

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX  
PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY, JR.  
STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
PAUL J. KELLY, JR.  
ROBERT P. TINNIN, JR.  
MARSHALL G. MARTIN  
OWEN M. LOPEZ  
DOUGLAS L. LUNSFORD  
JOHN J. KELLY  
NICHOLAS J. NOEDING  
T. CALDER EZZELL, JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. MCBRIDE  
STEVEN D. ARNOLD  
JAMES J. WECHSLER  
NANCY S. CUSACK  
JEFFREY L. FORNACIARI  
JEFFREY D. HEWETT  
JAMES BRUCE  
JERRY F. SHACKELFORD\*  
JEFFREY W. HELLBERG\*  
ALBERT L. PITTS  
THOMAS M. HNASKO  
JOHN C. CHAMBERS\*  
GARY D. COMPTON\*  
MICHAEL A. GROSS  
THOMAS D. HAINES, JR.  
GREGORY J. NIBERT  
DAVID T. MARKETTE\*  
MARK C. DOW

KAREN M. RICHARDSON\*  
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H. R. THOMAS  
KARA L. KELLOGG

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ELLEN S. CASEY  
S. BARRY PAISNER  
MARGARET CARTER LUDEWIG  
STEPHEN M. CRAMPTON  
MARTIN MEYERS  
GREGORY S. WHEELER  
ANDREW J. CLOUTIER  
JAMES A. GILLESPIE  
GARY W. LARSON  
STEPHANIE LANDRY  
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ROBERT H. BETHEA\*  
BRADLEY W. HOWARD  
CHARLES A. SUTTON\*  
NORMAN D. EWART  
DARREN T. GROCE\*  
MOLLY MCINTOSH

ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

FAX (505) 982-8623

CLARENCE E. HINKLE (1904-1985)  
W. E. BONDURANT, JR. (1913-1973)  
ROY C. SNODGRASS, JR. (1914-1987)

OF COUNSEL  
O. M. CALHOUN\*  
MACK EASLEY  
JOE W. WOOD  
RICHARD S. MORRIS

WASHINGTON, D.C.  
SPECIAL COUNSEL  
ALAN J. STATMAN

700 UNITED BANK PLAZA  
POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88202  
(505) 622-6510  
FAX (505) 623-9332

2800 CLAYDESTA CENTER  
6 DESTA DRIVE  
POST OFFICE BOX 3580  
MIDLAND, TEXAS 79702  
(915) 683-4691  
FAX (915) 683-6518

1700 TEAM BANK BUILDING  
POST OFFICE BOX 9238  
AMARILLO, TEXAS 79105  
(806) 372-5569  
FAX (806) 372-9761

500 MARQUETTE N.W., SUITE 800  
POST OFFICE BOX 2043  
ALBUQUERQUE, NEW MEXICO 87103  
(505) 768-1500  
FAX (505) 768-1529

\*NOT LICENSED IN NEW MEXICO

**VIA HAND DELIVERY**

David Catanach  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico 87503

Re: Mewbourne Oil Company Application for  
Simultaneous Dedication (Case No. 10,568)

Dear Mr. Catanach:

I checked with my client, and I verified that no one is being force pooled in the proposed Chalk Bluff Federal No. 3 Well (the in-fill well). The only party pooled in the prior compulsory pooling order was Exxon Corporation, and Mewbourne has since come to terms with Exxon regarding the proposed well. Therefore, Mewbourne stipulates that no one will be pooled in the proposed in-fill well, and Mewbourne consents to the inclusion of language in the order stating that fact.

Very truly yours,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY

  
James Bruce

JB:frs

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## VIA HAND DELIVERY

David Catanach  
Oil Conservation Division  
State Land Office Building  
Santa Fe, New Mexico 87503

Re: Case No. 10,568, the Application of Mewbourne Oil Company for an Unorthodox In-fill Gas Well Location and Simultaneous Dedication, Eddy County, New Mexico

Dear Mr. Catanach:

As you requested, attached are copies of portions of title opinions regarding (1) the Chalk Bluff Federal No. 1 Well (S $\frac{1}{2}$  of Section 1 - 18 South - 27 East), attached as Exhibit A, and (2) the Chalk Bluff 6 State No. 1 Well (W $\frac{1}{2}$  of Section 6 - 18 South - 28 East), attached as Exhibit B. As you can see, Mewbourne Oil Company is the majority working interest owner in both well units. However, in the S $\frac{1}{2}$  of Section 1, Mewbourne's net revenue interest decreases from 0.81 before payout, to 0.778 after 100% payout, and to 0.34 after 200% payout. This well is subject to Division Order No. R-9389, pooling the S $\frac{1}{2}$  of Section 1. In the W $\frac{1}{2}$  of Section 6, Mewbourne's net revenue interest is initially 0.77, but decreases to 0.71 after payout under certain farmout agreements. Please also note that Section 6 is a state section, and Section 1 is a federal section, and thus the royalty interest is different. In addition, there are overriding royalties in the S $\frac{1}{2}$  of Section 1 of about 5% or 6%, which have completely different ownership from the overriding royalties in the W $\frac{1}{2}$  of Section 6, which total about 8%.

Also attached as Exhibit C is a portion of a title opinion for the N $\frac{1}{2}$  of Section 1, regarding the Chalk Bluff Federal No. 2 Well,

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David Catanach  
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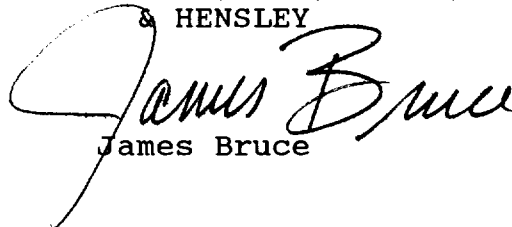
which shows that Mewbourne's net revenue interest varies from 0.745 to 0.68, which again is different from the other two well units.

Obviously, Mewbourne is the majority working interest owner in each of the three well units. However, Mewbourne must protect not only its correlative rights, but as a prudent operator it must also take such reasonable steps as are available to protect the rights of the various royalty and overriding royalty interest owners. For that reason, Mewbourne believes its correlative rights and those of the other interest owners in the S $\frac{1}{2}$  of Section 1 will not be protected by the existing Chalk Bluff Federal No. 1 Well, which is incapable of draining the S $\frac{1}{2}$  of Section 1, and which will not pay out.

Please call me if you need anything further.

Very truly yours,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY



James Bruce

JB:frs  
Enclosures