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UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

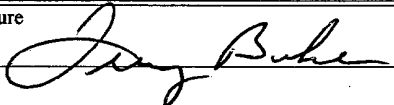
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-40256
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Mewbourne Oil Company		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 5270 Hobbs, NM 88241	3b. Phone No. (include area code) (505) 393-5905	8. Lease Name and Well No. Esperanza "1" Federal Com # 1
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 810' FSL & 1650' FWL At proposed prod. zone (N)		9. API Well No. 30-015-32985
14. Distance in miles and direction from nearest town or post office* 3 miles NE Carlsbad		10. Field and Pool, or Exploratory Burton Flat Morrow
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 810'	16. No. of Acres in lease 320	11. Sec., T., R., M., or Blk. and Survey or Area Sec. 1; T21S; R27E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 11,850'	12. County or Parish Eddy
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3204' GL	22. Approximate date work will start* August 24, 2003	13. State NM
23. Estimated duration 35 days		

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 	Name (Printed/Typed) Terry Burke	Date 07-23-03
Title Drilling Foreman		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 4 SEP 2003
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)

Operator to drill w/ Fresh Water Mud to 2600' per John Simitz  
(BLM) 9/19/03

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED



CARLSBAD CONTROLLED WATER BASIN

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

Energy, Minerals and Natural Resources Department

Revised March 17, 1988  
Instruction on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Burton Flat Morrow
Property Code	Property Name ESPERANZA "1" FEDERAL COM.	Well Number 1
OGRID No. 14744	Operator Name MEWBORNE OIL COMPANY	Elevation 3204

Surface Location

UL or lot No. N	Section 1	Township 21S	Range 27E	Lot Idn	Feet from the 810	North/South line SOUTH	Feet from the 1650	East/West line WEST	County EDDY
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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 320		Joint or Infill	Consolidation Code	Order No.					

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

LOT 12	LOT 11	LOT 10	LOT 9
LOT 13	LOT 14	LOT 15	LOT 16

N.32°30'15.4"  
W.104°08'46.9"

3201 3197

1650'

3205 3202

Lease # NM-40256

OPERATOR CERTIFICATION

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

*Terry Burke*  
Signature  
Terry Burke  
Printed Name  
Drilling Foreman  
Title  
July 23, 2003  
Date

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 supervision, and that the same is true and correct to the best of my belief.

7/15/2003  
Date Surveyed

Signature & Seal of Professional Surveyor

HERSCHELL L. JONES  
NEW MEXICO  
Certificate No. Herschel L. Jones RLS 3640  
ESPERANZA "1"  
GENERAL SURVEYING COMPANY

0' 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

**Drilling Program**  
**Mewbourne Oil Company**  
Esperanza "1" Federal Com # 1  
660' FSL & 1650' FWL  
Section 1 -T21S-R27E  
Eddy County, New Mexico  
Lease Number NM-40256

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

Delaware	2865'
Bone Springs	5,365'
Wolfcamp	9,200'
Strawn	10,300'
Atoka	10,900'
Morrow	11,300'
Barnett	11,850'

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

Water	Approximately 200'
Hydrocarbons	All zones below Wolfcamp

**3. Pressure control equipment:**

Two thousand psi working pressure annular BOP's will be installed on the 13-3/8" surface casing. Five thousand psi working pressure BOP's and two thousand psi working pressure Hydril will be installed on the 9-5/8" intermediate casing. Pressure tests with rig pump will be conducted prior to drilling out under all casing strings. A third party Safety Test Company will pressure test and record on chart the approved testing pressure of the BOP, Choke, Hydril, Kelly Cock Valves before we drill below the Bone Springs formation.

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.

## **Drilling Program**

**Mewbourne Oil Company**

Esperanza "1" Federal Com # 1

Page 2

### **4. Proposed casing and cementing program:**

#### **A. Casing Program:**

<u>Hole Size</u>	<u>Casing</u>	<u>Wt/Ft.</u>	<u>Grade</u>	<u>Depth</u>
17-1/2"	13-3/8"	48#	H40	0-400'
12-1/4"	9-5/8"	40#	N80/J55	0-2,600'
8-3/4"	5-1/2"	17#	P110/S95	0-11,850'

Minimum casing design factors: Collapse 1.2, Burst 1.1, Tensile strength 2.0.

#### **B. Cementing Program**

- WITNESS i. Surface Casing: 200 sacks Class "C" light cement containing .25 lbs/sack cellophane flakes, 2% CaCl, 6% bwoc Bentonite. 200 sacks Class "C" cement containing 2% CaCl.
- WITNESS ii. Intermediate Casing: 600 sacks 35:65 pozmix cement containing 6% gel, 5 lbs/sack LCM-1. 200 sacks Class "C" cement containing 2% CaCl.
- iii. 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 and 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:**

<u>Interval</u>	<u>Type System</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0'-400'	FW spud mud	8.6-9.4	32-34	NA
400'-2600'	Brine Water	10.0-10.2	28-30	NA
2600'-9200'	Cut brine water	8.8-9.2	28-30	NA
9200'-11,850'	Cut brine water	9.2-10.0	32-42	8-12

(Note: Any Weight Above 8.6#/gallon would be to hold back Wolfcamp shale, rather than abnormal BHP in Morrow Formation)

**Drilling Program**

**Mewbourne Oil Company**

Esperanza "1" Federal Com # 1

Page 3

**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:	8.3 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 45 days involved in drilling operations and an additional 10 days involved in completion operations on the project.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**MEWBOURNE OIL COMPANY**

Esperanza "1" Federal Com # 1  
660' FSL & 1650' FWL  
Section 1-T21S-R27E  
Eddy County, New Mexico  
Lease Number NM-40256

This plan is submitted with Form 3160-3, Application for Permit to Drill, Covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved, and the procedures to be followed in restoring the surface so that a complete appraisal can be made of the environmental impact associated with the proposed operations.

**1. Existing Roads:**

- A. Exhibit #3 is a road map showing the location of the proposed well. Exhibit #3A is a topographic map showing the location of the proposed well and access road. Existing roads are highlighted in red and proposed roads are highlighted in yellow.
- B. **Directions to location: From Hobbs West on 62/180 61 miles to mile marker 44. Turn right on Magnum road and go North approx. 1 mile over railroad tracks. Continue North 2/10 mile and turn left on first cliche road going West. Go West 1.7 miles turn North and go approx 1 to 1 ½ miles (just past Tank Battery on right. Turn left onto new lease road into location.**

**2. Proposed Access Road:**

- A. The access to our new location will be from existing lease road.
- B. The access to the location will be limited to 16' in width and will adequately drain runoff and control erosion as presently constructed.
- C. Access to location has an existing grade to facilitate adequate drainage.

**3. Location of Existing Wells:**

There are producing wells within the immediate vicinity of the well site. Exhibit #4 shows the proposed well and existing wells within a one mile radius.

**4. Location of Existing and/or Proposed Facilities:**

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, production facilities will be located on the well pad.
- C. If the well is productive, restoration plans are as follows:

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**

**MEWBOURNE OIL COMPANY**

Esperanza "1" Federal Com # 1

Page 2

- i. The reserve pit will be back-filled after the contents of the pit are allowed to dry (within 10 months after the well is completed).
- ii. Within 90 days of cessation of drilling and completion operations, all equipment not necessary for production operations will be removed. The location will be cleaned of all trash and junk to assure the well site is left as aesthetically pleasing as reasonably possible
- iii. All production vessels left on location will be painted to conform with BLM painting stipulations within 180 days of installation.

**5. Location and Type of Water Supply**

The well will be drilled with a combination of fresh water and brine water based mud systems. The water will be obtained from commercial suppliers in the area and/or hauled to the location by transport trucks over existing and proposed roads as indicated in Exhibit #3.

**6. Source of Construction Materials**

All material required for construction of the drill pad and access roads will be obtained from private, state, or federal pits. The construction contractor will be solely responsible for securing construction materials required for this operation and paying any royalties that may be required on those materials.

**7. Methods of Handling Waste Disposal:**

- A. Drill cuttings not retained for evaluation purposed will be disposed of in the reserve pit.
- B. Drilling fluids will be allowed to evaporate in the reserve pit prior to closure.
- C. Water produced during operations will be disposed of in the reserve pit.
- D. If any liquid hydrocarbons are produced during operations, those liquids will be stored in suitable tanks until sold.
- E. Current regulations regarding the proper disposal of human waste will be followed.
- F. All trash, junk, and other waste materials will be stored in proper containers to prevent dispersal and will be removed to an appropriate facility within one week of cessation of drilling and completion activities.

**8. Ancillary Facilities**

There are no ancillary facilities within the immediate vicinity of the proposed well site.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**

**MEWBOURNE OIL COMPANY**

Esperanza "1" Federal Com # 1

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**9. Well Site Layout**

- A. A diagram of the drill pad is shown in Exhibit #5. Dimensions of the pad, pits, and location of major rig components are shown.
- B. The reserve pit will be lined with a high quality plastic sheeting to prevent migration of fluids.
- C. The pad dimension of 600' X 600' has been staked and flagged.
- D. An archaeological survey has been conducted on the proposed access road and location pad.

**10. Plans for Restoration of Surface**

- A. Upon cessation of the proposed operations, if the well is abandoned, the location and road will be ripped and re-seeded per BLM guidelines. The reserve pit area, after allowing to dry will be leveled. The entire location will be restored to the original contour as much as reasonable possible. All trash, garbage, and pit lining will be hauled to appropriate disposal to assure the location is aesthetically pleasing as reasonable possible. All restoration work will be completed within 180 days of cessation of activities.
- B. The disturbed area will be restored by re-seeding during the proper growing season with a mixture of native grasses as stipulated by the BLM.
- C. Three sides of the reserve pit will be fenced prior to and during drilling operations. The reserve pit will be fenced on the fourth side after the drilling rig is removed to prevent the endangerment of livestock. The fence will remain in place until the pit area has been leveled and restored.
- D. Upon cessation of the proposed operations, if the well is not abandoned, the reserve pit area will be treated as outlined above within the prescribed amount of time. Any additional caliche required for production facilities will be obtained from a source as described in Section 6.

**11. Surface Ownership:**

The surface is owned by: Bureau of Land Management

**12. Other Information**

- A. Topography: Refer to the archaeological report for a detailed description of flora, fauna, soil characteristics, dwellings, and historical or cultural sites.
- B. The primary use of the surface at the location is for grazing of livestock.



**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**

**MEWBOURNE OIL COMPANY**

Esperanza "1" Federal Com # 1

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**13. Operator's Representative:**

A. Through APD approval and drilling operations:

**N.M. Young, District Manager**  
Mewbourne Oil Company  
PO Box 5270  
Hobbs, NM 88241  
505-393-5905


B. Through completion and production operations:

**N.M. Young, District Manager**  
Mewbourne Oil Company  
PO Box 5270  
Hobbs, NM 88241  
505-393-5905

**14. Certification**

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Mewbourne Oil Company, its contractors and subcontractors, in accordance with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 7/25/03

Signature: 

N.M. Young, District Manager  
Mewbourne Oil Company  
PO Box 5270  
Hobbs, NM 88241  
(505) 393-5905

# Mewbourne Oil Company

BOP Schematic for  
12 1/4" Hole

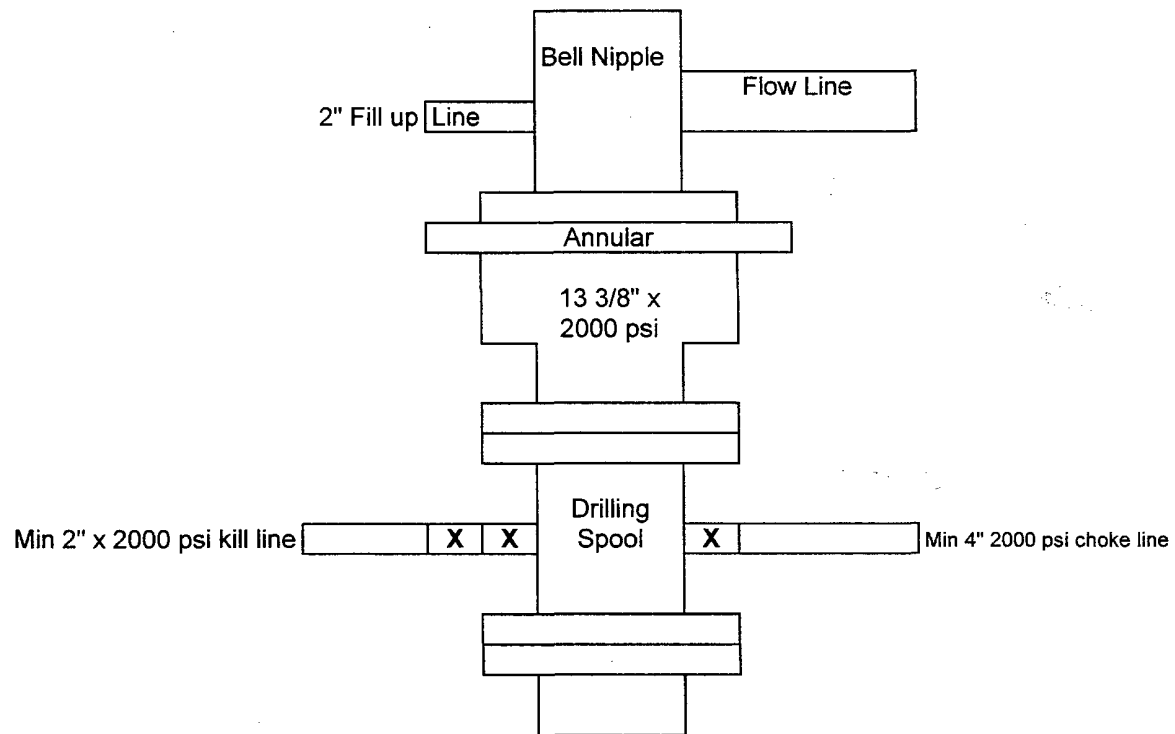


Exhibit #2

Esperanza "1" Fed Com # 1  
660' FSL & 1650' FWL  
Sec.1-21S; R27E  
Eddy County, New Mexico

# Mewbourne Oil Company

BOP Schematic for  
8 3/4" or 7 7/8" Hole

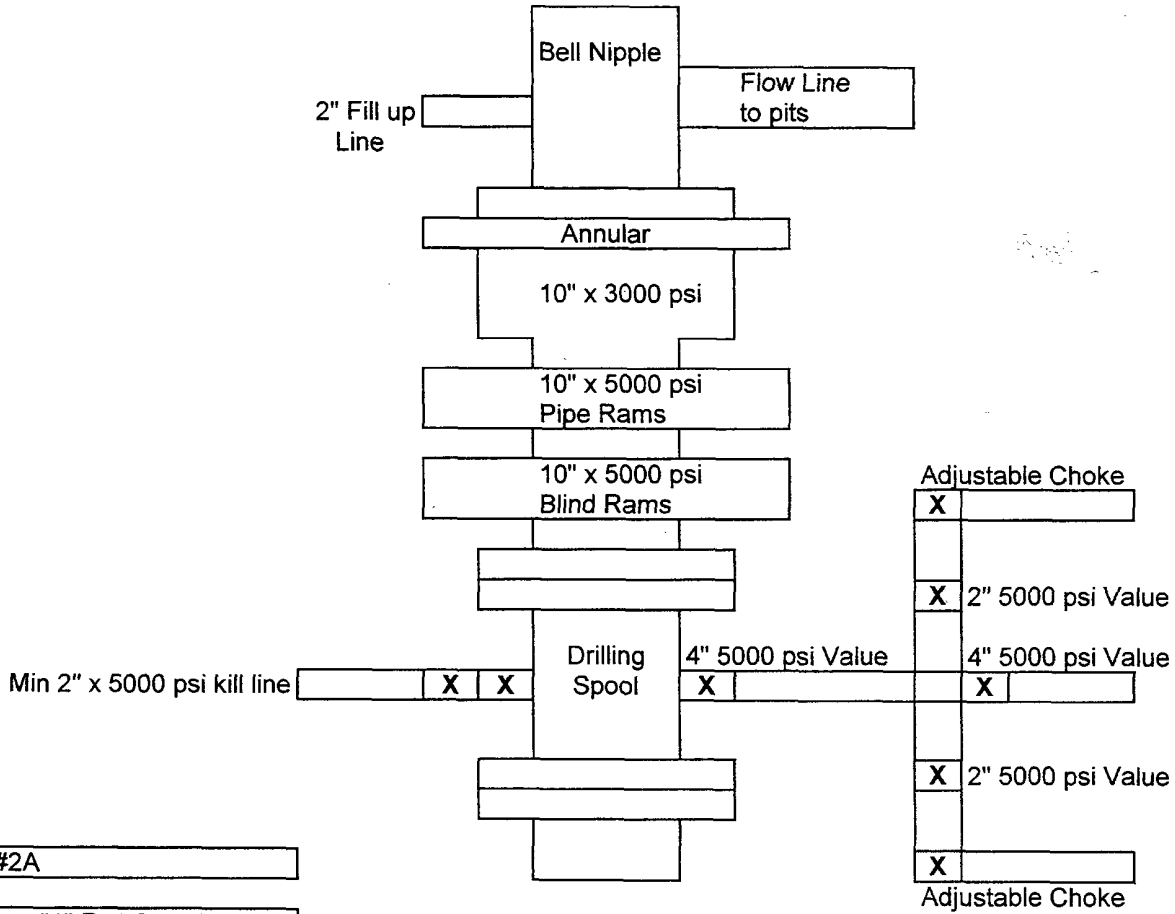


Exhibit #2A

Esperanza "1" Fed Com # 1  
660' FSL & 1650' FWL  
Sec.1; T21S; R27E  
Eddy County, New Mexico

**Notes Regarding Blowout Preventer**

**Mewbourne Oil Company**

Esperanza "1" Federal Com # 1

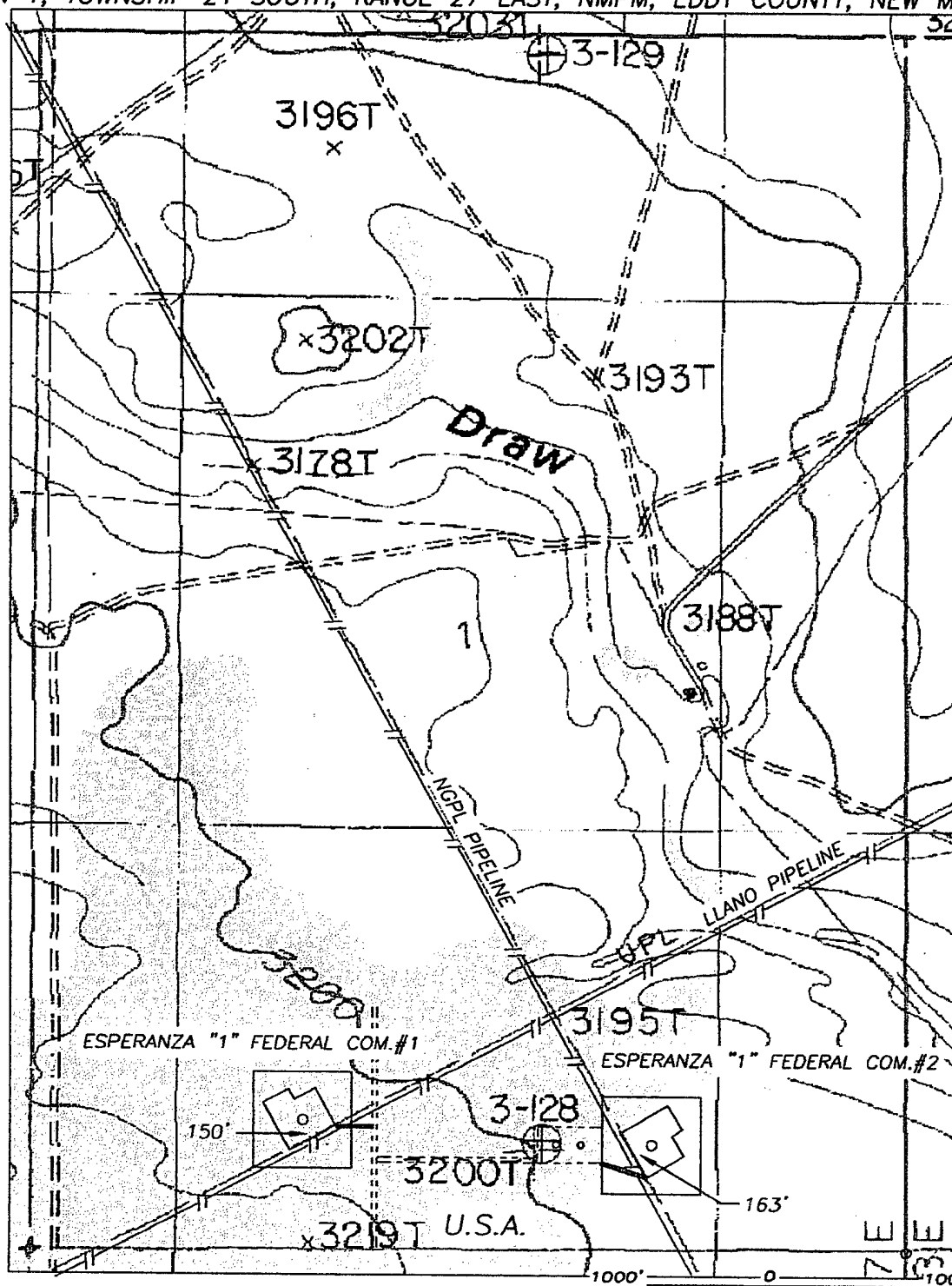
660' FSL & 1650' FWL

Section 1- T21S-R27E

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 2000 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 2000 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.

SECTION 1, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

HERSCHEL L. JONES P.L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928  
LOVINGTON, NEW MEXICO 88260

## MEWBOURNE OIL COMPANY

LEASE ROAD TO ACCESS THE MEWBOURNE ESPERANZA "1" FEDERAL COM. #1 AND #2 WELLS, LOCATED IN SECTION 1, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 7/15/2003	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 7/15/03	Scale 1" = 1000' ESPE 1-1

**Exhibit #4**  
**Status of Wells in Immediate Vicinity**  
**Mewbourne Oil Company**  
Esperanza "1" Federal Com # 1  
660' FSL & 1650' FWL  
Section 1 T-21S R-27E  
Eddy County, New Mexico  
Lease Number NM-40256

**Section 1 T-21S R-27E**

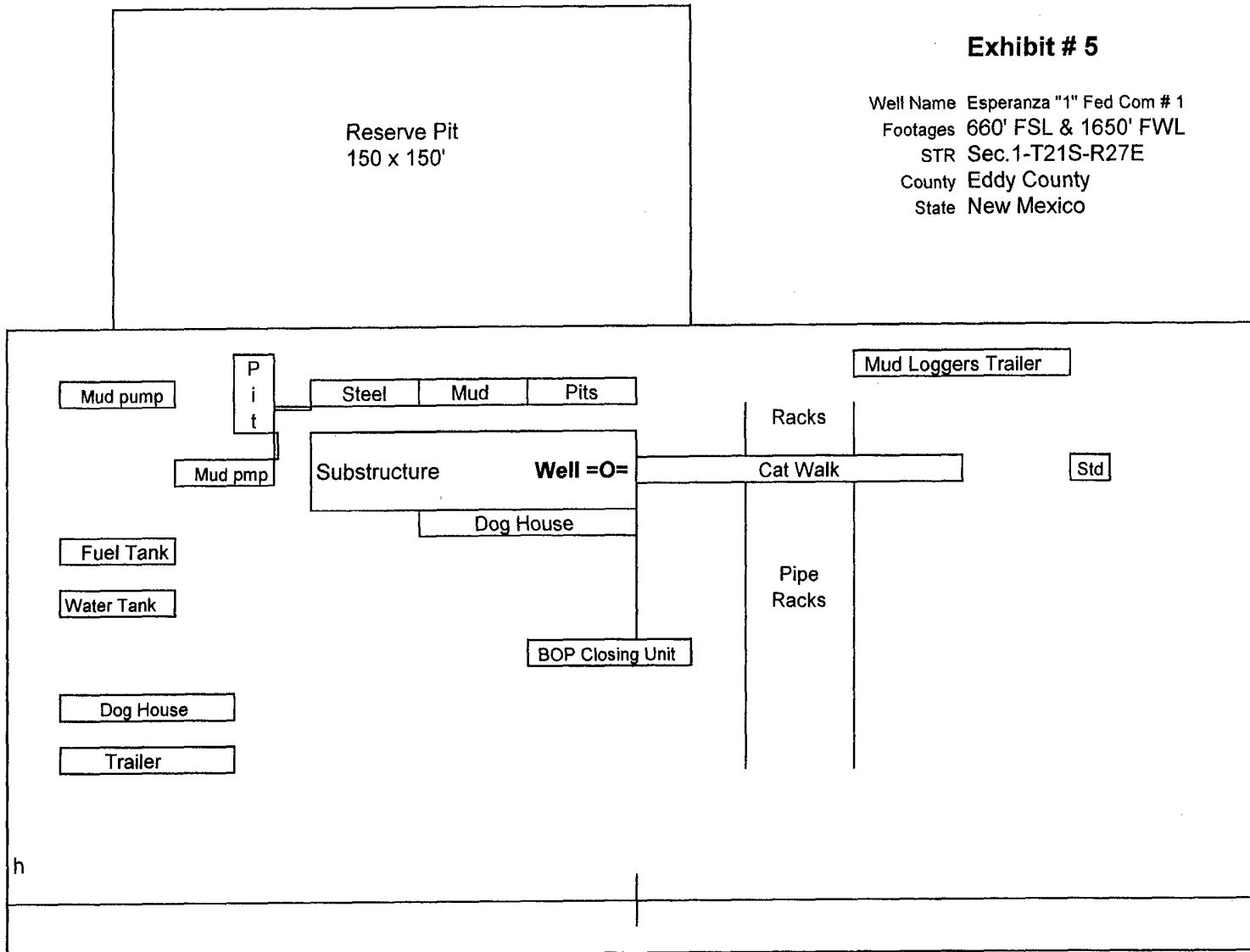
Operator: Mewbourne Oil Company  
Well Name: Esperanza "11" Federal Com # 1  
Unit letter: M  
Status: Producing  
Field: Burton Flats Morrow

Operator: Mewbourne Oil Company  
Well Name: Esperanza "14" Federal Com # 1  
Unit letter: M  
Status: Producing  
Field: Burton Flats Morrow

# Mewbourne Oil Company

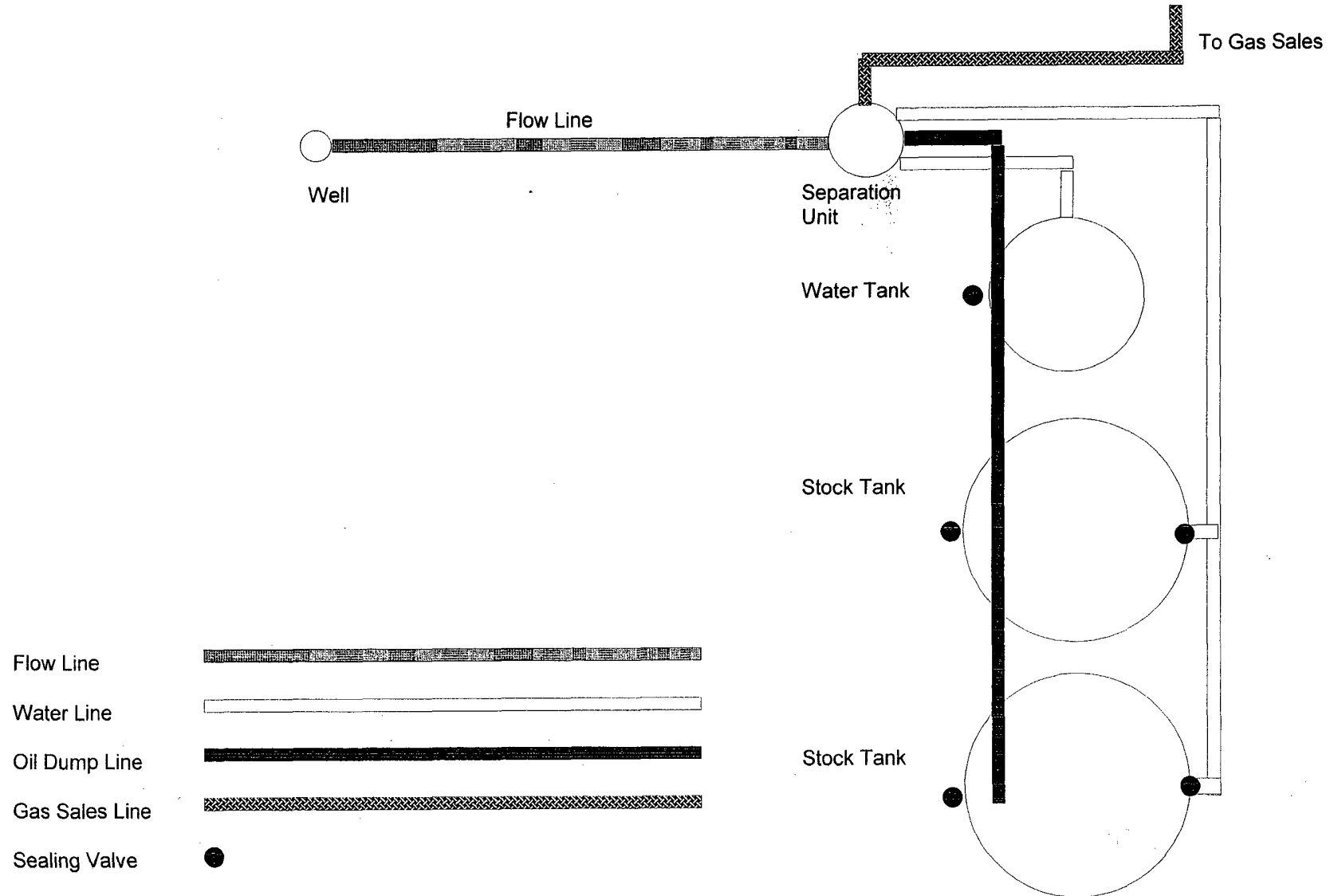
## Exhibit # 5

Well Name Esperanza "1" Fed Com # 1  
Footages 660' FSL & 1650' FWL  
STR Sec.1-T21S-R27E  
County Eddy County  
State New Mexico



Rig Location Schematic

# Proposed Production Facilities Schematic



**Mewbourne Oil Company**

**Exhibit # 6**

**Proposed Production Facilities Schematic**

**Esperanza "1" Fed Com # 1**

**Sec. 1; T21S; R27E**

**660' FSL & 1650' FWL**

**Eddy County, NM**



## **Hydrogen Sulfide Drilling Operations Plan**

### **Mewbourne Oil Company**

Esperanza "1" Fed Com # 1

660' FSL & 1650' FWL

Section 1- T21S-R27E

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:

- 1 The hazards and characteristics of hydrogen sulfide gas.
- 2 The proper use of personal protective equipment and life support systems.
- 3 The proper use of hydrogen sulfide detectors, alarms, warning systems, briefing areas, evacuation procedures.
- 4 The proper techniques for first aid and rescue operations.

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

- 1 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.
- 2 Corrective action and shut in procedures, blowout prevention, and well control procedures while drilling a well.
- 3 The contents of the Hydrogen Sulfide Drilling Operations Plan.

There will be an initial training session prior to encountering a known 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.

##### **1. Well Control Equipment**

- A. Flare line with automatic igniter or continuous ignition source.
- B. Choke manifold with minimum of one adjustable choke.
- C. Blowout preventers equipped with blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
- D. Auxiliary equipment including rotating head and annular type blowout preventer..

2. Protective Equipment for Essential Personnel

Thirty minute self contained work unit located at briefing area as indicated on wellsite diagram.

3. 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.

4. Visual Warning Systems

- A. Wind direction indicators as indicated on the wellsite diagram.
- B. 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 toolpushers 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 H<sub>2</sub>S was found. MOC will have on location and working all H<sub>2</sub>S safety equipment before Yates and Delaware formations.

**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 5570  
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 NM-40256

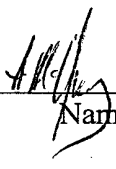
Legal Description of Land: Section 1, T21S, R27E, Eddy County, New Mexico. Location  
660' FSL & 1650' FWL of Section 1.

Formation (if applicable):

Bond Coverage: \$150,000

BLM Bond File: NM1693, Nationwide

Authorized Signature: \_\_\_\_\_

  
Name: NM (Micky) Young  
Title: District Manager  
Date: July 2003