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|-----------------|----------|------------------|-------------------|----------|------------------------|
| DATE IN 5/15/08 | SUSPENSE | ENGINEER W Jones | LOGGED IN 5/15/08 | TYPE DHC | APP NO. PKVR0813654049 |
|-----------------|----------|------------------|-------------------|----------|------------------------|

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.

Robin Terrell
Print or Type Name

Signature

SR Production Engineer
Title

05/08/08
Date

rtterrell@mewbourne.com
e-mail Address

RECEIVED
2008 MAY 15 PM 1 41

MEWBOURNE OIL COMPANY
PO BOX 5270
HOBBS, NM 88240
575-393-5905
FAX 575-397-6252

RECEIVED
2008 MAY 15 PM 1 41

May 08, 2008

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

RE: Form C-107A
McKittrick Draw "28" St Com #1
Comminge

To Whom It May Concern:

Please find enclosed the following for the application to downhole commingle production from the Happy Valley Morrow and Happy Valley Strawn zones in the referenced well:

Form C107A
Attachments information
Form C-102 for both zones
Administrative Application Checklist

A copy of Form C-107A is being mailed today to the Bureau of Land Management in Carlsbad.

Mewbourne Oil Company would appreciate this commingle request being processed as soon as possible. If you need further information, please call me at (575) 390-4816.

Thank you,



Robin Terrell
SR Production Engineer

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
X Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Mewbourne Oil Company PO Box 5270, Hobbs, NM 88240
Operator Address

McKittrick Draw "28" State Com #1 N - Sec 28, T22S, R26E Eddy
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 14744 Property Code 36288 API No. 30-015-35368 Lease Type: Federal X State Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---|--|-------------------|---|
| Pool Name | Happy Valley Strawn | | Happy Valley Morrow |
| Pool Code | 85200 | | 78060 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 10522' - 10533' | | 10766' - 11582' |
| Method of Production (Flowing or Artificial Lift) | Flowing | | Flowing |
| Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone) | | | |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | | | |
| Producing, Shut-In or New Zone | Producing | | Isolated w/temp plugs |
| Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.) | Date: Est. Rate: Rates: 500 MCF 5 BO, 5 BW | Date: Rates: | Date: 02/15/08 Rates: 600 MCF 0 BO, 20 BW |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil Gas 100 % 45 % | Oil Gas % % | Oil Gas 0 % 55 % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes X No

Will commingling decrease the value of production? Yes No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes X No

NMOCD Reference Case No. applicable to this well:

Attachments:
C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE TITLE Sr Production Engineer DATE 05/08/08

TYPE OR PRINT NAME Robin Terrell TELEPHONE NO. (575) 393-5905

E-MAIL ADDRESS rterrell@mewbourne.com

MEWBOURNE OIL COMPANY
McKittrick Draw "28" State Com #1
Unit Letter N, Sec 28 T22S R26E
Happy Valley Strawn and Happy Valley Morrow
Eddy Co., NM

Attachments to C-107A

1. C102 for each zone to be commingled showing its spacing unit & acreage dedication.

2. Production curve for existing Morrow perfs showing current production.

Happy Valley Strawn (Current production 500 MCF 2 BO, 5 BW)
Happy Valley Morrow (600 MCF, 0 BO, 20 BW)

3. Notification list of working, royalty and overriding royalty interests for uncommon interest cases.

No uncommon interests.

4. Additional statements and data to support commingle.

The well is completed with 5 ½" OD casing. In order to dually complete the well to recover all economic reserves, the use of small diameter special clearance tubing would be required. Performing a dual completion as described could not be economically justified for a zone with limited deliverability. To produce the Strawn interval (upper zone) up the annulus (5 ½" - 2 ⅞") is not recommended due to liquid loading and insufficient velocity to lift produced fluids with the estimated gas rates listed above. The addition of the Morrow as a commingled zone will prevent waste that would not otherwise be possible due to the increased cost to produce each individual zone. Commingling will prevent early abandonment of each production zone.

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

Form C-102
Permit 38572

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|--|---|
| 1. API Number 30-015-35162 | 2. Pool Code 78060 | 3. Pool Name HAPPY VALLEY <i>Morrow & Shaw</i> |
| 4. Property Code | 5. Property Name MCKITTRICK DRAW 28 STATE COM | 6. Well No. 001 |
| 7. OGRID No. 14744 | 8. Operator Name MEWBOURNE OIL CO | 9. Elevation 3273 |

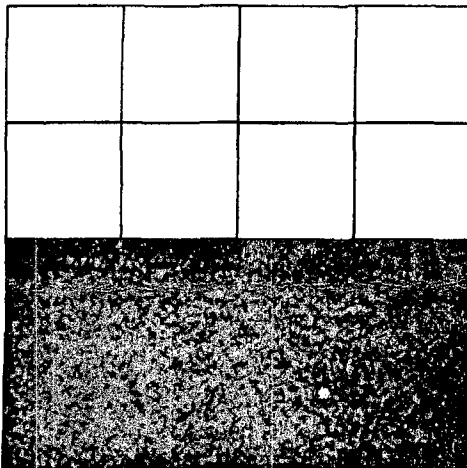
10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot O | Section 28 | Township 22S | Range 26E | Lot Idn | Feet From 900 | N/S Line S | Feet From 1650 | E/W Line E | County 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 |
| 12. Dedicated Acres 320.00 | | 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: 9/26/2006

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: 9/11/2006
Certificate Number: 7977