

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 _____

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[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 _____ SR Production Engineer _____ 10/09/08 _____
 Print or Type Name Signature Title Date

_____ rterrell@mewbourne.com _____
 e-mail Address

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

October 09, 2008

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

RE: Form C-107A
Milagro 28 Fed Com #1
Recompletion & Commingle

To Whom It May Concern:

Please find enclosed the following for the application to downhole commingle production from the Happy Valley Morrow, Happy Valley Atoka, & Happy Valley Canyon Gas Pools 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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

Oil Conservation Division

APPLICATION TYPE

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

Single Well
Establish Pre-Approved Pools

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

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 Yes No

Mewbourne Oil Company
Operator

PO Box 5270, Hobbs, NM 88240
Address

DR-4117

Milagro 28 Federal Com #1
Lease

Well No.

E - Sec 28, T22S, R26E
Unit Letter-Section-Township-Range

Eddy
County

OGRID No. 14744 Property Code API No. 30-015-35012 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	UNDES E. Happy Valley Atoka Happy Valley Atoka & Canyon		Happy Valley Morrow <i>Go</i>
Pool Code	UNDES E. HAPPY VALLEY ATOKA UNDES E. HAPPY VALLEY HILLS, Canyon East		
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	Atoka @ 10490' - 10500' Canyon @ 9832' - 9860'		11278' - 11512'
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	New Zone		Producing
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.)	Estimated Rates 1000 MCF 2 BO, 0 BW	Date: Rates:	Date: 10/09/08 Rates: 230 MCF 0 BO, 3 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 100% Gas 80%	Oil <i>100%</i> Gas <i>0%</i>	Oil 0% Gas 20%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes 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 No

Will commingling decrease the value of production? Yes No

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 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 *Robin Terrell* TITLE Sr Production Engineer DATE 10/09/08

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

E-MAIL ADDRESS rterrell@mewbourne.com

MEWBOURNE OIL COMPANY
Milagro 28 Fed Com #1
Unit Letter E, 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. Atoka is estimated.

✓ Happy Valley Morrow (Current production 230 MCF 0 BO, 3 BW)

Unit E, Happy Valley Atoka (estimated 500 MCF, 0 BO, 0 BW)

Unit E, Happy Valley Canyon (estimated 500 MCF, 2 BO, 0 BW)

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

No uncommon interests.

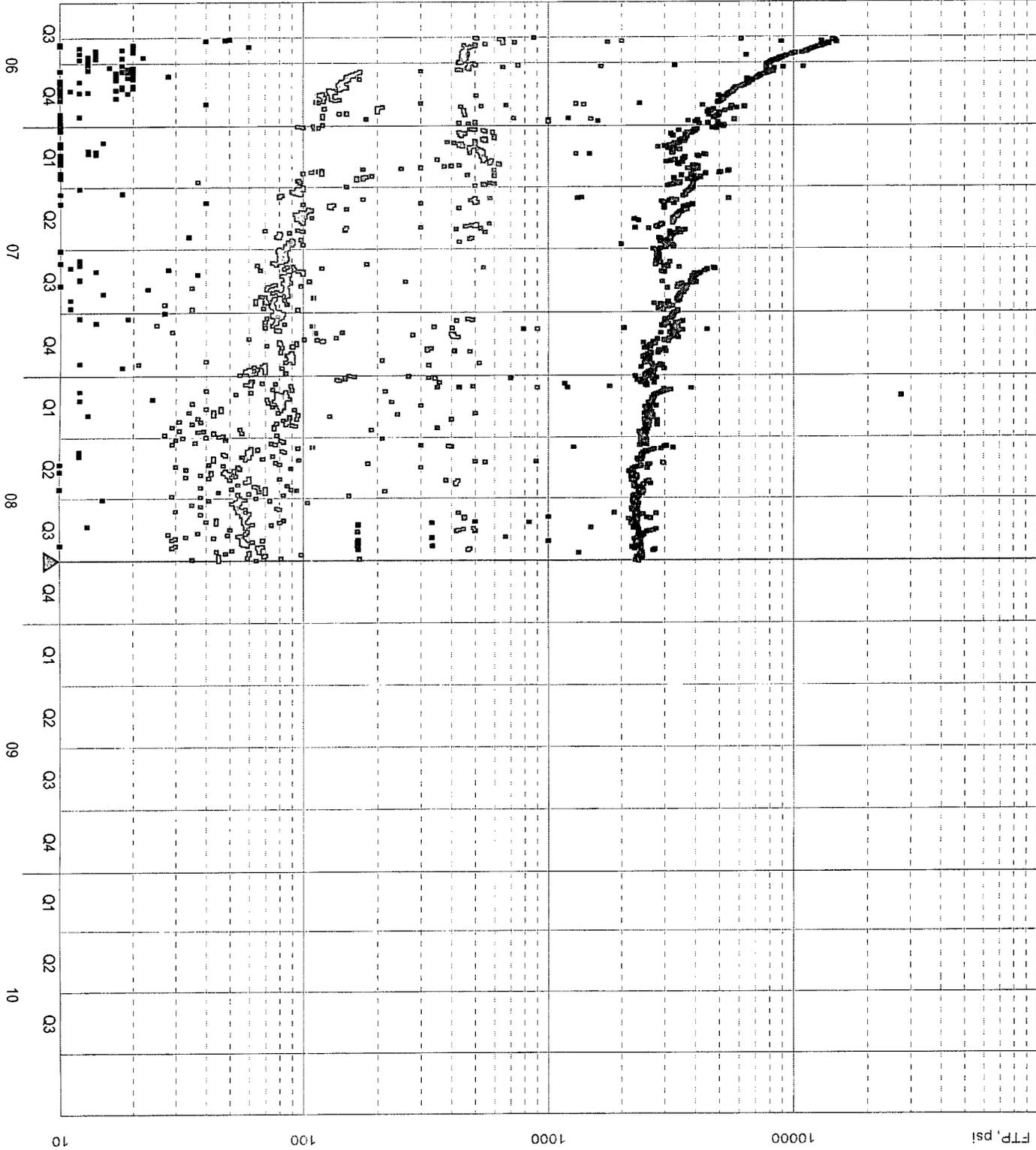
4. Additional statements and data to support commingle.

The well is completed with 5 1/2" 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 Atoka & Canyon interval (upper zone) up the annulus (5 1/2" - 2 7/8") 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 Atoka & Canyon 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 productive zone.

Lease: WILLAUKU 28 FEDERAL CUM # 1
 Location: 28-T22S-R26E
 Reservoir: LOWER & MIDDLE MORROW
 Field: HAPPY VALLEY
 City/State: EDDY, NM
 Operator: MEWBOURNE OIL COMPANY

Water, Bbl/day
 Oil, Bbl/day
 Gas, Mcf/day

10000
 100
 1000
 10
 1
 100



Gas, Mcf/day ■ ■ ■ ■
 Ref= 10/2008
 Cum= 279942
 Oil, Bbl/day ■ ■ ■ ■
 Ref= 10/2008
 Cum= 113
 Water, Bbl/d ■ ■ ■ ■
 Ref= 10/2008
 Cum= 3663
 FTP, psia □ □ □ □
 Ref= 10/2008
 Cum= 157214

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