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RECEIVED
MAY 5 -- 2005
OIL CONSERVATION
DIVISION

April 28, 2005

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Mewbourne Oil Company, are an original and one copy of a corrected amended application to cancel two drilling permits and approve another permit, together with a proposed advertisement.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

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MAY 5 - 2005

OIL CONSERVATION
DIVISION

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. _____

CORRECTED 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 SE $\frac{1}{4}$ 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 SE $\frac{1}{4}$ 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 SE $\frac{1}{4}$ 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 SE $\frac{1}{4}$ 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 S $\frac{1}{2}$ of Section 4 is allegedly dedicated to the well. However, Chesapeake and its affiliates and working interest partners own no interest in the SE $\frac{1}{4}$ 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 Com. Well No. 1, to be drilled to test the Morrow formation. The APD was approved on or about March 21, 2005, and **Lots 1, 2, 7-10, 15, and 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 SE $\frac{1}{4}$ 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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(505) 982-2043

Attorney for Mewbourne Oil Company