

DATE <u>05/30/13</u>	SUSPENSE	ENGINEER <u>DB</u>	LOGGED IN <u>06-03-2013</u>	TYPE <u>NSL</u>	APP NO. <u>PAYIC 1315443149</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



6817

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.

David Catanach
 Print or Type Name

Signature

Date

Agent for Mewbourne Oil Company
 Title

drcatanach@netscape.com
 E-Mail Address

5/30/13

30-015-41307 1H

Zircon 1 LI State

Mewbourne Oil Co.

May 30, 2013

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey, CPG
Division Director

Re: Application for Unorthodox Well Location
Zircon 1 LI State No. 1H
API No. (30-015-41307)
Surface Location: 1350' FSL & 120' FWL (Unit L)
Bottomhole Location: 1980' FSL & 330' FEL (Unit I)
Section 1, T-19 South, R-29 East, NMPM,
Eddy County, New Mexico

Dear Ms. Bailey:

Pursuant to Division Rule 19.15.15.13, Mewbourne Oil Company ("Mewbourne") respectfully requests administrative approval of an unorthodox oil well location for its proposed Zircon 1 LI State No. 1H. This well will be drilled as a horizontal development oil well in the Turkey Track-Bone Spring Pool (60660).

The Zircon 1 LI State No. 1H will be dedicated to a 160-acre spacing and proration unit ("project area") comprising the N/2 S/2 of Section 1. There are currently no other existing Bone Spring producing wells within the project area.

The Turkey Track-Bone Spring Pool is currently governed by Division Rule 19.19.15.9 which requires standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the spacing unit, or in the case of a horizontal well, no closer than 330 feet to the outer boundary of the project area.

The Zircon 1 LI State No. 1H will penetrate the Bone Spring formation at or near the surface well location, which is unorthodox for this pool. The bottomhole location of the well is standard.

The unorthodox surface location is necessary due to a buried pipeline within the NW/4 SW/4 of Section 1.

The Zircon 1 LI State No. 1H encroaches upon the following existing 160-acre spacing and proration units ("project areas") in the Turkey Track-Bone Spring Pool (See attached map). All three of the existing affected project areas are operated by Mewbourne. Please note that the working interest ownership between the N/2 S/2 and the S/2 S/2 of Section 1 is common. Please further note that the working interest

ownership between the N/2 S/2 of Section 1 and the S/2 of Section 2 is not common. Consequently, Mewbourne is providing notice of this application, pursuant to Division rules, to all working interest owners within the S/2 of Section 2.

Project Area 1: S/2 S/2 of Section 1-19S-29E; Currently dedicated to Mewbourne's Zircon 1 State No. 1H;

Project Area 2: S/2 S/2 of Section 2-19S-29E: Currently dedicated to Mewbourne's Zircon 2 State Com No. 1H;

Project Area 3: N/2 S/2 of Section 2-19S-29E: Currently dedicated to Mewbourne's Zircon 2 LI State No. 1H;

Working interest owners within the S/2 of Section 2 include Snow Operating, Inc., Cross Border Resources, Inc., and JKM Energy, LLC.

Attached is a Form C-102 showing the proposed well and proposed project area. Also attached is a map showing the affected offset acreage, a lease map and an offset working interest owner notice letter.

In summary, approval of the application will provide Mewbourne Oil Company the opportunity to recover additional oil and gas reserves from the Turkey Track-Bone Spring Pool underlying the N/2 S/2 of Section 1 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



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

Xc: OCD-Artesia

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Arzac, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
August 1, 2011
Permit 165639

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-41307	2. Pool Code 60660	3. Pool Name TURKEY TRACK;BONE SPRING
4. Property Code 39855	5. Property Name ZIRCON 1 LI STATE	6. Well No. 001H
7. OGRID No. 14744	8. Operator Name MEWBOURNE OIL CO	9. Elevation 3379

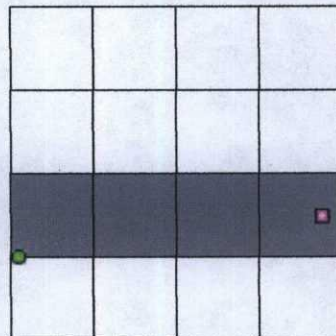
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
L	1	19S	29E		1350	S	120	W	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
I	1	19S	29E	I	1980	S	330	E	EDDY
12. Dedicated Acres 160.00		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



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(s) or has a right to drill this well at this 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.

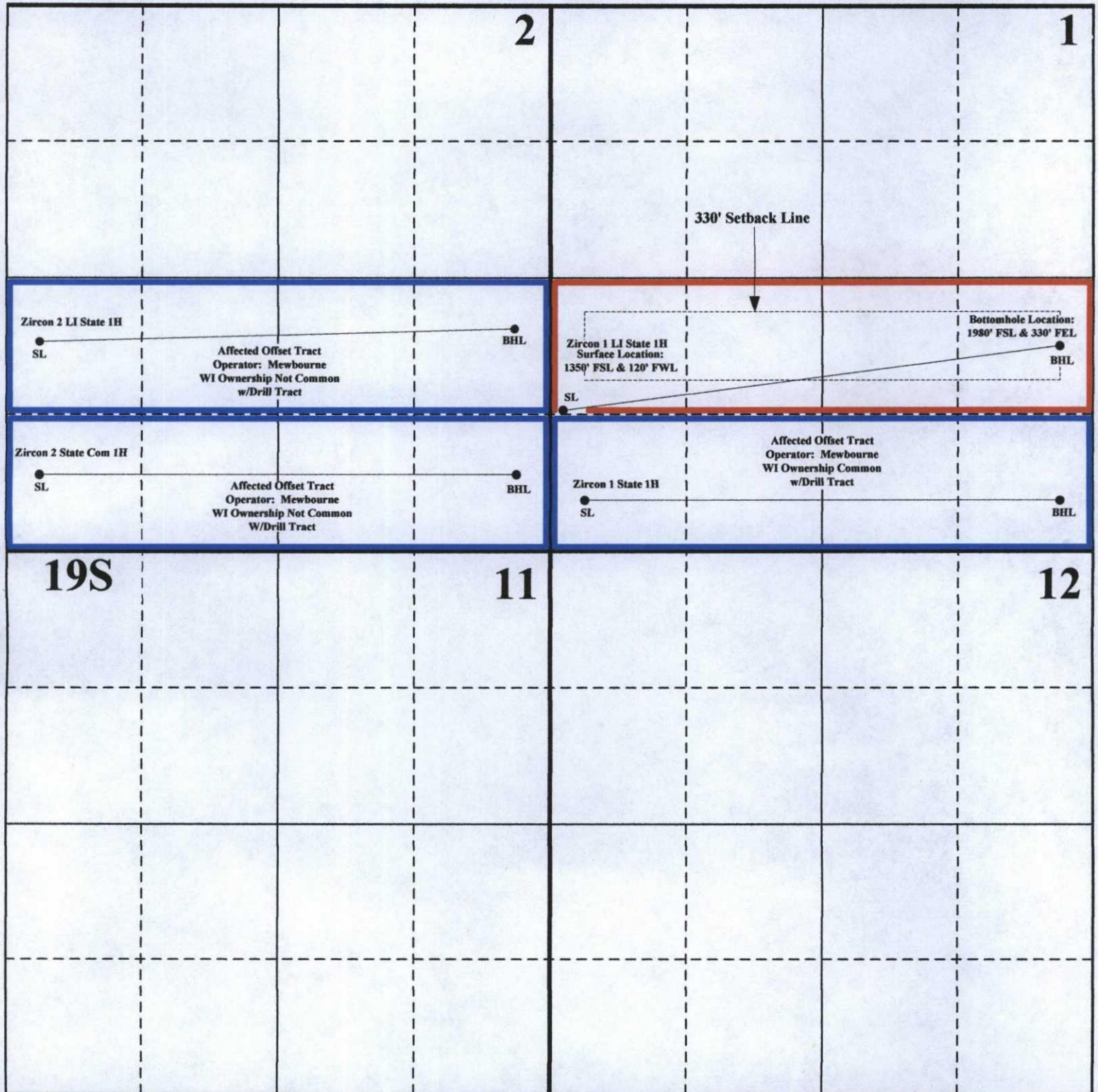
E-Signed By: Monty Whetstone
Title: Vice President Operations
Date: 4/16/2013

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.

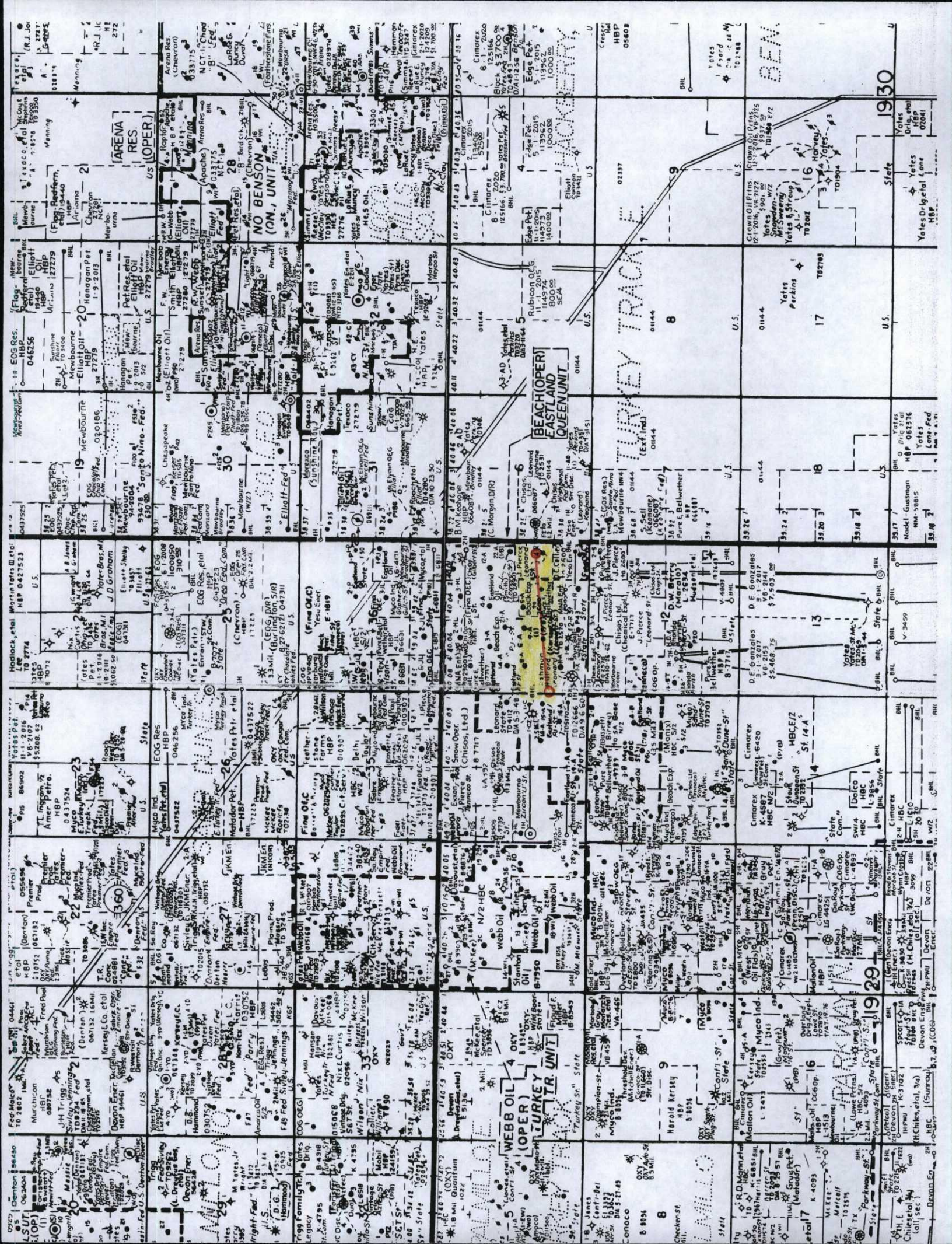
Surveyed By: Gary Jones
Date of Survey: 7/24/2012
Certificate Number: 7977

29E



— Proposed Spacing Unit
 — Existing Spacing Units

Mewbourne Oil Company
NSL Application: Zircon 1 LI State 1H
Affected Offset Acreage



May 30, 2013

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Snow Operating, Inc. JKM Energy, LLC
6300 Midway 26 E. Compass Rd.
Haltom City, Texas 76116 Artesia, New Mexico 88210
Attn: Mr. Gene Snow Attn: Mr. Jack Mathews

Cross Border Resources, Inc.
2515 McKinney Ave., Suite 900
Dallas, Texas 75201
Attn: Mr. Earl Sebring

Re: Mewbourne Oil Company
Unorthodox Oil Well Location
Zircon 1 LI State No. 1H (API No. 30-015-41307)
Surface Location: 1350' FSL & 120' FWL (Unit L)
Bottomhole Location: 1980' FSL & 330' FEL (Unit I)
Section 1, T-19 South, R-29 East, NMPM,
Turkey Track-Bone Spring Pool
Eddy County, New Mexico

Ladies and Gentlemen:

Enclosed please find a copy of the application filed by Mewbourne Oil Company ("Mewbourne") for approval of an unorthodox oil well location for its Zircon 1 LI State Well No. 1H located at the surface and bottomhole locations described above. The well will test the Turkey Track-Bone Spring Pool and will be dedicated to a 160-acre spacing and proration unit ("project area") comprising the N/2 S/2 of Section 1, Township 19 South, Range 29 East, NMPM. The unorthodox location is necessary in order to avoid a buried pipeline within the NW/4 SW/4 of Section 1.

As the owner of an interest that may be affected by the proposed unorthodox oil well location, you are being provided notice as per Division rules and regulations. Objections must be filed in writing at the Division's Santa Fe office within 20 days from the date this notice was sent to you. If no objection is received within twenty days after the filing of this application and proof of notice with the Division, the application may be approved.

Application for Unorthodox Location
Mewbourne Oil Company
Zircon 1 LI State No. 1H
Page 2

If you should have any questions, please call me at (505) 690-9453.

Sincerely,

A handwritten signature in black ink, appearing to read "David Catanach", with a stylized flourish at the end.

David Catanach, Agent
Mewbourne Oil Company
550 W. Texas, Suite 1020
Midland, Texas 79701

Enclosure

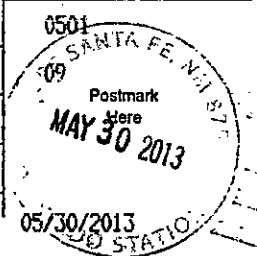
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Certified Fee	\$3.10
Return Receipt Fee (Endorsement Required)	\$2.55
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total P	\$6.77



Sent To **Snow Operating, Inc.**
6300 Midway
 Street, Apt or PO Box **Haltom City, Texas 76116**
 City, State **Attn: Mr. Gene Snow**

PS Form 3800, August 2000

See Reverse for Instructions

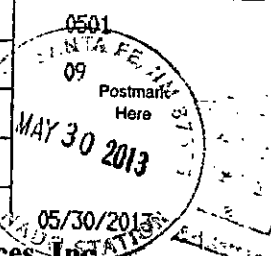
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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total P	\$6.77



Sent To **Cross Border Resources, Inc.**
2515 McKinney Ave., Suite 900
 Street, Apt or PO Box **Dallas, Texas 75201**
 City, State **Attn: Mr. Earl Sebring**

PS Form 3800, August 2000

See Reverse for Instructions

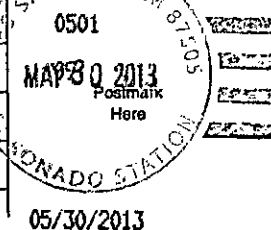
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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total P	\$6.77



Sent To **JKM Energy, LLC**
26 E. Compass Rd.
 Street, Apt or PO Box **Artesia, New Mexico 88210**
 City, State **Attn: Mr. Jack Mathews**

PS Form 3800, August 2000

See Reverse for Instructions

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

May 30, 2013

Via Email patirhodes@yahoo.com

Snow Operating Company, Inc.
6300 Midway
Haltom City, Texas 76117
Attn: Mr. Gene Snow

Re: Unorthodox Location and
Non Standard Unit
Zircon "1" LI State #1H Well
1350' FSL & 120' FWL (SL)
1980' FSL & 330' FEL (BHL)
Section 1, T19S, R29E
Eddy County, New Mexico

Dear Gene:

As an offset leasehold owner, Mewbourne Oil Company ("Mewbourne") hereby requests a waiver of objection from Snow Operating Company, Inc. ("Snow") regarding Mewbourne's proposed unorthodox location and non standard unit for the captioned well.

In reference to the above, Mewbourne as Operator proposes to drill the referenced well at the referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,048 feet beneath the surface and shall be drilled from a westerly direction to a easterly direction to evaluate the Second Bone Spring Sand interval in the Bone Spring formation for oil and gas production. The terminus of the proposed wellbore is referenced above as the BHL. The estimated measured depth will be approximately 12,760 feet with the well being dedicated to the N/2S/2 of the captioned Section 1 as the pooled proration unit and project area.

Mewbourne originally staked the captioned well at a location 1850' FSL & 150' FWL of the captioned Section 1 whereby the landing point of the lateral would be orthodox but this surface location was unacceptable due to a buried pipeline on the East side of this proposed location. Our proposed location was then staked at 1350' FSL and 120' FWL. The location is unorthodox as we will not be more than 1650' FSL where we land the lateral to set 7 inch casing. The approximate landing point will not be 1440' FSL & 585' FWL.

Snow Operating Company, Inc.
Zircon "1" LI State #1H Well
May 30, 2013
Page 2 of 2

Please indicate Snow's agreement to Mewbourne's requested waiver of objection by signing and returning this letter to me at your earliest convenience. If by email, send it to phaden@mewbourn.com and if by fax, send it to (432) 685-4170.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY

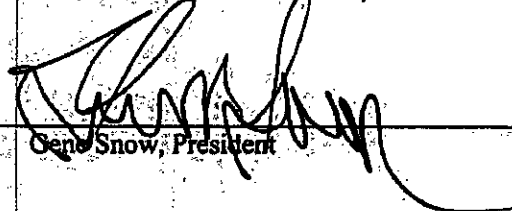


D. Paul Haden
Senior Landman

DPH/gb

Snow Operating Company, Inc. hereby waives objection to the above referenced unorthodox location and non-standard unit this 9 day of June, 2013.

SNOW OPERATING COMPANY, INC.

By: 
Gene Snow, President

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

May 30, 2013

Via Email jkmenergy@plateautel.net

JKM Energy, LLC
26 E. Compass Rd.
Artesia, New Mexico 88210
Attn: Mr. Jack Matthews

Re: Unorthodox Location and
Non Standard Unit
Zircon "1" LI State #1H Well
1350' FSL & 120' FWL (SL)
1980' FSL & 330' FEL (BHL)
Section 1, T19S, R29E
Eddy County, New Mexico

Dear Jack:

As an offset leasehold owner, Mewbourne Oil Company ("Mewbourne") hereby requests a waiver of objection from JKM Energy, LLC ("JKM") regarding Mewbourne's proposed unorthodox location and non standard unit for the captioned well.

In reference to the above, Mewbourne as Operator proposes to drill the referenced well at the referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,048 feet beneath the surface and shall be drilled from a westerly direction to an easterly direction to evaluate the Second Bone Spring Sand interval in the Bone Spring formation for oil and gas production. The terminus of the proposed wellbore is referenced above as the BHL. The estimated measured depth will be approximately 12,760 feet with the well being dedicated to the N/2S/2 of the captioned Section 1 as the pooled proration unit and project area.

Mewbourne originally staked the captioned well at a location 1850' FSL & 150' FWL of the captioned Section 1 whereby the landing point of the lateral would be orthodox but this surface location was unacceptable due to a buried pipeline on the East side of this proposed location. Our proposed location was then staked at 1350' FSL and 120' FWL. The location is unorthodox as we will not be more than 1650' FSL where we land the lateral to set 7 inch casing. The approximate landing point will not be 1440' FSL & 585' FWL.

JKM Energy, LLC
Zircon "1" LI State #1H Well
May 30, 2013
Page 2 of 2

Please indicate JKM's agreement to Mewbourne's requested waiver of objection by signing and returning this letter to me at your earliest convenience. If by email, send it to phaden@mewbourne.com and if by fax, send it to (432) 685-4170.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

JKM Energy, LLC hereby waives objection to the above referenced unorthodox location and non-standard unit this 4th day of June, 2013.

JKM ENERGY, LLC

By 
Jack Matthews, President

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

May 30, 2013

Via Email earl@sebringexploration.com

Cross Border Resources, Inc.
415 West Wall Street, Suite 1310
Midland, Texas 79701
Attn: Mr. Earl Sebring

Re: Unorthodox Location and
Non Standard Unit
Zircon "1" LI State #1H Well
1350' FSL & 120' FWL (SL)
1980' FSL & 330' FEL (BHL)
Section 1, T19S, R29E
Eddy County, New Mexico

Dear Earl:

As an offset leasehold owner, Mewbourne Oil Company ("Mewbourne") hereby requests a waiver of objection from Cross Border Resources, Inc. ("CBR") regarding Mewbourne's proposed unorthodox location and non standard unit for the captioned well.

In reference to the above, Mewbourne as Operator proposes to drill the referenced well at the referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to a true vertical depth of approximately 8,048 feet beneath the surface and shall be drilled from a westerly direction to a easterly direction to evaluate the Second Bone Spring Sand interval in the Bone Spring formation for oil and gas production. The terminus of the proposed wellbore is referenced above as the BHL. The estimated measured depth will be approximately 12,760 feet with the well being dedicated to the N/2S/2 of the captioned Section 1 as the pooled proration unit and project area.

Mewbourne originally staked the captioned well at a location 1850' FSL & 150' FWL of the captioned Section 1 whereby the landing point of the lateral would be orthodox but this surface location was unacceptable due to a buried pipeline on the East side of this proposed location. Our proposed location was then staked at 1350' FSL and 120' FWL. The location is unorthodox as we will not be more than 1650' FSL where we land the lateral to set 7 inch casing. The approximate landing point will not be 1440' FSL & 585' FWL.

Cross Border Resources, Inc.
Zircon "1" LI State #1H Well
May 30, 2013
Page 2 of 2

Please indicate CBR's agreement to Mewbourne's requested waiver of objection by signing and returning this letter to me at your earliest convenience. If by email, send it to phaden@mewbourne.com and if by fax, send it to (432) 685-4170.

Should you have any questions regarding the above, please call.

Sincerely yours,

MEWBOURNE OIL COMPANY

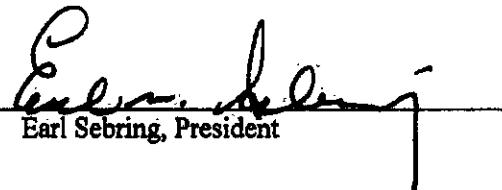


D. Paul Haden
Senior Landman

DPH/gb

Cross Border Resources, Inc. hereby waives objection to the above referenced unorthodox location and non-standard unit this 3 day of JUNE, 2013.

CROSS BORDER RESOURCES, INC.

By: 
Earl Sebring, President