

March 22, 2000

Mewbourne Oil Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87505

Telefax No. (505) 982-2151

RE: SD-00-02: *South Empire-Morrow Gas Pool development within an existing 292.96-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, which was the subject of Division Administrative Order NSP-1281, dated January 7, 1982.*

Dear Mr. Bruce:

Reference is made to the following: (i) your letters on behalf of the operator, Mewbourne Oil Company ("Mewbourne"), dated February 25 and March 2, 2000; (ii) my telephone conversations with you and Mr. William F. Carr, Legal Counsel for Harvey E. Yates Company, on Tuesday, March 21, 2000; (iii) letters from Mr. William F. Carr dated March 15 and 21, 2000; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe including the file on Division Administrative Order NSP-1281: all concerning Mewbourne's plans for further Morrow gas development within the existing 292.96-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 17 South, Range 29 East, NMPM, South Empire-Morrow Gas Pool, Eddy County, New Mexico, which was the subject of Division Administrative Order NSP-1281, dated January 7, 1982.

The South Empire-Morrow Gas Pool is a non-prorated gas pool. Well spacing and locations therein are currently governed under Division Rules 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999. In addition this unit is also governed under the provisions of Division Rules 104.D (2) (a) and 104.D (3), as revised.

It is our understanding that gas production attributed to the South Empire-Morrow Gas Pool within this 292.96-acre unit will be simultaneously dedicated to the following two wells:

- the existing Green "B" Well No. 11 (**API No. 30-015-23754**), located at a standard gas well location 1780 feet from the South line and 2080 feet from the East line (Unit J) of Section 7; and
- Mewbourne's proposed Empire "7" Federal Well No. 1, to be drilled at a standard infill gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
William F. Carr, Legal Counsel for Harvey E. Yates Company - Santa Fe
File: NSP-1281