

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2005 APR 28 AM 9 30

**APPLICATION OF MEWBOURNE OIL
COMPANY FOR CANCELLATION OF TWO
DRILLING PERMITS AND APPROVAL
OF A DRILLING PERMIT, LEA COUNTY,
NEW MEXICO.**

Case No. 13492

AMENDED APPLICATION

Mewbourne Oil Company ("Mewbourne"), for its application, states:

1. Mewbourne is a working interest owner in Lots 9, 10, 15, 16, and the SE¼ of irregular Section 4, Township 21 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and has the right to drill a well thereon.

2. The only other working interest owners in Lots 9, 10, 15, 16, and the SE¼ of Section 4 are Kaiser-Francis Oil Company ("Kaiser-Francis") and Samson Resources Company ("Samson"). The mineral interest under said acreage is owned entirely by the State of New Mexico: Lots 9, 10, 15, and 16 of Section 4 are subject to State Oil and Gas Lease V-7054; and the SE¼ of Section 4 is subject to State Oil and Gas Lease B-1481-14.

3. The working interests of Mewbourne, Kaiser-Francis, and Samson in Lots 9, 10, 15, 16, and the SE¼ of Section 4 are subject to an operating agreement among said parties covering all depths, and they have agreed to drill the Osudo "4" State Com. Well No. 1, to be located 660 feet from the south line and 1650 feet from the east line of Section 4. Said acreage is to be dedicated to the well, forming a standard 320 acre gas spacing proration unit for all formations or pools developed on 320 acre spacing, including the South Osudo-Morrow Gas Pool. In addition, Mewbourne, Kaiser-Francis, and Samson have executed a communitization

agreement for said acreage, as to all Pennsylvanian-age formations, **and the agreement has been approved by the Commissioner of Public Lands.**

4. On March 10, 2005, Chesapeake Operating, Inc. ("Chesapeake") filed with the Division's Hobbs District Office an Application for Permit to Drill ("APD") its proposed KF 4 State Well No. 1, to be drilled to test the Morrow formation. The APD was approved on March 11, 2005, and the S½ of Section 4 is allegedly dedicated to the well. However, Chesapeake and its affiliates and working interest partners own no interest in the SE¼ of Section 4, which includes the drillsite for Chesapeake's proposed well.

5. In addition, Chesapeake filed with the Division's Hobbs District Office an APD for its proposed Cattleman 4 State Well No. 1, to be drilled to test the Morrow formation. The APD was approved on or about March 21, 2005, and Lots 9-16 of Section 4 are allegedly dedicated to the well. However, Chesapeake and its affiliates and working interest partners own no interest in Lots 9, 10, 15, and 16 of Section 4, which includes the drillsite for said well.

6. On March 30, 2005, Mewbourne filed with the Division's Hobbs District Office an APD for its proposed Osudo "4" State Com. Well No. 1. The APD was returned to Mewbourne, unapproved, by the Hobbs District Office, apparently because of the approval of Chesapeake's APDs, described above.

7. Mewbourne, Kaiser-Francis, and Samson have voluntarily committed 100% of the working interest in Lots 9, 10, 15, 16, and the SE¼ of Section 4 to the proposed Osudo "4" State Com. Well No. 1, and are ready and able to commence and drill said well.

8. Mewbourne, Kaiser-Francis, and Samson should be allowed to drill their well, and denial of approval of Mewbourne's APD by the Hobbs District Office was improper.

9. The granting of this application is in the interests of conservation and the prevention of waste.

WHEREFORE, Mewbourne requests that, after notice and hearing, (i) Chesapeake's APDs be cancelled, and (ii) the decision of the Hobbs District Office be reversed, and Mewbourne's APD be approved.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce
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Attorney for Mewbourne Oil Company