Form 3160-3
(September 2001)

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NMNM--15873

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA Agreement, Name and No.:

1a. Type of Work: ☑ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.: Victory 26 Federal Com #1

2. Name of Operator: Mewbourne Oil Company - 14744

9. API Well No.: 30-015-33900

3a. Address: PO Box 5270 Hobbs, NM 88240

3b. Phone No. *(include area code)*: 505-393-5905

10. Field and Pool, or Exploratory: Burton Flat Morrow

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JAN 18 2005
OCD-ARTESIA

4. Location of Well *(Report location clearly and in accordance with any State requirements. *)*

At surface 660' FNL & 660' FEL Unit A

At proposed prod. zone Same

11. Sec., T., R., M., or Blk. and Survey or Area: Sec 26-T20S-R28E

14. Distance in miles and direction from nearest town or post office*: 10 miles NE of Carlsbad

12. County or Parish: Eddy

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of Acres in lease 320	17. Spacing Unit dedicated to this well 320
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2640'	19. Proposed Depth 11750'	20. BLM/BIA Bond No. on file NM1693, Nationwide
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3248' GL	22. Approximate date work will start* ASAP	23. Estimated duration 45

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Kristi Green	Name *(Printed/Typed)* Kristi Green	Date 12/03/04
Title Hobbs Regulatory		
Approved by *(Signature)* /s/ Joe G. Lara	Name *(Printed/Typed)* /s/ Joe G. Lara	Date JAN 13 2005
Title Acting FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached. APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**(Instructions on reverse)*

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Capitan Controlled Water Basin

Witness Surface Casing

30 - Roof

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Mewbourne Does Not have a general PLAN

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes [redacted] No [X]

Type of action: Registration of a pit or below-grade tank [X] Closure of a pit or below-grade tank [ ]

Operator: Mewbourne Oil Company Telephone: 505-393-5905 e-mail address: kgreen@mewbourne.com

Address: PO Box 5270 Hobbs, NM 88240

Facility or well name: Victory 26 Federal Com #1 API #: U/L or Qtr/Qtr A Sec 26 T20S R28E

County: Eddy Latitude 32-33-00.1N Longitude 104-08-31.1W NAD: 1927 [ ] 1983 [X]

Surface Owner Federal [X] State [ ] Private [ ] Indian [ ]

Pit	**Below-grade tank**
Type: Drilling [X] Production [ ] Disposal [ ] Workover [ ] Emergency [ ] Lined [X] Unlined [ ] Liner type: Synthetic [X] Thickness 12 mil Clay [ ] Volume 24,000 bbl	Volume: bbl Type of fluid: Construction material: Double-walled, with leak detection? Yes [ ] If not, explain why not.

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DEC - 8 2004
OCD-ARTESIA

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more x	(20 points) (10 points) (0 points) X
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No X	(20 points) (0 points) X
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more X	(20 points) (10 points) (0 points) X
	Ranking Score (Total Points)	0 points

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite [ ] offsite [ ] If offsite, name of facility . (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No [ ] Yes [ ] If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [X], a general permit [ ], or an (attached) alternative OCD-approved plan [ ].**

Date: 11/30/04

Printed Name/Title Kristi Green / Hobbs Regulatory Asst Signature Kristi Green

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval
Date: DEC 8 2004

Printed Name/Title Field Rep II Signature

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Burton Flat Morrow

Property Code	Property Name	Well Number
	VICTORY "26" FEDERAL COM	1

OGRID No.	Operator Name	Elevation
14744	MEWBOURNE OIL COMPANY	3248'

Surface Location

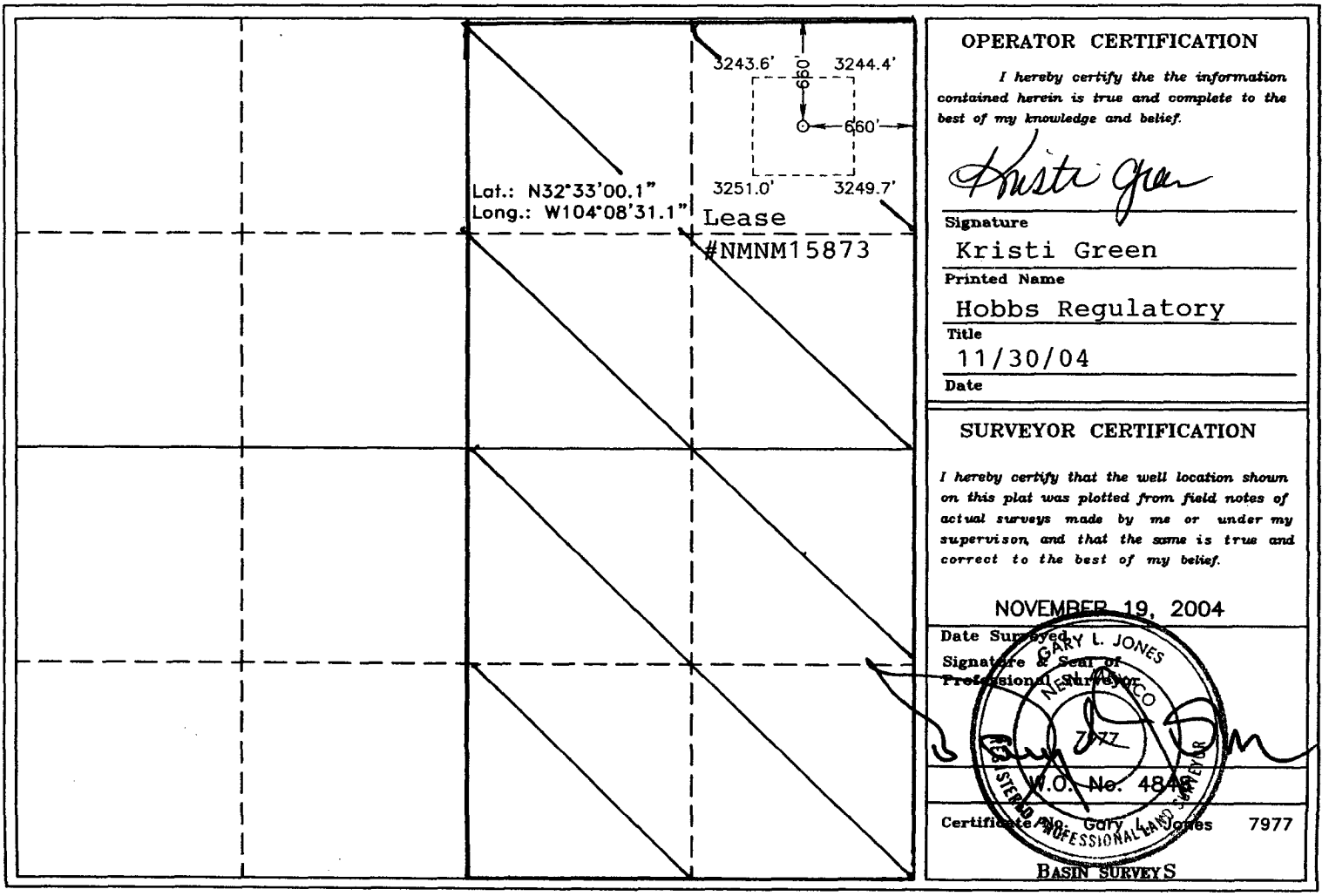
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	26	20 S	28 E		660	NORTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Kristi Green

Printed Name: Kristi Green

Title: Hobbs Regulatory

Date: 11/30/04

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

Date Surveyed: NOVEMBER 19, 2004

Signature & Seal of Professional Surveyor: GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

W.O. No. 4848

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

Drilling Program
Mewbourne Oil Company

Victory 26 Federal Com #1
660' FNL & 660' FEL
Sec 26-T20S-R28E
Eddy County, New Mexico

1. The estimated top of geological markers are as follows:

Capitan	1294'
Delaware	2981'
Bone Spring	5499'
Wolfcamp	9106'
Strawn	10211'
Atoka	10618'
Morrow	11132'

2. Estimated depths of anticipated fresh water, oil, or gas:

Water	Approximately 200'
Hydrocarbons	All zones below Delaware.

3. Pressure control equipment:

A 2000 psi working pressure annular BOP will be installed on the 13-3/8" surface casing. A 5000 psi WP Double Ram BOP and a 2500 psi WP Annular will be installed after running 9 5/8" casing. Pressure tests will be conducted prior to drilling out under all casing strings. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOP's will be inspected and operated daily to insure mechanical integrity and the inspection will be recorded on the daily drilling report. Kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the kelly is not in use.

4. Proposed casing and cementing program:

A. Casing Program:

Hole Size	Casing	Wt/Ft.	Grade	Depth
26"	20"	94#	H40	0-300'
17 1/2"	13 3/8"	54.5#	K55	0-1300'
12 1/4"	9 5/8"	40#	K55/N80	0-3000'
8 3/4"	5 1/2"	17#	P110/N80	0-11750'

WITNESS

Minimum casing design factors: Collapse 1.125, Burst 1.0, Tensile strength 1.8.

B. Cementing Program

i. Surface Casing: 300 sacks Class "C" light cement containing ½ #/sk cellophane flakes, 2% CaCl, 5 lbs/sack gilsonite. 200 sacks Class "C" cement containing 2% CaCl

ii. Deep Surface Casing: 500 sacks Class "C" light cement containing ½ #/sk cellophane flakes, 2% CaCl, 5 lbs/sack gilsonite. 400 sacks Class "C" cement containing 2% CaCl

iii Intermediate Casing: 900 sacks 35:65 pozmix cement containing 6% gel, 5 lbs/sack gilsonite. 400 sacks Class "C" cement containing 2% CaCl.

iv. Production Casing: 600 sacks Class "H" cement containing fluid loss additive, friction reducer additive, compressive strength enhancer, and NaCl. Shallower productive zones may be protected by utilizing a multiple stage cementing tool in the production casing below potentially productive zones and cementing with a light cement slurry.

**Mewbourne Oil Company reserves the right to change cement designs as hole conditions may warrant.*

5. Mud Program:

Interval	Type System	Weight	Viscosity	Fluid Loss
0'-300'	FW spud mud	8.6-9.4	32-34	NA
300'-1300'	~~Brine~~ Fresh water	~~10.0-10.2~~	28-30	NA
1300'-3000'	Fresh water	8.4-8.6	28-30	NA
3000'-10300'	Cut brine water	8.8-9.2	28-30	NA
10300'-TD	BW/Starch	9.2-9.8	30-40	8-15

(Note: Any weight above 8.6 ppg would be to hold back Wolfcamp shale, rather than abnormal bottom hole pressure in Morrow formation.)

6. Evaluation Program:

Samples:	10'samples from intermediate casing to TD
Logging:	Compensated density and dual laterlog from intermediate casing to TD
Coring:	As needed for evaluation
Drill Stem Tests:	As needed for evaluation

7. Downhole Conditions

Zones of abnormal pressure:	None anticipated
Zones of lost circulation:	Anticipated in surface and intermediate holes
Maximum bottom hole temperature:	180 degree F
Maximum bottom hole pressure:	8.6 lbs/gal gradient or less

8. Anticipated Starting Date:

Mewbourne Oil Company intends to drill this well as soon as possible after receiving approval with approximately 35 days involved in drilling operations and an additional 10 days involved in completion operations on the project.

Hydrogen Sulfide Drilling Operations Plan

Mewbourne Oil Company

Victory 26 Federal Com #1
660' FNL & 660' FEL
Sec 26-T20S-R28E
Eddy County, New Mexico

1. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will have received training from a qualified instructor in the following areas prior to entering the drilling pad area of the well:

A. The hazards and characteristics of hydrogen sulfide gas.
B. The proper use of personal protective equipment and life support systems.
C. The proper use of hydrogen sulfide detectors, alarms, warning systems, briefing areas, evacuation procedures.
D. The proper techniques for first aid and rescue operations.

Additionally, supervisory personnel will be trained in the following areas:

A. The effects of hydrogen sulfide on metal components. If high tensile tubular systems are utilized, supervisory personnel will be trained in their special maintenance requirements.
B. Corrective action and shut in procedures, blowout prevention, and well control procedures while drilling a well.
C. The contents of the Hydrogen Sulfide Drilling Operations Plan.

There will be an initial training session prior to encountering a know hydrogen sulfide source. The initial training session shall include a review of the site specific Hydrogen Sulfide Drilling Operations Plan.

2. Hydrogen Sulfide Safety Equipment and Systems

All hydrogen sulfide safety equipment and systems will be installed, tested, and operational prior to drilling below the intermediate casing.

A. Well Control Equipment
   1. Flare line with automatic igniter or continuous ignition source.
   2. Choke manifold with minimum of one adjustable choke.
   3. Blowout preventers equipped with blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
   4. Auxiliary equipment including rotating head and annular type blowout preventer.

Protective Equipment for Essential Personnel
Thirty minute self contained work unit located at briefing area as indicated on well site diagram.

B. Hydrogen Sulfide Protection and Monitoring Equipment
Two portable hydrogen sulfide monitors positioned on location for optimum coverage and detection. The units shall have audible sirens to notify personnel when hydrogen sulfide levels exceed 20 ppm.

C. Visual Warning Systems
1. Wind direction indicators as indicated on the well site diagram.
2. Caution signs shall be posted on roads providing access to location. Signs shall be painted a high visibility color with lettering of sufficient size to be readable at reasonable distances from potentially contaminated areas.

3. Mud Program

The mud program has been designed to minimize the amount of hydrogen sulfide entrained in the mud system. Proper mud weight, safe drilling practices, and the use of hydrogen sulfide scavengers will minimize hazards while drilling the well.

4. Metallurgy

All tubular systems, wellheads, blowout preventers, drilling spools, kill lines, choke manifolds, and valves shall be suitable for service in a hydrogen sulfide environment when chemically treated.

5. Communications

State & County Officials phone numbers are posted on rig floor and supervisors trailer. Communications in company vehicles and tool pushers are either two way radios or cellular phones.

6. Well Testing

Drill stem testing is not an anticipated requirement for evaluation of this well. A drill stem test is required, it will be conducted with a minimum number of personnel in the immediate vicinity. The test will be conducted during daylight hours only.

7. General Requirements

MOC has researched this area and no high concentrations of H2S was found. MOC will have on location and working all H2S safety equipment before Capitan Reef formation.

United States Department of the Interior
Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: Mewbourne Oil Company
Street or Box: P.O. Box 5270
City, State: Hobbs, New Mexico
Zip Code: 88241

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted of the leased land or portion thereof, as described below.

Lease Number: Lease Number #NMNM-15873

Legal Description of Land: Section 26, T-20S, R-28E Eddy County, New Mexico.
Location @ 660' FNL & 660' FEL.

Formation (if applicable):

Bond Coverage: $150,000

BLM Bond File: NM1693, Nationwide

Authorized Signature: Kristi Green for NM Young

Name: NM (Micky) Young
Title: District Manager
Date: December 3, 2004

Notes Regarding Blowout Preventer
Mewbourne Oil Company
Victory 26 Federal Com #1
660' FNL & 660' FEL
Sec 26-T20S-R28E
Eddy County, New Mexico

1. Drilling nipple (bell nipple) to be constructed so that it can be removed without the use of a welder through the opening of the rotary table, with minimum internal diameter equal to blowout preventer bore.

2. Blowout preventer and all fittings must be in good condition with a minimum 5000 psi working pressure.

3. Safety valve must be available on the rig floor at all times with proper connections to install in the drill string. Valve must be full bore with minimum 5000 psi working pressure.

4. Equipment through which bit must pass shall be at least as large as internal diameter of the casing.

5. A kelly cock shall be installed on the kelly at all times.

6. Blowout preventer closing equipment to include and accumulator of at least 40 gallon capacity, two independent sources of pressure on closing unit, and meet all other API specifications.

Mewbourne Oil Company
BOP Scematic for
12 ¼" Hole

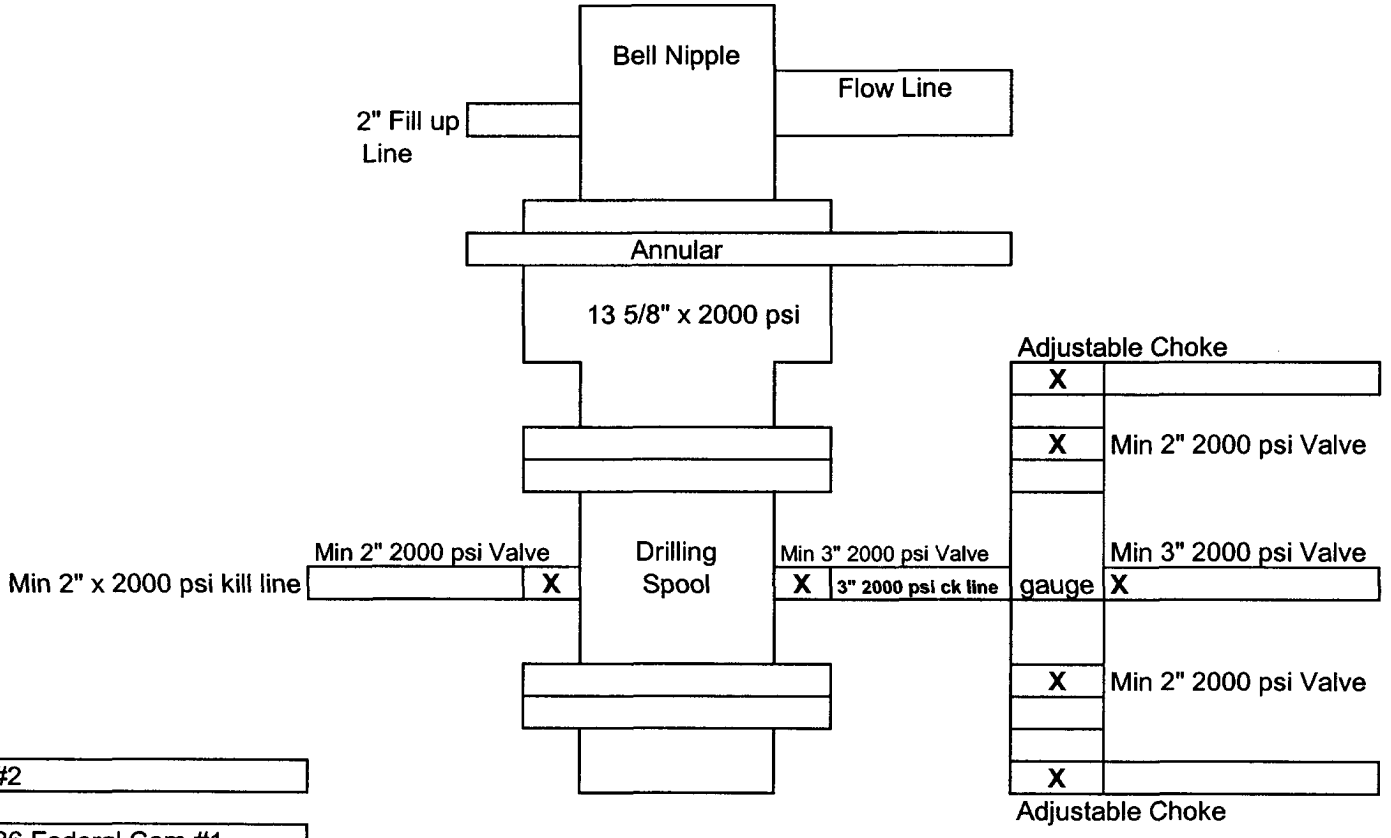


Exhibit #2

Victory 26 Federal Com #1
660' FNL & 660' FEL
Sec 26 T20S R-28E
Eddy, County
New Mexico

Mewbourne Oil Company
BOP Scematic for
8 3/4" or 7 7/8" Hole

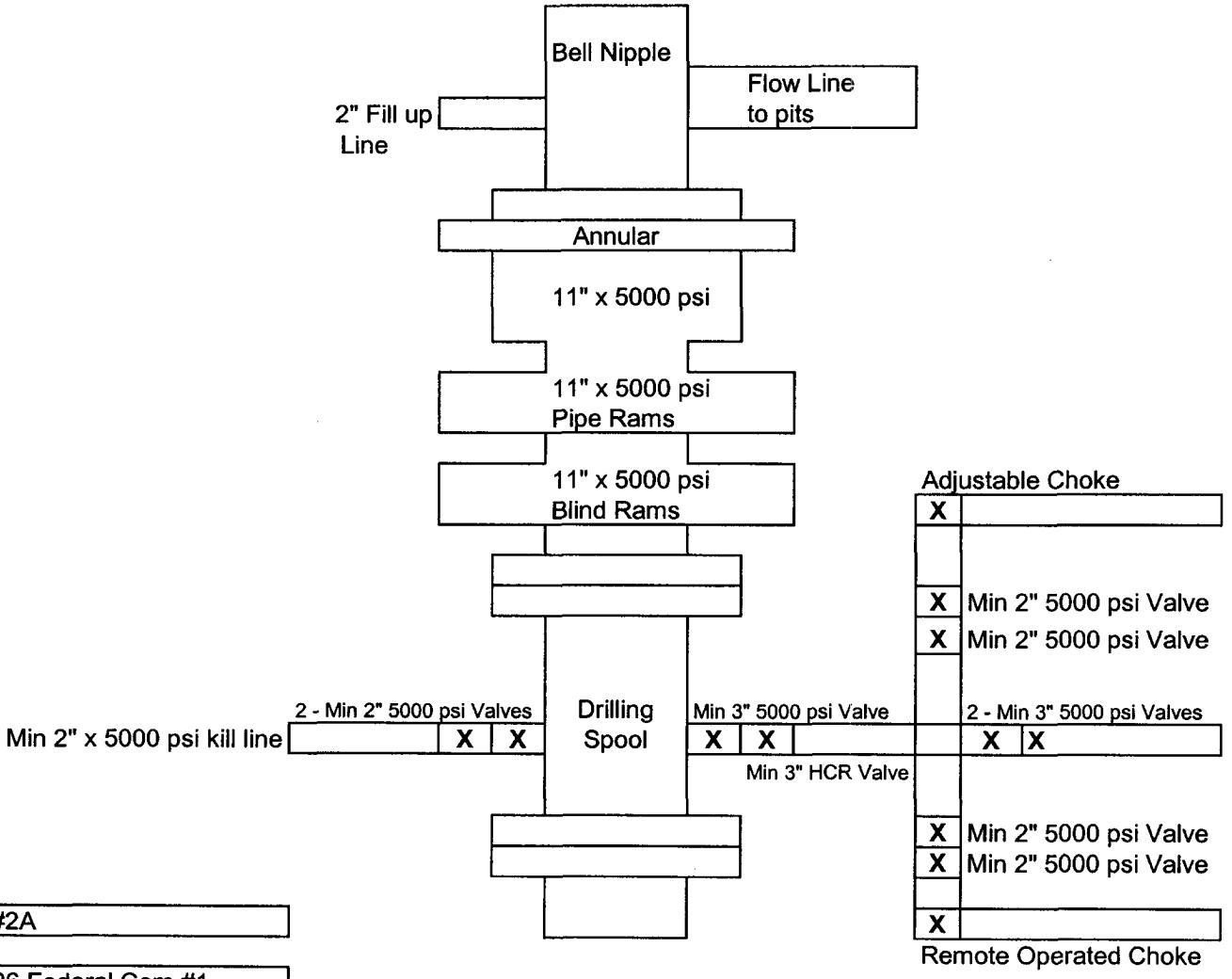


Exhibit #2A

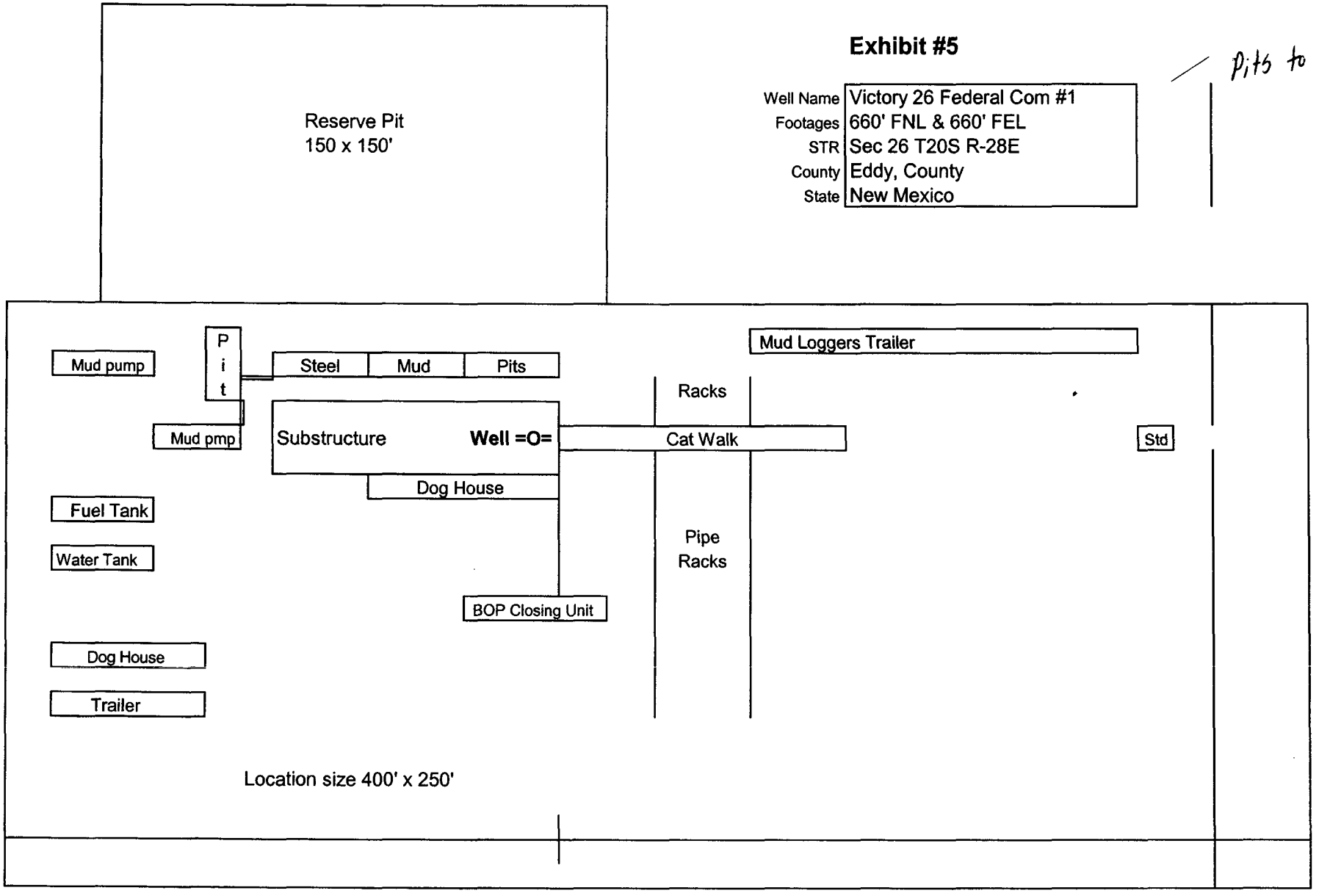
Victory 26 Federal Com #1
660' FNL & 660' FEL
Sec 26 T20S R-28E
Eddy, County
New Mexico

Mewbourne Oil Company

Exhibit #5

Well Name	Victory 26 Federal Com #1
Footages	660' FNL & 660' FEL
STR	Sec 26 T20S R-28E
County	Eddy, County
State	New Mexico

Pits to South



Rig Location Schematic

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

January 23rd, 2005
Mewbourne Oil Company
P.O. Box 5270
Hobbs, NM 88240
Attn: Kristi Green/Mickey Young

RE: Mewbourne Oil Company: Victory '26 Federal Com. #1, located in Unit A (660' FNL & 660' FEL) of Section 26, Township 20 South Range 28 East Eddy County, New Mexico.

Dear Kristi/Mickey,

In regards to conditions for approval of the above captioned well, the New Mexico Oil Conservation Divisions' (NMOCD) will require the following:
This is for Mewbourne Oil Company to take samples from the flow line of the drilling mud every 100' in order to determine the chloride levels from the "deep surface" casing setting depth of @ 1300' to the projected intermediate casing setting depth of @ 3000'.
The results of this data are to be submitted to the NMOCD and the BLM.
In addition for conditions of approval of said well, please be aware that the NMOCD will require that the Capitan Reef is to be drilled with a fresh water mud as stated in your APD.
Please call our office if you have any questions regarding this matter.

Respectfully yours,

Bryan G. Arrant
PES

CC: Tim Gum-District Supervisor-Artesia
Bureau of Land Management