

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



September 26, 2011

Mewbourne Oil Company
c/o Holland & Hart LLP
Attn: Mr. William F. Carr

Administrative Order NSL-6481
- Administrative Application Reference No. pTWG11-24948068

Mewbourne Oil Company
OGRID 14744
Phoenix 21 Federal Com. Well No. 1H
API No. 30-015-39350

Proposed Location:

	Footages	Unit	Sec.	Township	Range	County
Surface	200 FNL & 890 FWL	D	28	18S	30E	Eddy
Penetration Point	same as surface location					
Terminus	330 FNL & 660 FWL	D	21	18S	30E	Eddy

Proposed Project Area:

Description	Acres	Pool	Pool Code
W/2 W/2 Section 21	160	undesignated Santo Nino Bone Spring Pool	54600

Reference is made to your application received on September 2, 2011.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. Spacing in this pool is governed by the Special Rules for the Santo Nino-Bone Spring Pool, as amended by Order No. R-8546-B, issued on April 18, 2011, which provide for 80-acre units comprising two adjacent quarter-quarter sections within the same quarter section, with wells to be located no less than 330 feet from a quarter-quarter section boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This

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location is unorthodox because portions of the proposed producing interval are less than 330 feet from an outer boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to maximize the portion of the target zone within the producing area that the wellbore lateral will penetrate.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

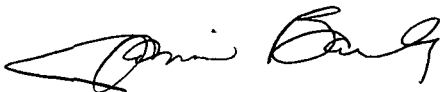
It is further understood that the portion of the wellbore in Section 28, which is outside the project area to be dedicated to this well, will be cased off and not perforated.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NMAC].

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", written in a cursive style.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia
United States Bureau of Land Management