



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

August 29, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Mewbourne Oil Company
c/o James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-4636

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*application reference No. pKRV0-122729967*) submitted to the New Mexico Oil Conservation Division ("Division") on August 14, 2001 on behalf of the operator, Mewbourne Oil Company ("Mewbourne"); and (ii) the Division's records in Santa Fe: all concerning Mewbourne's request for an unorthodox wildcat Strawn oil well location for its Fren "8" Federal Com. Well No. 2 or 5, whichever is applicable, (**API No. 30-015-31794**), which was recently drilled to test the Morrow formation underlying a standard 320-acre stand-up gas spacing and proration unit within the Undesignated North Shugart-Morrow Gas Pool comprising the E/2 of Section 8, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico, at a standard gas well location 1170 feet from the North line and 750 feet from the East line (Unit A) of Section 8.

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

It is our understanding from your application that this well was permitted by Mewbourne only as a Morrow test within the aforementioned 320-acre unit (evidentially Mewbourne's third such permitted Morrow test well within this unit to the proposed Fren "8" Federal Com. Wells No. 3 and 4 in Units "J" and "B", respectively, in Section 8), was subsequently spud on June 16, 2001, whereby the Morrow "will be tested"; moreover, the Strawn formation appears to be "productive", probably "oil". Pursuant to Division Rule 104.B (1), as revised, this location is unorthodox for the standard 40-acre oil spacing and proration unit to be dedicated to the Strawn formation comprising the NE/4 NE/4 (Unit A) of Section 8.

Furthermore, it appears that the N/2 of Section 8 is a single federal lease (U. S. Government lease No. NM-33437) in which Mewbourne is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provision of Division Rule 104.F (2), the above-

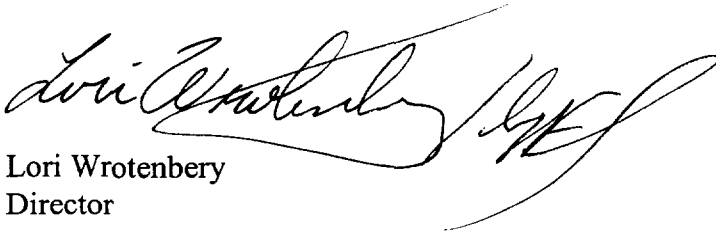
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described unorthodox Strawn oil well location is hereby approved.

PLEASE NOTE HOWEVER THAT IN THE FUTURE, Mewbourne, as a prudent operator, should take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery". The signature is written in black ink and is positioned above the printed name and title.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad