

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

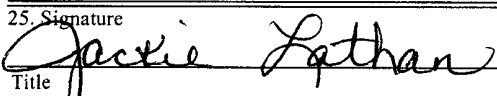
ATS-08-646
FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-27205
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 - 14744		7. If Unit or CA Agreement, Name and No.
3a. Address PO Box 5270 Hobbs, NM 88240	3b. Phone No. (include area code) 575-393-5905	8. Lease Name and Well No. <37209> Upland 23 Federal Com #1
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 870 FNL & 1125 FWL Unit D At proposed prod. zone Same		9. API Well No. 30-025-39153
14. Distance in miles and direction from nearest town or post office* 15 Miles NW Oil Center NM or 18 miles SW of Monument		10. Field and Pool, or Exploratory West Osudo Morrow
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 990'		11. Sec., T., R., M., or Blk. and Survey or Area Sec 23-T20S-R35E
16. No. of Acres in lease 320		12. County or Parish Lea
17. Spacing Unit dedicated to this well 320		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 600'		20. BLM/BIA Bond No. on file NM1693, Nationwide
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3692' 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Jackie Lathan	Date 05/02/08
Title Hobbs Regulatory		
Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed) /s/ Don Peterson	Date JUN 10 2008
Title FOR 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 TWO YEARS

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)

CAPTAN CONTROLLED WATER BASIN

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECEIVED

JUN 13 2008

HOBBS OCD

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Mewbourne Oil Company 14744

3a. Address
PO Box 5270 Hobbs, NM 88241

3b. Phone No. (include area code)
575-393-5905

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
990' FNL & 990' FWL of Sec 23-T20S-R35E Unit D

5. Lease Serial No.
NM-27205

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
Upland 23 Federal Com #1

9. API Well No.
30-025-39153

10. Field and Pool, or Exploratory Area
West Osudo Morrow

11. County or Parish, State
Lea, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Moved location</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

MOC has received an approved APD for the above captioned well on 06/10/08. Due to Land Owners request MOC restaked and moved the well to 870' FNL & 1125' FWL. Land Owner & BLM approved. New Survey plat is enclosed & new location has been re-arched.

If you have any questions, please call Mickey Young at 575-393-5905.

RECEIVED
JUL 18 2008
HOBBS OCD

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Jackie Lathan

Title Hobbs Regulatory

Signature

Jackie Lathan

Date 06/13/08

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

/s/ Don Peterson

Name

(Printed/Typed)

Title

JUL 16 2008

Conditions of approval, if any, are attached. Approval of this notice 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.

CARLSBAD FIELD OFFICE Date

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(Continued on next page)

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

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

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

Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 3D-025-39153	Pool Code 8224D	Pool Name West Osudo Morrow
Property Code 37209	Property Name UPLAND "23" FEDERAL Com	Well Number 1
GRID No. 14744	Operator Name MEWBOURNE OIL COMPANY	Elevation 3692'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	23	20 S	35 E		870	NORTH	1125	WEST	LEA

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

	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Jackie Lathan 6/13/08 Signature Date Jackie Lathan Printed Name
	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. MAY 15, 2008 Date Surveyed Signature of Gary L. Jones Professional Surveyor
	Certificate No. Gary L. Jones 7977
	BASIN SURVEYS

Drilling Program
Mewbourne Oil Company
 Upland 23 Federal Com #1
~~990' FNL & 990' FWL~~
 Section 23-T20S-R35E
 Lea County, New Mexico

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

*Yates	3800'	*Wolfcamp	11100'
*Delaware	5900'	*Strawn	12000'
*Bone Springs	8300'	*Atoka	12200'
		*Morrow	12500'

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

Water	Fresh water will be protected by setting surface casing at 2000' and cement to surface.
Oil and Gas Hydrocarbons	Oil and Gas are anticipated in the above (*) formations. These zones will be protected by setting casing and cementing as necessary.

3. Pressure control equipment:

A 2000# working pressure annular BOP will be installed on the 13 3/8" surface casing. A 5000# WP Double Ram BOP and 5000# WP Annular will be installed after running 9 5/8" casing. Pressure tests will be conducted prior to drilling out under all casing strings. Testing of 2000# annular will be with rig pump to 70% of csg burst. 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:

<u>Hole Size</u>	<u>Casing</u>	<u>Wt/Ft.</u>	<u>Grade</u>	<u>Depth</u>	<u>Jt Type</u>
17 1/2"	13 3/8" (new)	54.5#	J55	0-2000'	ST&C
12 1/4"	9 5/8" (new)	40#	N80	0-100'	LT&C
	9 5/8" (new)	40#	J55	100-4000'	LT&C
	9 5/8" (new)	40#	HCK55	4000-5600'	LT&C
8 3/4"	5 1/2" (new)	17#	HCP110	0-2300'	LT&C
	5 1/2" (new)	17#	N80	2300-9300'	LT&C
	5 1/2" (new)	17#	HCP110	9300-TD	LT&C

Minimum casing design factors: Collapse 1.125, Burst 1.0, Tensile strength 1.8 (API standard).

B. Cementing Program

- i. Surface Casing: 700 sacks Class C light cement containing 1/2#/sk cellophane flakes, 5% salt, 5#/sack gilsonite, 4% gel. Yield at 2.02 cuft/sk. 400 sks Class C cement containing 2% CaCl. Yield at 1.34 cuft/sk. Cmt circulated to surface.
- ii. Intermediate Casing: 1100 sacks Class C light cement containing 4% gel, 5 % salt, 5#/sack gilsonite. Yield at 2.02 cuft/sk. 400 sacks Class C cement containing 2% CaCl. Yield at 1.34 cuft/sk. Cmt circulated to surface.
- iii. Production Casing: 500 sacks Class H cement containing fluid loss additive, friction reducer additive, compressive strength enhancer, and NaCl. Yield at 1.28 cuft/sk. 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. Cmt top to be 500' above Wolfcamp.

SEE COA →

**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'-2000'	FW spud mud	8.6-9.4	32-34	NA
2000'-5600'	Brine water	10.0-10.2	28-30	NA
5600'-12200'	Cut Brine	8.4-9.4	28-30	NA
12200'-TD	BW/Starch	9.4-9.8	30-40	8-15

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

see →
COA

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:	9.0 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.

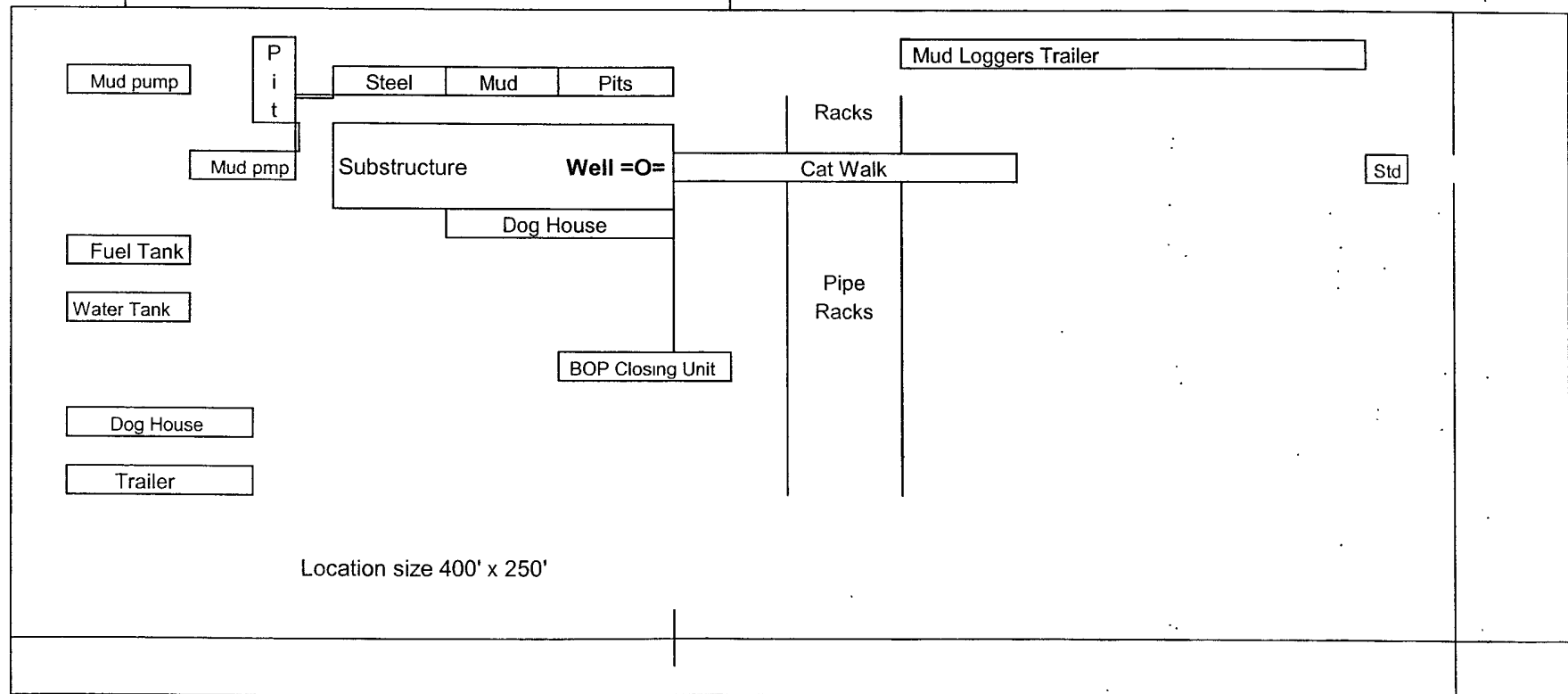
SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Mewbourne Oil Company

Exhibit #5

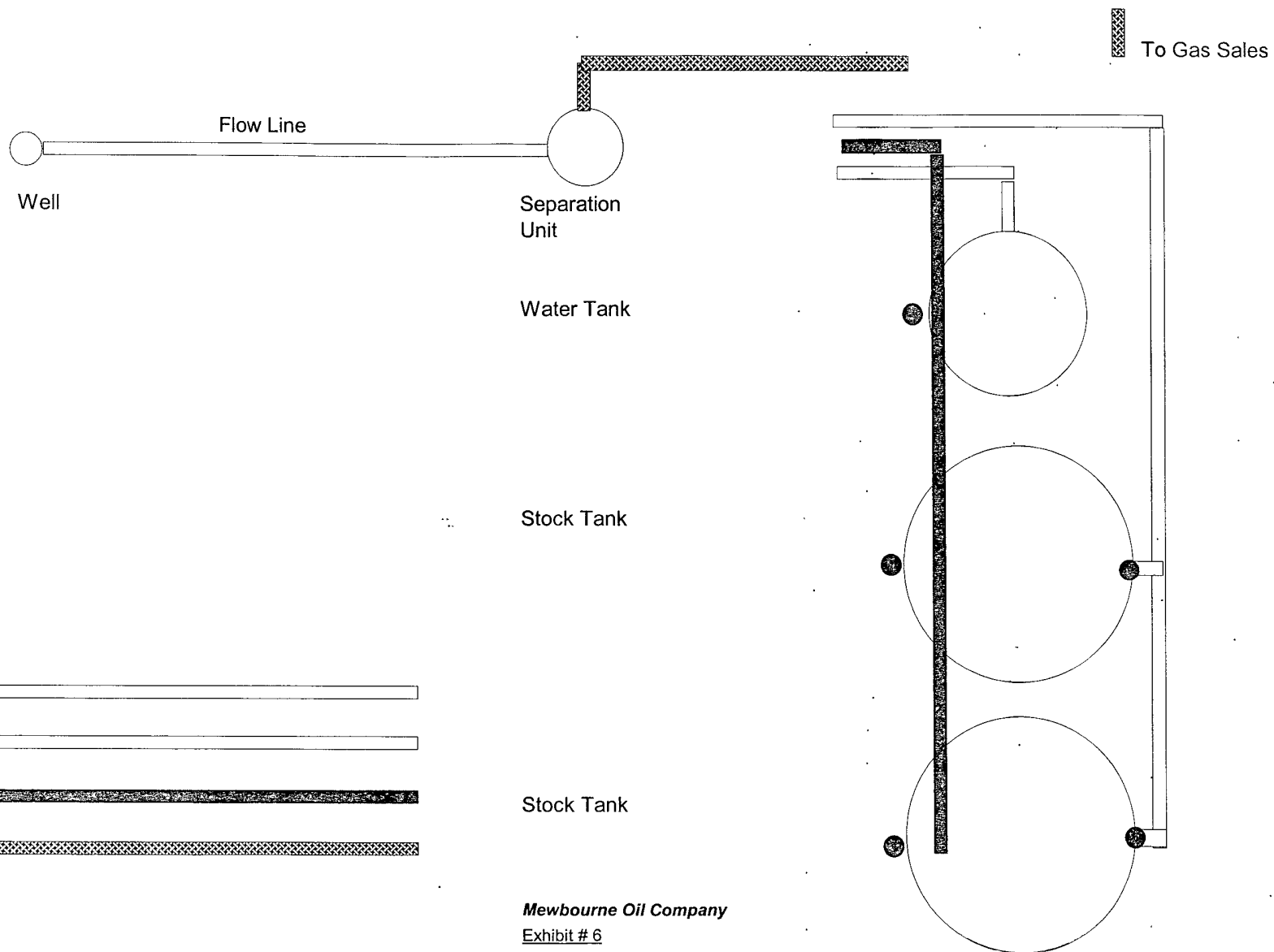
Well Name Upland 23 Federal Com #1
Footages 990' FNL & 990' FWL
STR Sec 23-T20S-R35E
County Lea, County
State New Mexico

NE



Rig Location Schematic

Proposed Production Facilities Schematic



Mewbourne Oil Company
Exhibit # 6
Proposed Production Facilities Schematic

Upland 23 Federal Com #1
990' FNL & 990' FWL
Sec 23-T20S-R35E
Lea, County
New Mexico

Notes Regarding Blowout Preventer

Mewbourne Oil Company

Upland 23 Federal Com #1

990' FNL & 990' FWL

Section 23-T20S-R35E

Lea 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 on 9 $\frac{5}{8}$ " csg.
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 1/4" Hole

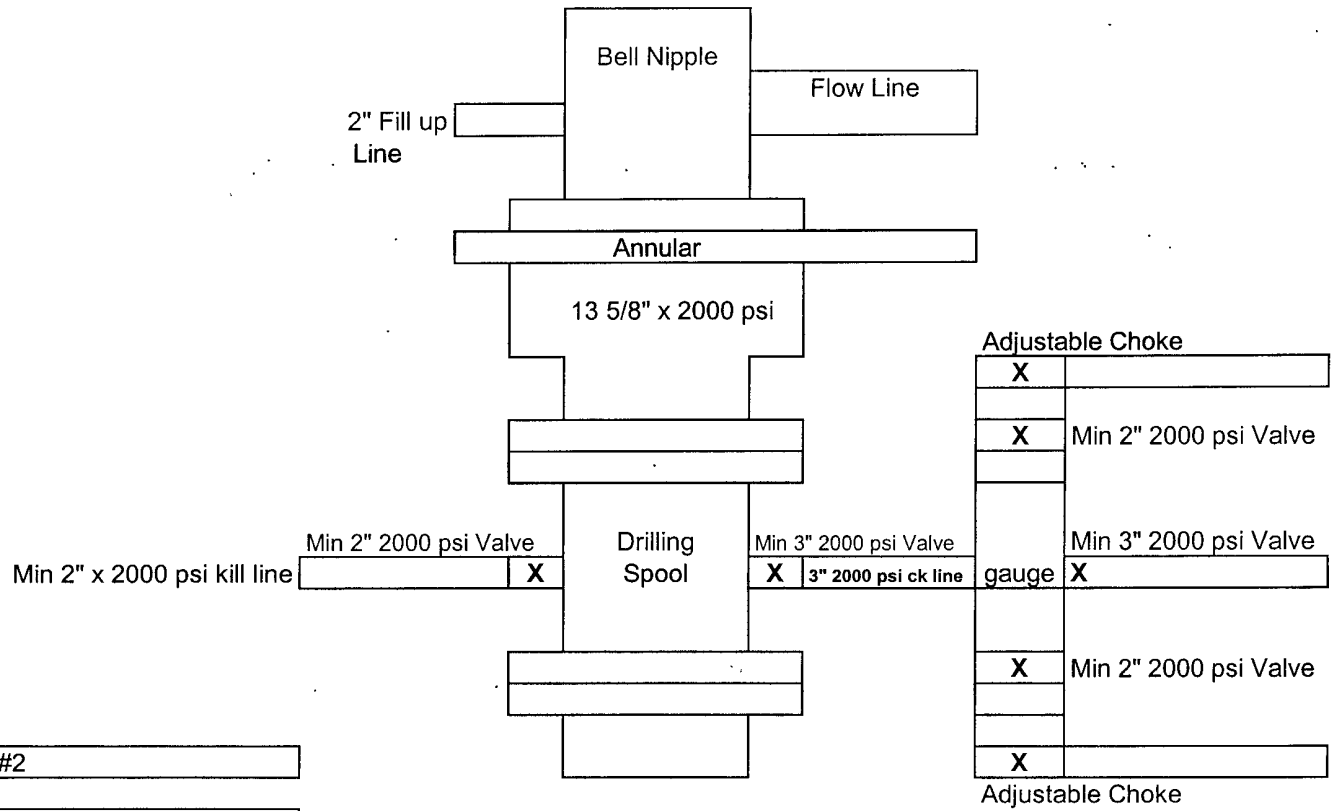


Exhibit #2

Upland 23 Federal Com #1
990' FNL & 990' FWL
Sec 23-T20S-R35E
Lea, County
New Mexico

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

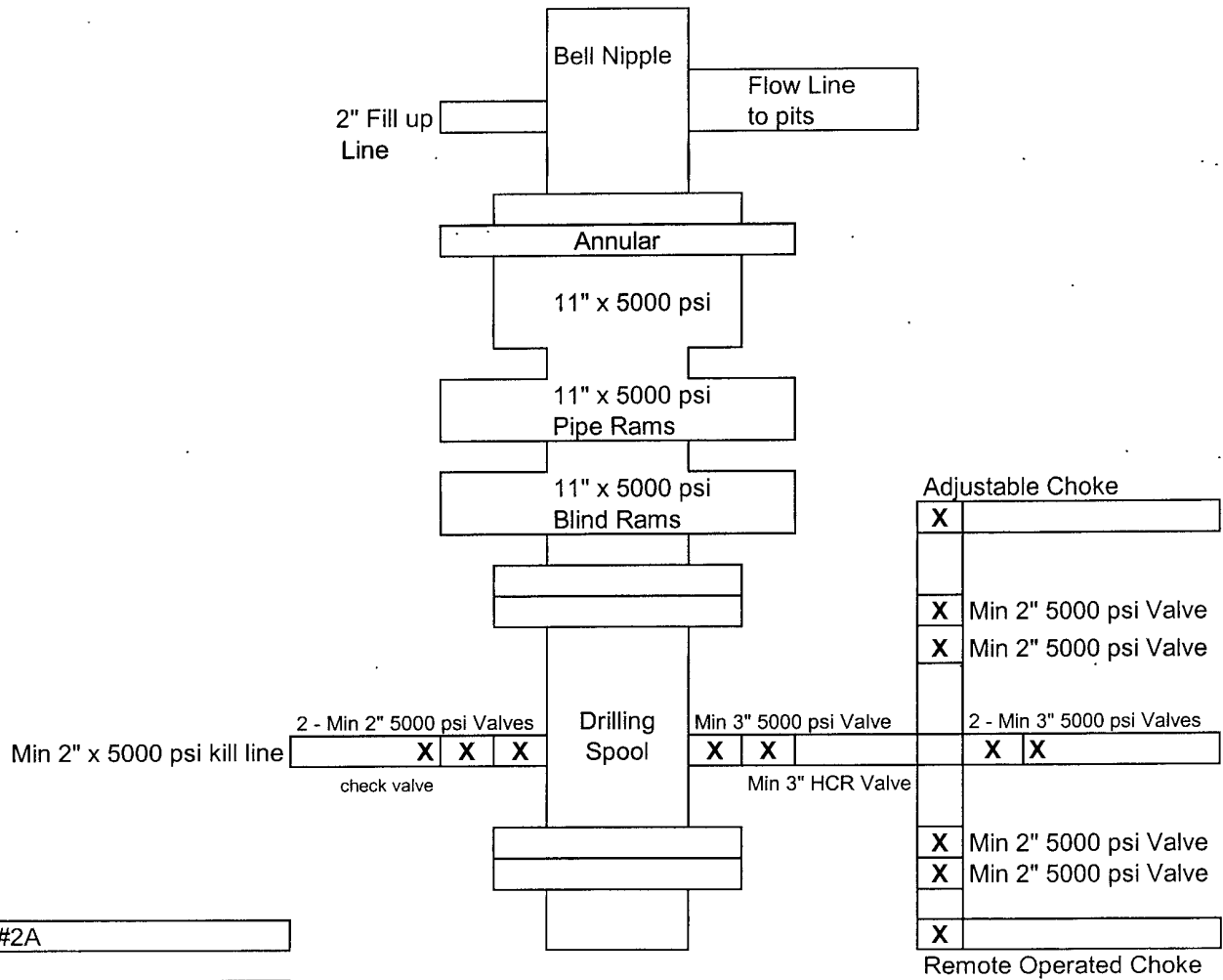


Exhibit #2A

Upland 23 Fed Com #1
990 FNL & 990 FWL
Sec 23-T20S-R35E
Lea, County
New Mexico

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

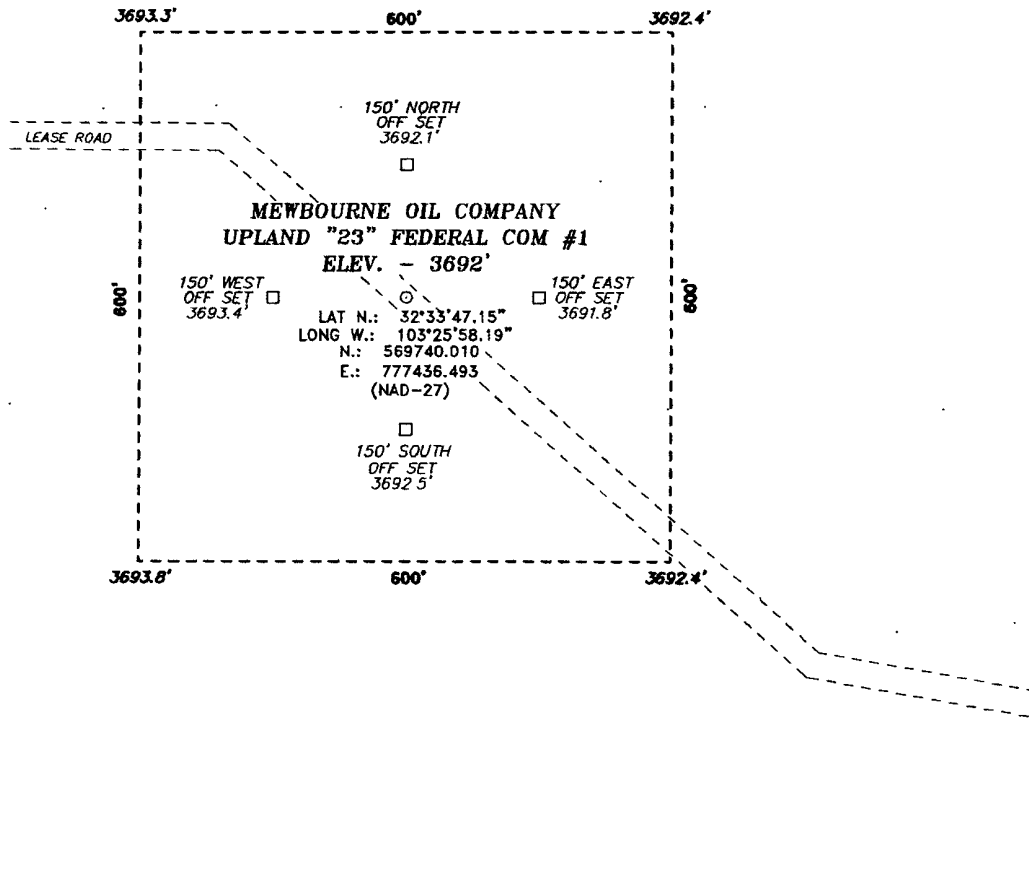
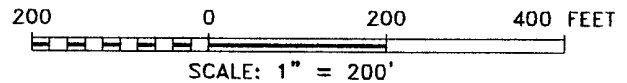


Exhibit 3



DRIVING DIRECTIONS:

FROM THE JUNCTION OF STATE HWY 176 AND PEARSON, GO
NORTH WINDING NE FOR 1.0 MILES TO LEASE ROAD, FOLLOW
LEASE ROAD TO PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 19549 Drawn By: J. SMALL

Date: 04-16-2008 Disk: JMS 19549W

MEWBOURNE OIL COMPANY

REF: UPLAND "23" FEDERAL COM #1 / WELL PAD TOPO

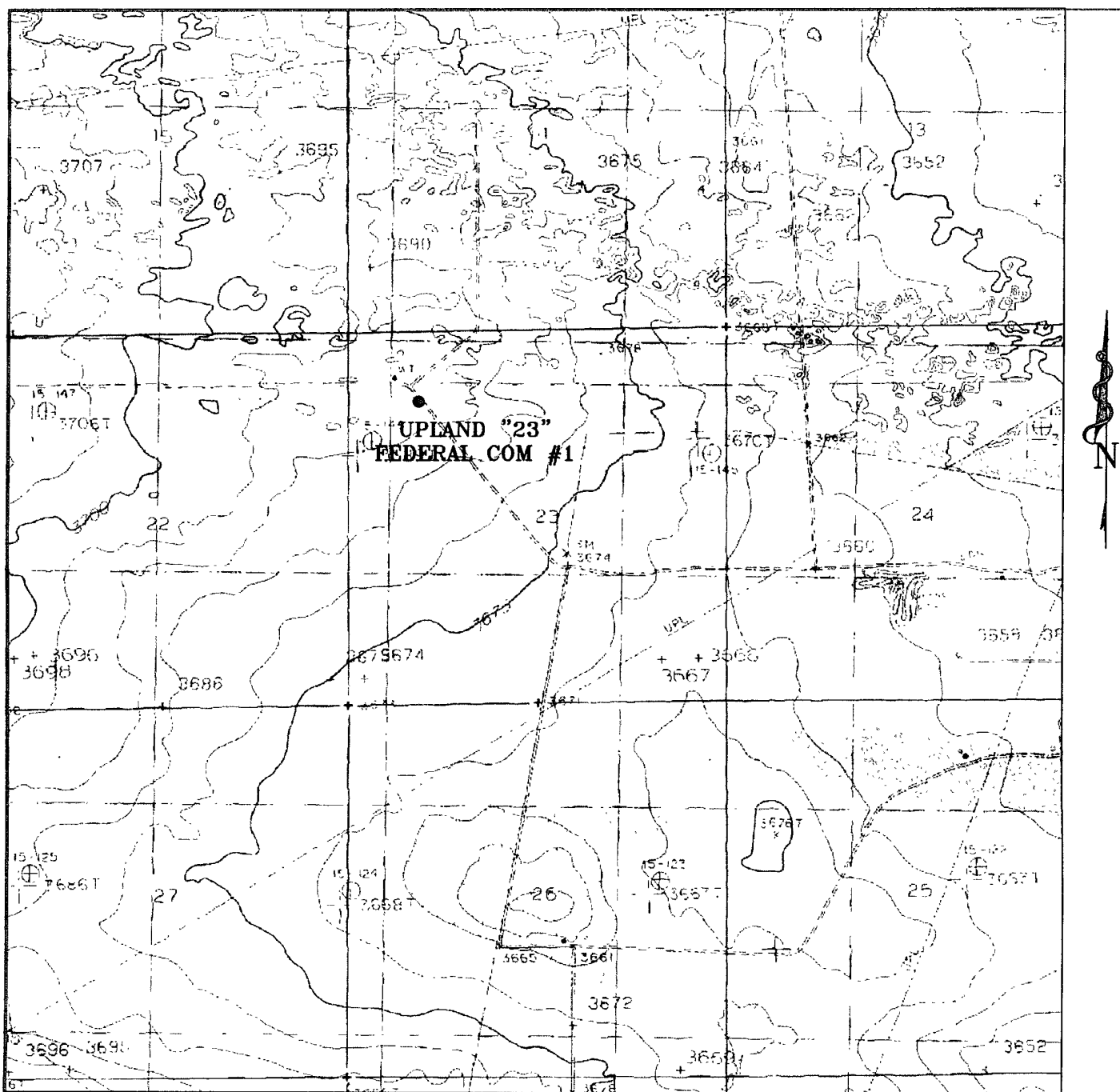
THE UPLAND "23" FEDERAL COM #1 LOCATED 990'

FROM THE NORTH LINE AND 990' FROM THE WEST LINE OF

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 35 EAST,

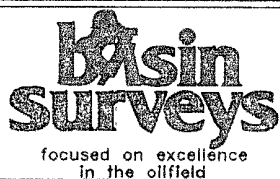
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 04-15-2008 Sheet 1 of 1 Sheets



UPLAND "23" FEDERAL COM #1
 Located 990' FNL and 990' FWL
 Section 23, Township 20 South, Range 35 East,
 N.M.P.M., Lea County, New Mexico.

Exhibit 3A



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

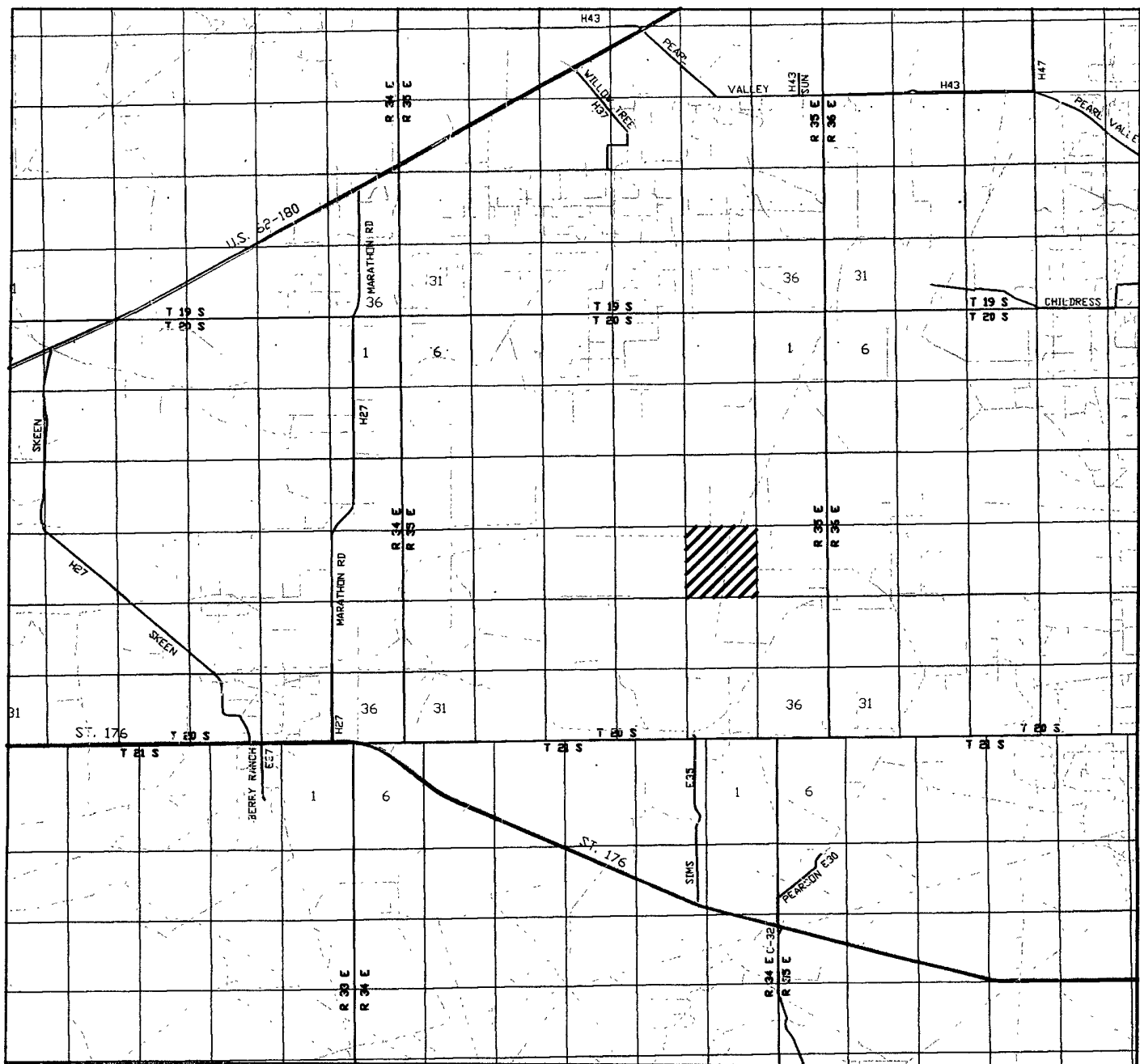
W.O. Number: 19549T JMS

Survey Date: 04-15-2008

Scale: 1" = 2000'

Date 04-16-2008

**MEWBOURNE
 OIL CO.**



UPLAND "23" FEDERAL COM #1
 Located 990' FNL and 990' FWL
 Section 23, Township 20 South, Range 35 East,
 N.M.P.M., Lea County, New Mexico.

basin
surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: 19549TR JMS

Survey Date: 04-15-2008

Scale: 1" = 2 MILES

Date: 04-16-2006

MEWBOURNE
OIL CO.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NM-27205

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
Upland 23 Federal Com #1

9. API Well No.

10. Field and Pool, or Exploratory Area
West Osudo Morrow

11. County or Parish, State
Lea, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Mewbourne Oil Company 14744

3a. Address
PO Box 5270 Hobbs, NM 88241

3b. Phone No. (include area code)
575-393-5905

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
870' FNL & 1125' FWL of Sec 23-T20S-R35E Unit D

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Buried Reserve Pit</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

MOC has received an approved APD for the above captioned well. The APD was submitted using a reserve & to deep bury pit on location as per OCD requirements. The approved APD indicated that we applied for a Close Loop system. We are asking for the APD to be approved using a reserve pit.

If you have any questions, please call Charles Martin at 575-393-5905.

RECEIVED
AUG 12 2008
HOBBS OCD

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Charles Martin

Title Engineer

Signature

Charles L. Martin

Date 08/07/08

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

/s/ Don Peterson

Name
(Printed/Typed)

Title

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

Date

AUG 07 2008

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(Continued on next page)

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	MEWBOURNE OIL COMPANY
LEASE NO.:	NM-27205
WELL NAME & NO.:	Upland 23 Fed Com No. 1
SURFACE HOLE FOOTAGE:	990' FNL & 990' FWL
BOTTOM HOLE FOOTAGE:	Same
LOCATION:	Section 23, T. 20 S., R 35 E., NMPM
COUNTY:	Lea County, New Mexico

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
 - Lesser Prairie Chicken
- ☐ **Construction**
 - Notification
 - Topsoil
 - Reserve Pit
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
- ☐ **Production (Post Drilling)**
- ☐ **Reserve Pit Closure/Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation/Condition of Approval for Lesser Prairie-Chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Hobbs Field Station at (575) 393-3612 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

C. RESERVE PITS

The operator has applied for a closed-loop system. The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of **4 hours** in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOP/BOPE tests

☒ Lea County

Call the Hobbs Field Station, 414 West Taylor, Hobbs, NM 88240,
(575) 393-3612

1. **A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the Yates Formation. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing as per Onshore Order 2.III.B.1.f

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer

Possible lost circulation in Capitan Reef
Possible lost circulation in Red Beds, Delaware, Bone Spring
Potential for extremely high pressure gas bursts in Wolfcamp

1. The 13-3/8 inch surface casing shall be set at approximately 2000 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. **The Capitan Reef, if present, lies at a depth of approximately 3900 feet and extends down to approximately 4750 feet. If circulation is lost in the reef, the drilling medium shall be switched to fresh water until the setting depth for the intermediate casing. Please notify the BLM (575-393-3612) should this occur.**
3. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
☒ Cement to surface. If cement does not circulate see B.1.a-d above.
4. The minimum required fill of cement behind the 5-1/2 inch production casing is:
☒ Cement should tie-back at least **200** feet into previous casing string. **Operator shall provide method of verification. Additional cement shall be required to bring TOC to 5400 feet within the 9-5/8" casing.**
5. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. The appropriate BLM office shall be notified a minimum of **4 hours** in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
 - d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
 - e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the Wolfcamp formation **if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days**. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.
 - f. **The variance for testing of the BOP/BOPE on the surface casing is not approved due to the inaccuracy of rig pump pressure readings and safety concerns when exceeding 1000 psi.**

D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented.

E. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

LB 6/04/08

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Seed Mixture 2, for Sandy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law (s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

<u>Species</u>	<u>lb/acre</u>
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.0
Sand love grass (<i>Eragrostis trichodes</i>)	1.0
Plains bristlegrass (<i>Setaria macrostachya</i>)	2.0

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed

X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.

FROM MEWBOURNE OIL CO.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(432) 682-3715
FAX (432) 685-4170

RECEIVED

SEP 17 2008

HOBBSON

VIA FAX AT (405) 552-8113 AND
CERTIFIED MAIL-RETURN RECEIPT NO. 3718

April 7, 2008

Devon Energy Production Company, LP
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102
Attn: Mrs. Meg Muhlinghouse

Re: Upland "23" Fed COM #1 Well
W/2 Section 23, T-20-S, R-35-E
Lea County, New Mexico
MOC's Upland Prospect

30-025-39153

Ladies and Gentlemen:

Mewbourne Oil Company (Mewbourne) is preparing to drill its Upland "23" State COM #1 well as a 13,550' Morrow test at a location 990' FNL & 660' FWL of Section 23, T20S, R35E, Lea County, New Mexico. If successfully completed in the Morrow formation, this well will be the second Morrow well in the existing W/2 communitized spacing unit currently dedicated to the Watkins "B" Gas COM #1 well located 1,980' FSL & 1,980' FWL of said Section 23 which is operated by Devon Energy Production Company, LP (Devon).

Mewbourne will be drilling this well pursuant to the terms of that certain Letter Agreement dated March 31, 2008 and the pending Farmout Agreement between Devon, as Farmor, and Mewbourne, as Farmee (the "Agreements"). Per the terms of the Agreements Mewbourne will be the operator of the wells it drills on lands covered thereby and Devon will remain the designated operator of any of its existing wells including the Watkins "B" Gas COM #1 Well.

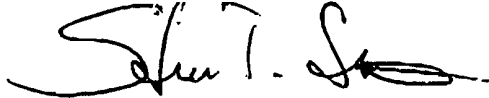
NMOCD Rule 104 (E) provides for multiple operators within an existing spacing unit. In order to facilitate the permitting and application process, Mewbourne respectfully requests Devon's waiver and approval for Mewbourne Oil Company to be named as Operator of the captioned well pursuant to NMOCD Rule 104 (F). Please indicate your waiver and approval by signing both copies of this letter and returning one copy to the undersigned.

Devon Energy Production Company, LP
Upland "23" Fed COM #1
April 7, 2008
Page 2 of 2

Thank you for your cooperation in this matter

Sincerely,

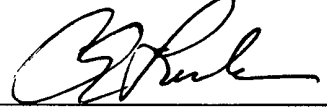
MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

The undersigned approves Mewbourne Oil Company being named as Operator of the Upland "23" State COM #1 well pursuant to OCD Rule 104(E).

DEVON ENERGY PRODUCTION COMPANY, LP

By:  _____

Title: Chuck Lundeen, Permian Land Supervisor

Date: April 10, 2008