ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS Application Acronyms: [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location] [DD-Directional Drilling] [SD-Simultaneous Dedication] HC 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] RVATION DIVISION TYPE OF APPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Directional Drilling [A] \square SD Check One Only for [B] or [C] Commingling - Storage - Measurement [B] \Box CTB DHC □ PLC \Box PC OLS. □ OLM Injection - Disposal - Pressure Increase - Enhanced Oil Recovery [C] □ SWD □ WFX ☐ PMX ☐ EOR ☐ PPR **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or \Box Does Not Apply [2] ☐ Working, Royalty or Overriding Royalty Interest Owners [A] Offset Operators, Leaseholders or Surface Owner [B] Application is One Which Requires Published Legal Notice ☐ Notification and/or Concurrent Approval by BLM or SLO [D] ti.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office For all of the above, Proof of Notification or Publication is Attached, and/or, [E] ☐ Waivers are Attached [F]

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE 218 MONTEZUMA SANTA FE, NM 87501

Print or Type Name

Signature

Title

1/20/96

Date

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JAMES C. MARTIN

*NOT LICENSED IN NEW MEXICO

November 20, 1996

Hand Delivered

Michael E. Stogner New Mexico Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Mewbourne Oil Company hereby applies for administrative approval of an unorthodox gas well location for the following existing well:

Burton Flat "7" Fed. Well No. 1 1980 feet FSL & 660 feet FEL S½ §7, Township 20 South, Range 28 East, NMPM Eddy County, New Mexico

The well was drilled in May 1991 and completed as a Morrow producer, with the E½ of Section 7 dedicated to the well. As a result, when the well was drilled, it was at an orthodox location. The well completion report and the Form C-102 for the well are attached as Exhibits A and B. The well still produces from the Morrow formation (Burton Flat-Morrow Gas Pool). Mewbourne intends to reorient the well's unit so that it comprises the 5½ of Section 7.¹ A Form C-102, showing the new proposed well unit, is attached as Exhibit C. It is Mewbourne's intent to drill a new Morrow well in the NW½NE¾ of Section 7, and dedicate the N½ of Section 7 thereto, in order to more effectively recover Morrow reserves under Section 7. A net porosity isopach of the middle Morrow zone is attached hereto as Exhibit D.

 $^{^{1}}$ All of Section 7 is within United States Oil and Gas Lease NM 83583, and ownership of royalty, overriding royalty, and working interests is common throughout the section.

Attached as Exhibit E is a land plat of the area around the subject well. The offsetting acreage, and the operators/lessees thereof, are as follows:

<u>Acreage</u>	<u> Operator/Lessee</u>
N½ §8	Mewbourne Oil Company
S½ §8	OXY USA Inc.
All §17	OXY USA Inc.

Notification of this application was sent on the date of this letter to OXY USA Inc., by certified mail. A copy of the notice letter is attached hereto as Exhibit F. **However**, attached as Exhibit G is a letter from OXY waiving objection to the unorthodox location. As a result, Mewbourne requests that the Division <u>waive</u> the normal 20 day waiting period.

This application is submitted in triplicate. Please call me if you need anything further in this matter. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY, L.L.P.

James Bruce

Attorneys for Mewbourne Oil Company

Form 3160-4 (November 1983) (formerly 9-330)

OPERATOR'S COPY SUBMIT IN DUPLIC.. FE-UNITED STATES

Form approved. Budget Bureau No. 1004-0137 Expires August 31, 1985

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*(See Instructions and Spaces for Additional Data on Reverse Sid-WADI CRAD NEW MEXICO

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Y			**		2nd Bone Springs Carbonate	6,298*	!
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State Lease - 4 copies Fee Lease - 3 copies

DISTRICT | F.O. Box 1980, Hobbs, NM 88340

P.O. Dosmer DD., Asteola, NM 88210

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

OIL CONSERVATION DIVISION

DISTRICT III 1000 Rio Bennes Bd., Astes, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

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EXHIBIT

District Octor State Lease - 4 copies Fee Lease - 3 copies

DISTRICT | F.O. Box 1980, Hobbs, NM 88340

P.O. Deswer DD, Associa, NM 88210

DISTRICT III 1000 Rio Bringes Rd., Astes, NM 87410

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

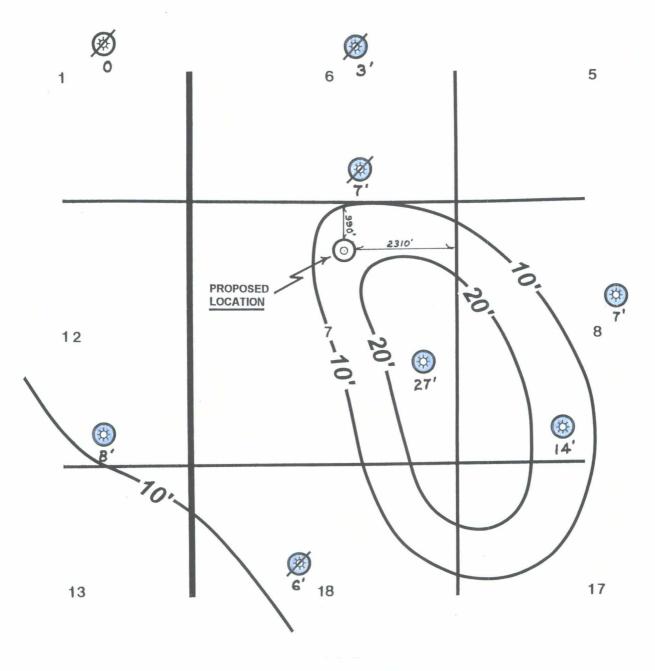
WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

MEWBOURNE OI	T COMPANY	BI	JRTON FLATS	"7" FFD	EDAT.	1
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EXHIBIT



NORTH BURTON FLAT

EDDY CO., NEW MEXICO

MIDDLE MORROW BLUE SAND
NET SAND ISOPACH MAP

C.I. = 10'

BY: RALPH MOORE

DATE: 11-12-96

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*NOT LICENSED IN NEW MEXICO

November 20, 1996

CERTIFIED MAIL RETURN RECEIPT REQUESTED

OXY USA Inc. P.O. Box 50250 Midland, Texas 79710

Attn: Kent Woolley

Dear Sirs:

Enclosed is a copy of an administrative application for an unorthodox gas well location, filed at the New Mexico Oil Conservation Division by Mewbourne Oil Company, regarding the Burton Flat "7" Fed. Well No. 1 in the 5½ of Section 7, Township 20 South, Range 28 East, in Eddy County. Mewbourne's records indicate that you are an offset operator/lessee to the well unit. The application was filed with the Division on November 20, 1996, and unless you object to the application by December 10, 1996 you will be precluded from contesting this matter at a later date.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY, L.L.P.

James Bruce

Attorneys for Mewbourne Oil Company

EXHIBIT

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MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

> (915) 682-3715 FAX (915) 685-4170

November 5, 1996

Certified Mail-Return Receipt Requested P 268 434 057

Oxy USA Inc. P.O. Box 50250 Midland, Texas 79710

Attn:

Mr. Kent Woolley

Re:

MOC's Burton Flat "7" Federal #1 Well

1980' FSL and 660' FEL of Section 7, T20S, R28E Eddy County, New Mexico

Gentlemen:

For reference, the captioned Mewbourne well is currently producing from the Morrow formation at a standard location wherein such well is currently dedicated to the E/2 of the subject Section 7. Mewbourne desires to change such spacing unit from the current E/2 unit to a S/2 spacing unit in order for Mewbourne to drill a Morrow well in the NE/4 of said Section 7. Accordingly, the location for the above described Burton Flat "7" Federal #1 well would become unorthodox and would require notice to affected offset owners in order to get such unorthodox location approved by the NMOCD.

Regarding the above, Mewbourne is applying for unorthodox location approval from the NMOCD for the captioned well for the above described reasons.

If Oxy USA Inc. has no objection to the NMOCD granting approval for an unorthodox location for the captioned well described above for a S/2 spacing unit, please acknowledge such approval by signing and returning the copy of this letter to the undersigned.

Sincerely,

MEWBOURNE ON COMPANY

D. Paul Hadei Landman

DPH/gb

AGREED and ACCEPTED this 14th day of November, 1996.

OXY USA INC.

Title

todan

EXHIBIT

CMD : OG5SECT

ONGARD INQUIRE LAND BY SECTION

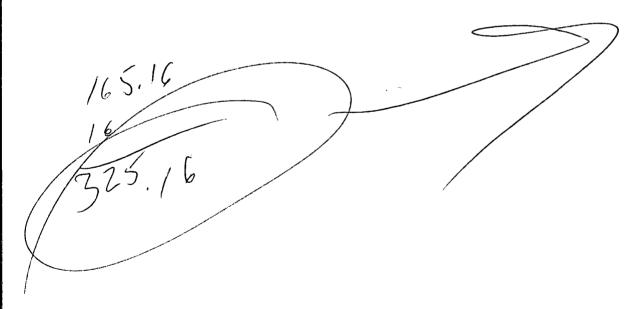
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Sec : 07 Twp : 20S Rng : 28E Section Type : NORMAL

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CMD : OG6IWCM ONGARD

INQUIRE WELL COMPLETIONS

01/02/97 14:27:57 OGOMES -EMFR

Pool Idn : 73280 BURTON FLAT; MORROW (PRO GAS)

OGRID Idn : 14744 MEWBOURNE OIL CO

Prop Idn : 7870 BURTON FLAT 7 FEDERAL

Well No : 001 GL Elevation: 99999

U/L Sec Township Range North/South East/West Prop/Act(P/A)

___ ___ B.H. Locn : I 7 20S 28E FTG 1980 F S FTG 660 F E A

Lot Identifier:

Dedicated Acre: 320.00

Lease Type : F

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01 HELP PF02

PF03 EXIT PF04 GoTo PF05 PF06
PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC PF07 PF08

CMD : OG5SECT

ONGARD INQUIRE LAND BY SECTION

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PAGE NO: 1

Sec : 07 Twp : 20S Rng : 28E Section Type : NORMAL

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BURTON FLAT-MORROW GAS POOL (Gas Prorationing Suspended - Order No. R-8170-E-1) Eddy County, New Mexico

Order No. 8170-E-1, Suspending Gas Prorationing for the Burton Flat-Morrow Pool, Eddy County, New Mexico, October 28, 1991.

In the matter of Case 9872 being reopened pursuant to the provisions of Division Order No. R-9463, which, among other things, provided for the reopening of said Case 9872 in order that all operators in the Burton Flat-Morrow Gas Pool, Eddy County, New Mexico, may appear and present evidence relative to the permanent termination of gas prorationing for said Burton Flat-Morrow Gas Pool.

CASE NO. 9872 Order No. R-8170-E-1

ORDER OF THE DIVISION

BY THE DIVISION: This cause came on for hearing at 8:15 a.m. on September 19, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of October, 1991 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 Order No. R-8170-E, dated April 2, 1990, issued in Case No. 9872 and made effective April 1, 1990, the following provisions affecting the Burton Flat-Morrow Gas Pool, encompassing portions of Townships 20 and 21 South, Ranges 26, 27 and 28 East, NMPM, Eddy County, New Mexico were instituted:
- (a) the prorationing of gas production, pursuant to the provisions of Division Order No. R-8170, as amended, was suspended for a temporary testing period commencing April 1, 1990 and ending June, 1991;
- (b) the General Rules and Regulations applicable for Morrow gas wells in Southeast New Mexico were applied to said pool during the testing period;
- (c) production records were kept on said pool and reported on the Proration Schedule for Southeast New Mexico during the testing period for statistical purposes only;
- (d) the Division retained jurisdiction in this matter should it had been determined at any time during the test period that the pool should again be prorated, each well would have been reassigned its classification and over or under production status as of April 1, 1990; and,
- (e) if gas prorationing had been reinstated, each non-marginal well would be assigned a minimum allowable of 750 MCF per day.
- (3) The temporary testing period and the provisions of said Order No. R-8170-E were extended to September, 1991 by Division Order No. R-9463, dated March 22, 1991, in order to evaluate the effects of the new six-

month allocation periods established by Division Order No. R-8170-H on said pool and to avoid having the pool return to proration in the middle of an allocation period should conditions warrant.

- (4) OXY USA, Inc., the applicant in the original hearing, appeared at this hearing and presented evidence showing that since February 1990 the Burton Flat-Morrow Gas Pool:
 - a) has shown an increase in gas production;
 - b) several new wells have been drilled;
 - c) compression installation and work-over activity has increased;
 - d) there continues to be a market for all the gas from the pool;
- e) there continues to be support from the vast majority of the interested parties within the pool for deproration;
 - f) no objections were received; and,
- g) no extenuating circumstances have occurred within the pool to support reinstatement of prorationing within the pool.
- (5) Testimony also indicates that correlative rights would not be adversely affected since market demand exceeds the pool deliverability.
- (6) Prorationing of gas production from the Burton Flat-Morrow Gas Pool should therefore terminate and the Special Rules and Regulations for said pool, as promulgated by Division Order No. R-8170, as amended, should be suspended; concomitantly said pool should be governed by all applicable provisions provided by the Division's Statewide Rules and Regulations.
- (7) Allowables established for the Burton Flat-Morrow Gas Pool in the "Proration Schedule for the Six-Month Period October 1991 through March 1992" or any subsequent period should be null and of no effect.

IT IS THEREFORE ORDERED THAT:

(1) The Special Rules and Regulations for the Burton Flat-Morrow Gas Pool, as promulgated by Division Order No. R-8170, as amended, are hereby terminated.

IT IS FURTHER ORDERED THAT:

- (2) The provisions of Division Order No. R-8170-E, dated April 2, 1990, issued in Case No. 9872 and made effective April 1, 1990, which suspended gas prorationing within said pool for a temporary period is hereby continued in full force and effect until further notice of the Division.
- (3) Allowables established for the Burton Flat-Morrow Gas Pool in the "Proration Schedule for the Six-Month Period October 1991 through March 1992" or any subsequent period shall be null and of no effect.
- (4) Said pool shall be governed by the General Rules and Regulations applicable for gas wells in Southeast New Mexico currently completed in the Morrow formation.
- (5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.
- DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.