

New Mexico Energy, Minerals and Natural Resources Department

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June 21, 2011

Administrative Order CTB-632
Application Reference No. pTGW 11-14546203

Mewbourne Oil Company
Attention: Robin Terrell
P.O. Box 5270
Hobbs, New Mexico 88240

Re: Red Hills West 21 Federal Com. Well No. 1H
API No. 30-025-40156

It is our understanding that you propose to commingle production of oil and gas from diversely owned lands, limited to one common source of supply (wildcat Bone Spring), through facilities operated by the Mewbourne Oil Company ("Applicant"). By this application you are seeking commingling approval pursuant to Division Rule 12.10.C(4) [19.15.12.10.C.(4) NMAC]. It is further understood that you have provided notice to all interest owners in accordance with Rule 12.10.C(4)(c), and no objections have been received.

Applicant is hereby authorized to surface commingle oil and gas production from the Bone Spring formation from the following leases and wells located within Sections 21 and 22, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico:

Red Hills West 21 Federal Com Well No.1H (API No. 30-025-40156), SHL: 330 feet FNL & 950 feet FEL (Unit A) of Section 21. Project Area: E/2 E/2 (Units A, H, I and P) of Section 21

Red Hills West 22 Federal Com Well No.1H (API No. 30-025-39901), SHL: 380 feet FNL & 380 feet FWL (Unit D) of Section 22. Project Area: W/2 W/2 (Units D,E, L and M) of Section 22

The tank battery, meters and sales point will be located adjacent to the surface location of the Red Hills West 22 Federal Com Well No. 1H, in Unit D of Section 22.

This installation shall be constructed and operated in accordance with applicable Division Rules. Oil and gas from each well shall be continuously metered prior to being commingled for

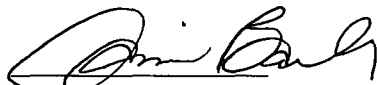


storage or sale. The oil and gas meters on this battery shall be calibrated on a schedule based on throughput as per Rule 12.10.C(2) NMAC.

Before commencing surface commingling, the operator must obtain approval from the United States Bureau of Land Management (BLM) as directed in Rule 12.10.C(4)(h) NMAC. The operator shall notify the Hobbs District office of the Division prior to implementation of commingling operations. It is the also responsibility of the operator to notify the transporter of this commingling authority.

Applicant has not provided notice that it is requesting addition of future wells or additional leases or pools to this commingle as per Rule 12.10.C.(4)(g)(i) NMAC. Therefore, additional wells or pools shall not be included in this surface commingle without the operator again making application and providing notice to all owners.

Sincerely



JAMIE BAILEY
Division Director

JB/db

cc: Oil Conservation Division – Artesia
United States Bureau of Land Management