereby ignoring the possible reserves from this productive interval;

(g) Mewbourne's map indicates 28 feet of pay at its proposed unorthodox location in the W/2 of said Section 35;

(h) further, Mewbourne's map indicates an average of 24.5 feet of pay per well in four offset wellbores, each having an average recovery of over 3 BCF of gas and 22,000 barrels of condensate;

(I) orthodox locations do exist within the W/2 of said Section 35 for Mewbourne to drill its Scanlon Draw "35" State Well No. 1;

(j) moving Mewbourne's proposed well to an unorthodox location will allow the confiscation of a significant quantity of reserves from the Bass-operated lease;

(k) the imposition of a penalty allowable would be ineffective in preventing this confiscation of reserves; and,

(l) the proposed Mewbourne well should be drilled at a standard gas well location within its W/2 320-acre dedication.

(16) The combined technical evidence presented in this matter indicates that Mewbourne's well at the proposed unorthodox location within the W/2 of said Section 35 would only serve to drain an area in excess of the intended area allowed under the rules

governing said pool. In the absence of gas prorationing and a methodology for setting restrictions on production for the purpose of counteracting such advantages, the proposed unorthodox gas well location of Mewbourne's Scanlon Draw "35" State Well No. 1 in Unit "N" of said Section 35 should therefore be denied and the previous approval granting said location in Administrative Order NSL-3745 should be rescinded at this time.

(17) Likewise, gas prorationing of a pool serves to establish a means whereby production can be managed and controlled in a manner that could allow and adjust for discrepancies and/or advantageous conditions such as: (i) unorthodox locations, (ii) non-standard sized and shaped spacing and proration units, and (iii) the drilling of additional wells within a single spacing unit. Non-prorated does not equate to unrestricted and such advantageous situations allowed in prorated pools are discouraged in pools where unrestricted production is not only allowed but encouraged. Allowables are not issued in non-prorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

(18) A second well to be concurrently and continuously producing gas from the non-prorated North Turkey Track-Morrow Gas Pool within a single spacing unit would also be considered as an advantageous condition that would only serve to drain an area in excess of the intended area allowed under the rules governing said pool. In the absence of prorationing within this pool, one party should not be allowed to drain or take advantage of neighboring property. Again, placing a restriction on production in this instance is arbitrary and is not a prudent or acceptable method in controlling or restricting the excessive production of gas from this pool.

(19) The application of Bass Enterprises Production Company in Case 11758 for an exception to Division General Rule 104.D(3) so as to allow the continuous and concurrent production of gas attributed to the North Turkey Track-Morrow Gas Pool from its Turkey Track "2" State Com Well No. 1 (API No. 30-015-28481), located at a standard gas well location 2180 feet from the North line and 660 feet from the East line (Unit H) of Section 2, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, and from the proposed Turkey Track "2" State Com Well No. 2 to be drilled at a standard gas well location within the existing 321.40-acre gas spacing and proration unit comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of said Section 2 should be denied. Further, Bass Enterprises Production Company's request in Case 11758 to drill its Turkey Track "2" State Com Well No. 2 at a location considered to be anything other than standard pursuant to Division General Rule 104.C(2)(b) should also be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Bass Enterprises Production Company and Santa Fe Energy Company in Case No. 11713 for the rescission of Division Administrative Order NSL-3745, dated December 27, 1996 is hereby approved.

(2) Division Administrative Order NSL-3745, which order authorized Mewbourne Oil Company to drill its Scanlon Draw "35" State Well No. 1 (API No. 30-015-29384) at an unorthodox gas well location within a standard 320-acre gas spacing and proration unit comprising the W/2 of said Section 35 in order 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, is hereby canceled and is no longer in effect.

IT IS FURTHER ORDERED THAT:

(3) The application of Bass Enterprises Production Company in Case 11758 for an exception to Division General Rule 104.D(3) so as to allow the continuous and concurrent production of gas attributed to the North Turkey Track-Morrow Gas Pool from its Turkey Track "2" State Com Well No. 1 (API No. 30-015-28481), located at a standard gas well location 2180 feet from the North line and 660 feet from the East line (Unit H) of Section 2, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, and from the proposed Turkey Track "2" State Com Well No. 2 to be drilled at a standard gas well location within the existing 321.40-acre gas spacing and proration unit comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of said Section 2 is hereby denied.

(4) Bass Enterprises Production Company's request in Case 11758 to drill its Turkey Track "2" State Com Well No. 2 at a location considered to be anything other than standard pursuant to Division General Rule 104.C(2)(b) is also denied.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

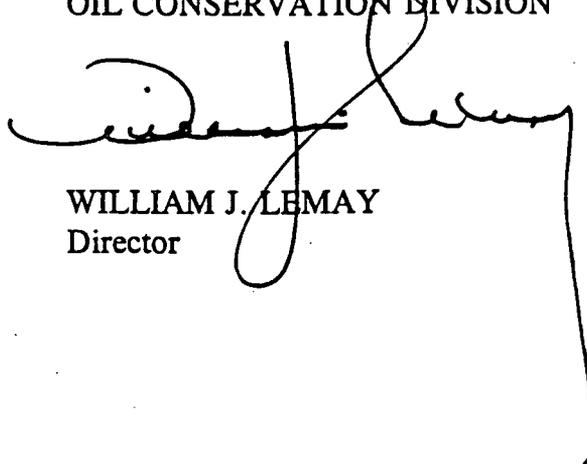
Case Nos. 11713/11758

Order No. R-10869

Page 9

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a large loop at the end.

WILLIAM J. LEMAY
Director

SEAL