

| | | | | | |
|--------------------|--------------------|--------------------|----------------------|-------------|---------------------------|
| DATE IN 5-12-05 | SUSPENSE 6-1-05 | ENGINEER Stager | LOGGED IN 5-13-05 | TYPE NSL | APP NO. PSEM0573349873 |
|--------------------|--------------------|--------------------|----------------------|-------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

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.

Ocean Munds-Dry Ocean Munds-Dry Attorney 5/12/05
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address

2005 MAY 12 PM 2 14

May 12, 2005

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Mewbourne Oil Company for administrative approval of an unorthodox well location for its Tamano "10" Federal #5 Well, to be drilled from a surface location 660 feet from the South line and 1175 feet from the West line of Section 10, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Fesmire:

Mewbourne Oil Company ("Mewbourne") hereby seeks administrative approval pursuant to the provisions of Division Rule 104.F (2)-(4), of an unorthodox well location for its Tamano "10" Fed #5 Well located 660 feet from the South line and 1175 feet from the West line of Section 10, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

This location in the Tamano Bone Springs Pool is unorthodox because it is governed by the Division's Statewide Rules and Regulations which provide for wells on 40-acre spacing units to be located no closer than 330 feet to any boundary of such unit. The proposed unorthodox well location is only 145 feet from the quarter-quarter line. A standard 40-acre spacing unit and proration unit comprised of the SW/4 SW/4 of Section 10 will be dedicated to the well.

The unorthodox location is required by geologic conditions. The Bone Springs formation consists of several carbonate and sandstone reservoirs. At the nearby Shugart and Tamano fields, the productive intervals include multiple reservoir zones within the



Second Bone Springs Sand, dolomite reservoirs within the Second Bone Springs Carbonate, and several zones within the First Bone Springs Sand. At the proposed Tamano "10" Federal #5 location, the primary objective is the "Zone A" reservoir of the Second Bone Springs Sand. The other reservoir intervals of the Bone Springs formation are not prospective at this location.

The sand is a channel at the top of a submarine fan complex derived from the north and deposited in a gully or small canyon that was carved into the shelf margin. Based on well control, the axis of this canyon appears to have a north-northwest to south-southeast orientation within a structural low. A dry-hole in the 10 M location indicates the sand pinches out to the west. A structural high or nose to the east is oriented north-south and may mark the eastern edge of the gully. No reservoir quality sand has been found on structural highs in the area. The southern extent of the reservoir is unclear as it is not present in the 15 D and 15 G wells. This could indicate that the sand terminates just to the south of the proposed location. Because of these constraints on the distribution of the sand, Mewbourne's proposed unorthodox location provides the best chance for a commercial well.

Exhibit A is a plat that shows the subject area, the spacing unit comprised of the SW/4 SW/4 of Section 10 and the proposed unorthodox well location.

Exhibit B is a combined Isopach and Top of Structure Map that shows the proposed well location and the anticipated sand trend in the area.

Exhibit C is a list of affected parties. A copy of this application (with attachments) has been sent to those listed on Exhibit C in accordance with Rule 1207(A)(5) and they have been advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

Also enclosed is a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly yours,

Ocean Munds-Dry

Ocean Munds-Dry
Attorney for Mewbourne Oil Company



Enclosures

cc: Mr. Steven J. Smith, Senior Landman
Mewbourne Oil Company

Exhibit C

Notice List

**Mewbourne Oil Company
Application for Unorthodox Well Location
Tamano "10" Federal #5 Well**

Edward R. Hudson, Jr. & William A. Hudson II,
Trustees of the Edward R. Hudson Trusts No. 1, No. 2, & No. 3
c/o Hudson Oil Company of Texas
616 Texas Street
Fort Worth, Texas 76102-4696

Mrs. Mary T. Ard, Trustee
of the Edward R. Hudson Trust #4
222 W. 4th Street, PH-5
Fort Worth, Texas 76102

Javelina Partners
E. Randall Hudson, III, Managing Partner
C/O Hudson Oil Company of Texas
616 Texas Street
Fort Worth, Texas 76102-4696

Zorro Partners
W.A. Hudson, II, Managing Partner
C/O Hudson Oil Company of Texas
616 Texas Street
Fort Worth, Texas 76102-4696

Magnum Hunter Production, Inc.
3500 William Tate Avenue, Suite 200
Grapevine, Texas 76051-8734
Attn: Ms. Toni Wood

Francis Hill Hudson, Trustee and Agent
Lindy's Living Trust & Delmar Hudson Lewis Living Trust
6300 Ridglea Place, Suite 1005-A
Fort Worth, Texas 76116-5736

Moriah Resources, Inc.
P.O. Box 5562
Midland, Texas 79704-5562

Attn: Paul Horne

Brothers Production Company, Inc.

P.O. Box 7515

Midland, Texas 79708-7515

Attn: Kyle A. McGraw



May 12, 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS

Re: Application of Mewbourne Oil Corporation for administrative approval of an unorthodox well location for its Tamano "10" Federal #5 Well, to be drilled from a surface location 660 feet from the South line and 1175 feet from the West line of Section 10, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

Dear Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Mewbourne Oil Company for administrative approval of an unorthodox well location for its Tamano "10" Federal #5 Well, to be drilled to the Second Bone Springs formation, Tamano Bone Springs Pool, at a location 660 feet from the South line and 1175 feet from the West line of Section 10, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Very truly yours,

Ocean Munds-Dry
Ocean Munds-Dry
Attorney for Mewbourne Oil Co.

Enclosures

Attention: Mr. Steven J. Smith

Administrative Order NSL-_____

Dear Mr. Smith:

Reference is made to your application dated May 12, 2005 for an unorthodox well location for a well to be drilled to the Second Bone Springs formation, Tamano Bone Springs Pool, for your Tamano "10" Federal #5 Well. This well will be drilled to the Second Bone Springs formation at an unorthodox gas well location 660 feet from the South line and 1175 feet from the West line of Section 10, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico.

A 40-acre spacing and proration unit in the Second Bone Springs formation comprising the SW/4 SW/4 of said Section 10 is to be dedicated to said well.

This application has been duly filed under the provisions of Rule 104.F of the General Rules of the Oil Conservation Division revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By authority granted me under the provisions of Rule 104.F(2), the above-described unorthodox oil well location within this 40-acre unit in the Second Bone Springs formation is hereby approved.

Sincerely,

Mark E. Fesmire, P.E.
Director

cc: Oil Conservation Division - Hobbs/Artesia

District I
1625 N. French Dr., Hobbs NM 88240
District II
1391 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|--------------------------------|--|---|--|--|---------------------------------|
| ¹ API Number | | ² Pool Code | | ³ Pool Name Tamano Bone Spring | |
| ⁴ Property Code | | ⁵ Property Name Tamano 10 Federal | | | ⁶ Well Number 5 |
| ⁷ GRID No. 14744 | | ⁸ Operator Name Mewbourne Oil Company | | | ⁹ Elevation 3696' |

¹⁰Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 10 | 18 S | 31 E | | 660 | South | 1175 | West | Eddy |

¹¹Bottom 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 40 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

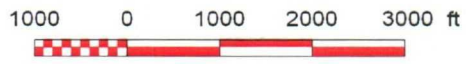
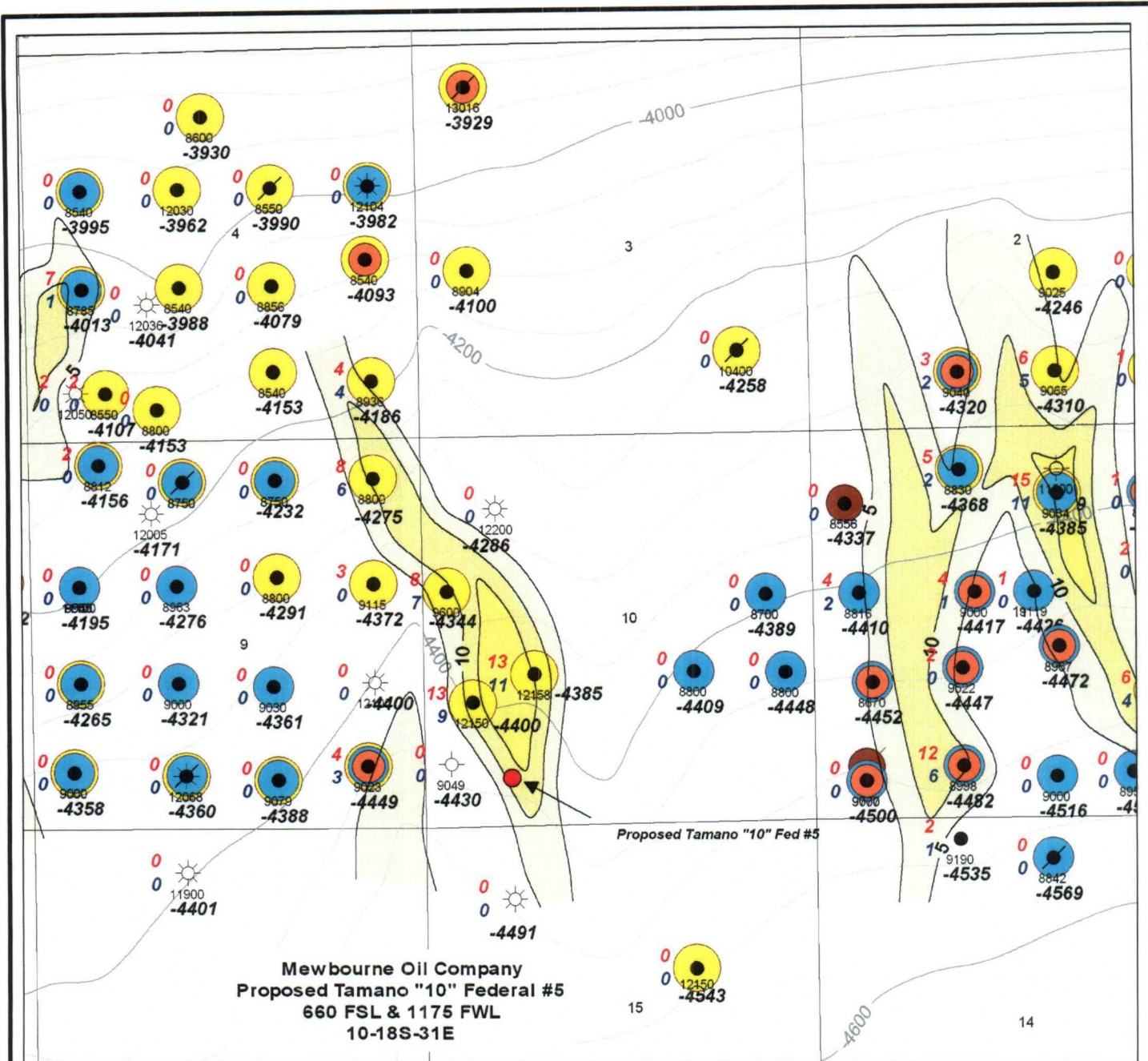
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|--|--|
| <p>16</p> <p><i>Standard Section 640-acre Section</i></p> <p>NAD 27 NM East N= 639234 E= 645016 Lat. = 32° 45' 23" Long. = 103° 51' 42"</p> <p>Lease #NM8980</p> <p>1175'</p> <p>660'</p> <p>Tamano 10 Federal No. 5 Elev. 3696'</p> | <p>¹⁷OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Kristi Green</i></p> <p>Signature</p> <p>Kristi Green</p> <p>Printed Name</p> <p>Hobbs Regulatory</p> <p>Title and E-mail Address</p> <p>04/15/05</p> <p>Date</p> |
| | <p>¹⁸SURVEYOR 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>04-04-2005</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p><i>Michael L. Stanford</i></p> <p>Certificate Number</p> |
| | <p>MICHAEL L. STANFORD NEW MEXICO REGISTERED PROFESSIONAL LAND SURVEYOR 10324</p> |

EXHIBIT A

32 Miles NE of Carlsbad, New Mexico.

File No. A-2721.DWG



Key

Net Thickness > 14% Density Porosity **10**
 Net Thickness > 16% Density Porosity **5**
-4620

Top 2nd Bone Spring Sand

- 1st Bone Spring Sand Producer
- 2nd Bone Spring Carbonate Producer
- 2nd Bone Spring Sand Producer
- Commingled Zones

| | | |
|---|---|-----------------------|
| Mewbourne Oil Company | | |
| Location Exception M O C Tamano "10" Federal #5 2 nd Bone Spring Sand Zone A Net Isopach GE 14% Porosity Structure: Top 2 nd Bone Spring Sand Depth Structure | | |
| Author: M Davis | C.I. = 50 ft. Structure C.I. = 10 ft. Scale: <1:24000> | Date: 10 May, 2005 |

EXHIBIT B

County Eddy Pool Tamano-Bone Spring

A 36x6 grid with numbers 1-36. The numbers are arranged in a 6x6 grid of 6x6 blocks. A red path is drawn on the grid, starting at the top right and ending at the bottom left. The path is composed of horizontal and vertical segments. A small pink square is located at the intersection of the 10th and 11th columns and the 3rd and 4th rows.

Ext: ^{SW}/₄ Sec. 2, ^{NW}/₄ Sec. 11 (R-8229, S-19-86) EXT: ^E/₂ SEC 11, ^{SW}/₄ SEC 12

Ext: N/2 Sec 23, NW/4 Sec. 24 (R-9241, 7-31-90) EXT: SE/4 SEC 10 (R-9418, 2-1-91)

Ext: 5/2 Sec. 1 (R-11678, 10-23-01) Ext: ^{NE}~~N~~ Sec. 1 (R-12126, 3-30-04)

Ext. N^o 4 Sec. 15 (R-12208, 9-8-04) Ext. ⁵⁰4 Sec. 10 (R-12257, 1-3-05)

[illegible]