

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF MEWBOURNE OIL COMPANY  
FOR A NON-STANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**Case No. 15,359**

**VERIFIED STATEMENT OF COREY MITCHELL**

Corey Mitchell, being duly sworn upon his oath, deposes and states:

1. I am a landman for Mewbourne Oil Company ("Mewbourne"), and have personal knowledge of the matters stated herein.
2. Pursuant to NMAC 19.15.4.12.A(1), the following information is submitted in support of the compulsory pooling application filed herein:
  - (a) No opposition is expected because the working interest owner being pooled has been contacted numerous times and has simply not decided whether to join in the well.
  - (b) A plat outlining the unit being pooled is attached hereto as Attachment A. Mewbourne seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2E/2 of Section 9, Township 23 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit for all pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the Antelope 9 B3PA State Well No. 1H, a horizontal well with a surface location 185 feet from the south line and 750 feet from the east line of Section 9, and a terminus 330 feet from the north line and 750 feet from the east line of Section 9. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.
  - (c) The party being pooled, its working interest in the well unit, and its current address, is set forth on Exhibit B.

Oil Conservation Division

Case No. 15,359

Exhibit No. 1

(d) Attached as Exhibit C are copies of the proposal letters sent to the working interest owner, as well as follow up e-mails.

(e) Applicant has made a good faith effort to locate and obtain the voluntary joinder of all interest owners in the well.

(f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting working interest owner.

(g) A copy of the Authority for Expenditure for the well is attached hereto as Attachment D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(h) Overhead charges of \$7,500.00/month for a drilling well, and \$750.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(i) Applicant requests that it be designated operator of the well.

(j) The offset operators or working interest owners are listed on Attachment E.

VERIFICATION

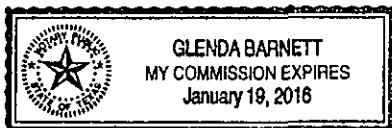
STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF MIDLAND            )

Corey Mitchell, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

Corey Mitchell  
Corey Mitchell

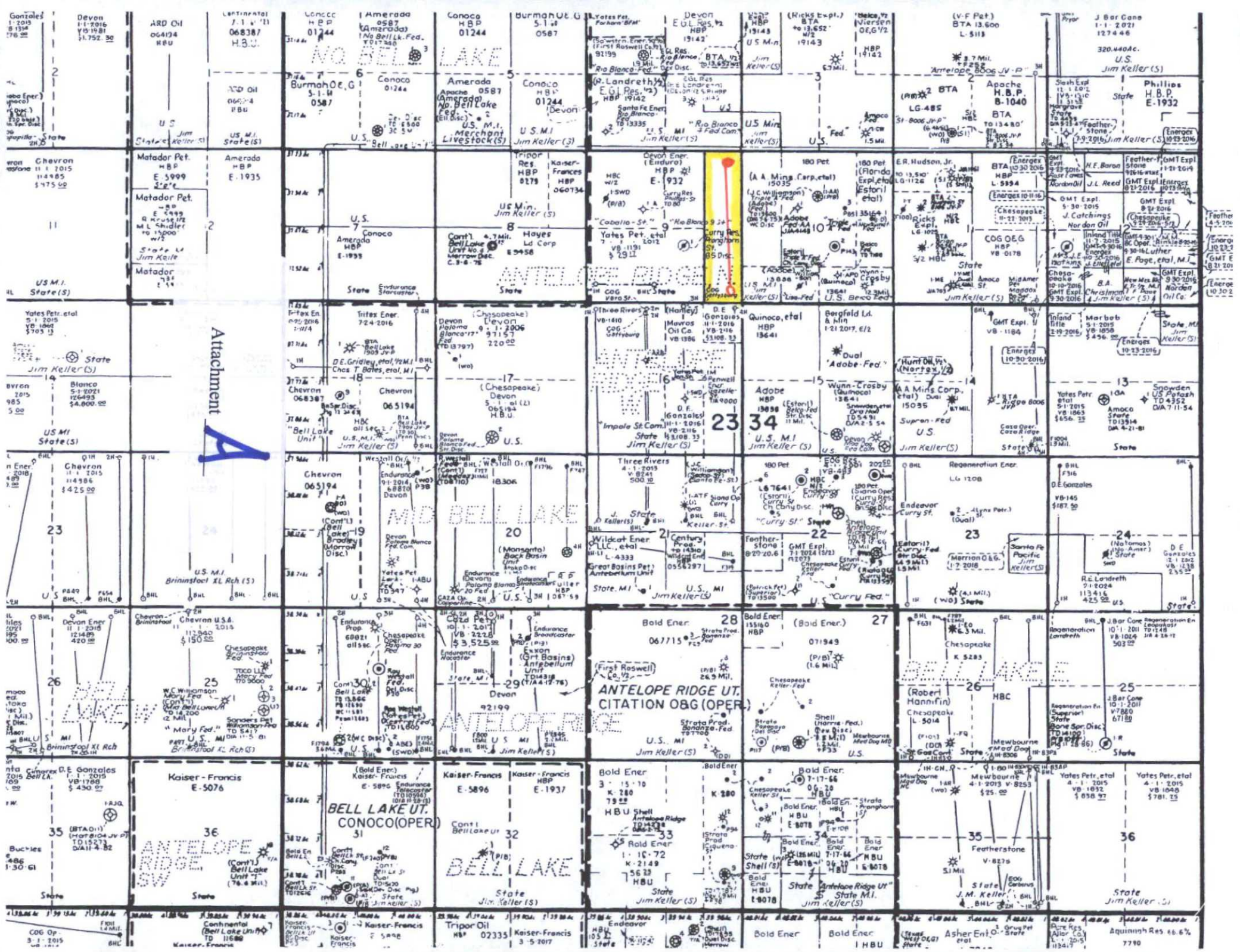
SUBSCRIBED AND SWORN TO before me this 10th day of August, 2015 by Corey Mitchell.

My Commission Expires: 1-19-2016



Glenda Barnett  
Notary Public






**TRACT OWNERSHIP**  
**Antelope "9" B3PA State No. 1H**  
**E/2E/2 of Section 9, Township 23 South, Range 34 East**  
**Lea County, New Mexico**

**E/2E/2 of Section 9:**

**Bone Spring formation:**

	<u>% Leasehold Interest</u>
Mewbourne Oil Company 500 West Texas, Ste. 1020 Midland, Texas 79701	30.000000%
Devon Energy Production Company, L.P. 333 West Sheridan Avenue Oklahoma City, Oklahoma 73102	38.964844%
ConocoPhillips Company P.O. Box 2197 Houston, Texas 77252	15.625000%
*Enduro Operating LLC 777 Main Street, Suite 800 Fort Worth, Texas 76102	7.910156%
OXY Y-1 Company P.O. Box 4294 Houston, Texas 77210-4294	<u>7.500000%</u> <b>100.000000%</b>

**\* Total interest being pooled: 7.910156%**

Attachment 

**Summary of Communications**  
**Antelope "9" B3PA State No. 1H**

**Enduro Operating LLC**

- 1) Mailed well proposal letter with AFE via certified mail dated 7-7-2015.
- 2) Received verification package was received 7-10-2015.
- 3) 7-14-2015, received phone call from Kevin Smith with Enduro.
- 4) 7-14-2015, received email from Kevin Smith regarding the difference in interest.
- 5) 7-15-2015, received email from Kevin Smith regarding the difference in interest and also emails regarding the well proposal
- 6) 7-16-2015, called Kevin Smith with Enduro. He says the existing JOA is incorrect that we are basing our ownership off of. I said I can't change the interest without a revision between Devon and Enduro. Said he would not sign the JOA.
- 7) 7-17-2015, received phone call from Kevin Smith with Enduro.
- 8) 7-17-2015, received email from Kevin Smith stating he talked to his boss and they would now sign the JOA if I changed the interests.
- 9) 7-21-2015, received phone call from Kevin Smith with Enduro.
- 10) 7-21-2015, emailed Kevin Smith and told him I could not change the interests until he came to an agreement with Devon.
- 11) 7-22-2015, Kevin Smith emailed me and said he understood and would get back with me once he heard back from Devon.

Attachment

C



## **Proof of Delivery (Electronic)**

Date: 8/10/2015

Client Name: Mewbourne Oil Company

Certified with RR(E) item number 9414810699945009996235,  
addressed to Kevin Smith was designated Notice Left (No Authorized  
Recipient Available) at 2:40 PM on July 10, 2015.

The item number, time, date, city, state, and zip code is a true extract of  
information provided by the United States Postal Service to  
SimpleCertifiedMail.com.

Kevin Smith Enduro Operating LLC 777 MAIN ST STE 800 FORT WORTH, TX 76102 Reference #: Antelope 9 B3PA B2NC cm Item ID: Antelope 9 B3PA B2NC cm
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The above information is for the sole use of SimpleCertifiedMail.com  
clients and represents information provided by the United States Postal  
Service.



# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

July 7, 2015

Via Certified Mail

Enduro Operating LLC  
777 Main Street, Suite 800  
Fort Worth, Texas 76102  
Attn: Mr. Kevin Smith

Re: Antelope 9 B3PA State No. 1H  
185' FSL & 750' FEL (SL)  
330' FNL & 750' FEL (BHL)  
Section 9, T23S, R34E  
Lea County, New Mexico

Gentlemen:

Under the terms of the governing Operating Agreement, Mewbourne Oil Company ("Mewbourne") as Operator hereby proposes to drill the captioned well at the above referenced surface location (SL) to the referenced bottom hole location (BHL). The proposed well will be drilled to an approximate true vertical depth (TVD) of 11,240 feet subsurface to evaluate the Third Bone Spring Sand in the Bone Spring Formation. The proposed well will have a measured depth (MD) of approximately 15,850 feet. The E/2E/2 of the captioned Section 9 will be dedicated to the well as the oil proration unit.

Regarding the above, enclosed for your further handling is our AFE dated June 29, 2015 for the captioned proposed well. In the event your firm elects to participate in the proposed well, please execute the enclosed AFE and return to me within thirty (30) days.

Should you have any questions regarding the above, please email me at [cmitchell@mewbourne.com](mailto:cmitchell@mewbourne.com) or call me at (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

*Corey Mitchell*

Corey Mitchell  
Landman

## Corey Mitchell

---

**From:** Corey Mitchell  
**Sent:** Monday, August 10, 2015 11:08 AM  
**To:** 'Kevin Smith'  
**Subject:** RE: JOA

Kevin,

Just wanted to check in and see if you have heard anything back from Devon yet? Thanks.

Corey Mitchell  
Land Department  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, TX 79701  
Bus. (432) 682-3715  
Fax (432) 685-4170

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**From:** Kevin Smith [<mailto:ksmith@endurores.com>]  
**Sent:** Wednesday, July 22, 2015 2:29 PM  
**To:** Corey Mitchell  
**Subject:** RE: JOA

Ok thanks for letting me know. I will round back once Devon has further time to review.

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**From:** Corey Mitchell [<mailto:cmitchell@Mewbourne.com>]  
**Sent:** Tuesday, July 21, 2015 4:21 PM  
**To:** Kevin Smith  
**Subject:** RE: JOA

Kevin,

Your email below concerning the working interest looks fine to me and is doable on my end assuming Devon either (1) signs off on amending the Exhibit "A" or (2) agrees the JOA is dead. Either way, I believe the numbers will come out the same. Let me know once you hear something back from them.

Corey Mitchell  
Land Department  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, TX 79701  
Bus. (432) 682-3715  
Fax (432) 685-4170

---

**From:** Kevin Smith [<mailto:ksmith@endurores.com>]  
**Sent:** Friday, July 17, 2015 2:40 PM  
**To:** Corey Mitchell  
**Subject:** JOA

Corey – I discussed the entire situation with our CEO this morning and he is ok with me signing the your proposed form of JOA subject to the following:



- 1) Enduro gets credited with a 12.5% WI in each of the four 160 acre stand-up spacing units. I have drafted and proposed Amended Ex "A" (attached) to the existing N2 Sec 9 JOA based on what I believe the record title interest of the parties is today as to the associated lands. Let me know if your records show different for anything dealing with the Bone Spring formation only. I know Enduro's and COP's interest is correct as to the N2 in the Bone Spring formation, but I am not certain if Devon alone owns the remainder of record title in the Bone Spring (I believe they do though). Everything below the Bone Spring doesn't affect you guys so disregard that part. Further:
  - a. Assuming this Amended Ex "A" is executed by each of the existing parties to that JOA, there shouldn't be any further issue on your end regarding Enduro's WI in your 4 stand-up Bone Spring spacing units (i.e. we will have a 12.5% WI in each of the 4 stand-up 160 acre spacing units since we own 50% of the NE4 of record as to the Bone Spring formation). Please confirm either way.
  - b. I would like to note that the Rio Blanco well has not produced since 2014. With that, we are discussing with Devon whether or not the JOA is even still in effect. If not, then the disagreement goes away on its own. The JOA is tied to production and not lease terms FYI.
- 2) Mewbourne is agreeable to good-faith negotiations regarding the final form of JOA covering all Section 9. In particular:
  - a. The Ex "A" contract area needs to be limited to the Bone Spring formation only. Reason being is Enduro does not want to be diluted in the shallower zones as to its record title interest in the NE4.
  - b. The base form would need to be modified so that we are not required to participate in the first well since we have already gone non-consent in it.
  - c. The noted ORRI in the NE4 on Ex "A" needs to be changed from Conoco to Enduro.
  - d. We may need to add language regarding our ORRI since Mewburne says they are not going to spread it across the whole section. I am having my attorney review to see if that is necessary. I just want to make sure there are no issues regarding our 3.125% ORRI credit and payment we would be due for each of the two E2 stand-up Bone Spring spacing units.
  - e. Enduro reserves the right to request additional (but reasonable) changes to the JOA as well.

We will continue to work with Devon and Conoco to get the N2 JOA issues resolved so I will keep you posted there. In the meantime though, please respond with your thoughts to the above.

To make sure we are still clear though, I would like to add that Enduro still disagrees with the ownership you are crediting us with as to the Bone Spring formation. We are only attempting to resolve this in hopes to get resolution in a timely manner. In the event we can't get it resolved though to our satisfaction, we reserve any and all legal remedies we may have to secure our rightful and legal ownership in the subject lands.

Thanks and look forward to hearing back soon.

Kevin

Kevin D. Smith  
Enduro Resource Partners LLC  
777 Main St, Ste 800  
Ft. Worth, TX 76102  
(817) 529-8640

## Corey Mitchell

---

**From:** Kevin Smith <ksmith@endurores.com>  
**Sent:** Thursday, July 16, 2015 12:11 PM  
**To:** Corey Mitchell  
**Subject:** Enduro Ownership in Mewbourne Antelope wells (Bone Spring formation)  
**Attachments:** PDF File.pdf; Rio Blanco Summary.pdf; Mewbourne Antelope Wells - Enduro Ownership Breakdown.xlsx; notepad sheet from file.pdf

Corey – See my responses in red below. Please give me a call to discuss when you have time. We need to get this straightened out asap because we have multiple well proposals out right now. It would be best that you review this with your title attorney first in case you still have questions. And hope this helps. I just want to make sure Enduro gets credited with the correct WI/NRI in a timely manner since the wells are being proposed and drilled right now. Thanks.

Kevin  
817-529-8640

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**From:** Corey Mitchell [<mailto:cmitchell@Mewbourne.com>]  
**Sent:** Wednesday, July 15, 2015 1:03 PM  
**To:** Kevin Smith  
**Subject:** RE: Enduro Ownership in Antelope wells (Bone Spring formation)

Kevin,

We agree that Enduro has a 50% leasehold interest in the NE/4 as to depths from the surface to 14,574'. However, this interest was committed to the 1-15-99 JOA, which revised the interest to 31.640625%. This is the same interest that Devon acknowledges Enduro as owning in the 5-14-15 email. This is the interest I have credited Enduro as owning when calculating the 1 section WIU numbers ( $31.640625\% \times 160/640 = 7.910156\%$  interest).

- 1) The WI of 31.640625% should have been 31.25% which is the record title interest of Enduro in the N2 as to all rights below the base of the Bone Spring formation. Again, I point you to the Rio Blanco spreadsheet that Enduro sent to Devon. As you are aware, Devon agreed to the NRI side but overlooked the WI side. They are working through that now but in the end, I am confident that will not be an issue as they have already agreed to the corresponding NRI % (can't do one without the other). I will follow up with another email we are sending Devon shortly as to why there is the slight discrepancy of 31.640625% calculation of the parties in the JOA as to the N/2 as to rights below the base of the Bone Spring formation. See the old notes (attached as "notepad sheet from file") that were taken from the file and were done back before the amended Ex. "A" was executed in 2004. The last box titled "N/2 Spacing Unit" on the attached Rio Blanco Summary spreadsheet that Enduro prepared is what the interest of Enduro should be (31.25%) for the Rio Blanco Well on the amended Ex "A" to the JOA which is producing from the deeper Devonian formation (below the base of the Bone Spring formation).
- 2) The intent of the split contract areas in the 05/24/05 Amended Ex "A" was to separate the interests of the parties by their record title interests in the lands. As you can see, they were focusing on rights below the base of the Bone Spring formation since this was a Devonian test and that is how the WI %'s of the parties was intended to be split. Where they messed up is in the 2<sup>nd</sup> contract area where the depths that are part of the same aren't uniform (i.e. NW4 as to depths below the base of the Bone Spring and NE4 as top all depths). Since the depths in the Ex "A" 2<sup>nd</sup> contract area as to the NW4 don't include the Bone Spring formation you can't spread it with the NE4 which does include all depths. THAT CAN'T HAPPEN EXCEPT WHERE THERE ARE COMMON INTERESTS IN A CONTRACT AREA (WHICH IN THIS CASE COMMON INTERESTS ARE ONLY DEPTHS BELOW THE BASE OF THE BONE SPRING FORMATION AND THAT IS WHERE YOU GET ENDURO'S 31.25% WI IN

THE RIO BLANCO WELL). They just didn't realize it at the time since their focus was wholly as to the deeper Devonian formation. **This makes your calculations above incorrect.** See my attached excel spreadsheet which reflects the correct interest of Enduro in each of your Antelope Bone Spring wells assuming we either do or don't execute your proposed form of JOA. If we don't execute your JOA, we will only have a WI in the two E2 Antelope wells.

Also, the proposed JOA is a contract between the working interest owners only. The ORI and Royalty owners are not a party to this contract and therefore their interest is on a tract by tract basis. The burdens are not spread under these types of deals. Example: If the State of New Mexico owned the royalty under the W/2W/2, it would not receive royalty under the E/2E/2 just because the working interest owners agree to spread their interest. They would still be paid the full amount of royalty on the W/2W/2. This would also apply to the ORI owners. Enduro would still receive its full amount of ORI in the E/2, but it would not be spread into the W/2 as the W/2 already has its own burdens on it.

- 1) If you spread the WI's of the parties to a JOA contract area then you have to spread the NRI's just the same (including ORRI's). Otherwise, it will not mathematically work out (NRI's won't equal 100% unless the spacing unit is only as to the tract where the ORRI lives and no other lands).
- 2) To further explain, let's go through a scenario where WI's are spread but not ORRI's. And let's assume a contract area of all Sec 9 as Mewbourne has proposed. Further, let's assume there are 4 leases (each a quarter-section) that make up the JOA contract area with royalty of 12.5% each. As a result, the ownership of each quarter-section is as follows:

Party	Lease Desc	WI %	Lease NRI %	ORRI NRI %	Total NRI %	Notes
Mewbourne	NW4	100%	87.5%	0%	87.5%	
Conoco	NE4	100%	87.5%	0%	87.5%	
Devon	SW4	100%	87.5%	0%	87.5%	
Enduro	SE4	50%	87.5%	12.5%	100.0%	Enduro reserves an ORRI being equal to the difference between 25% & lease burdens in a prior assignment to Southwestern
Southwestern	SE4	50%	75.0%	0%	75.0%	

Now, Let's assume 2 wells are drilled within the JOA contract area being all of Sec 9. Each well is a vertical gas well and the NMOC spacing of each is a quarter-section. The first is spaced as the NW4 and the Second is spaced as the SE4 (where the ORRI lives). Here is how the ownership would be split for each well assuming the ORRI isn't spread across the JOA contract area:

I. NW4 Spacing Unit (no ORRI):

Owner	WI %	Lease NRI %	ORRI NRI %	Total NRI %
Mewbourne	25%	21.875%	0%	21.875%
Conoco	25%	21.875%	0%	21.875%
Devon	25%	21.875%	0%	21.875%
Enduro	12.5%	10.9375%	0%	10.9375%
Southwestern	12.5%	9.375%	0%	9.375%
Lessor 1	0.0%	12.5%	0%	12.5%
	100%	98.4375%	0%	98.4375%

If you were to spread the Enduro 6.25% ORRI in the SE4 (.50 \* 12.50% ORRI = 6.25% 8/8ths) across the whole JOA contract area being all of Sec 9, that would come to 1.5625% ORRI (or  $6.25\% / 4 = 1.5625\%$ ). Further,  $1.5625\% + 98.4375\% = 100\%$ . As you can see, if you spread the WI then you have to spread the NRI or you will not get to 100% on your NRI deck. Just not mathematically possible.

I. SE4 Spacing Unit (where the ORRI lives):

Owner	WI %	Lease NRI %	ORRI NRI %	Total NRI %	Notes
Mewbourne	25%	21.875%	0%	21.875%	
Conoco	25%	21.875%	0%	21.875%	
Devon	25%	21.875%	0%	21.875%	
Enduro	12.5%	10.9375%	6.25%	17.1875%	12.5% ORRI * .5 = 6.25% of 8/8ths. ORRI doesn't get diluted since it covers entire spacing unit
Southwestern	12.5%	4.6875%	0%	4.6875%	$10.9375\% - 6.25\% \text{ ORRI} = 4.6875\%$
Lessor 1	0.0%	12.5%	0%	12.5%	
	100%	93.75%	6.25%	100.00%	

In this case were the spacing unit is the SE4 where the ORRI lives, the math does work to get to 100% total NRI. This would be the only spacing unit where the math works though. The other 3 spacing units' NRI's would all fall short at the 98.4375% NRI shown above. Further, the party that is subject to the ORRI (Southwestern) gets diluted in the SE4 spacing unit so bad that his net NRI is 37.5% (or  $4.6875\% / 12.50\% = 37.50\%$ ).

- 3) Last, I wanted to show you what the WI/NRI of the parties would be in the JOA contract area being all of Sec 9 if the ORRI is spread throughout the contract area (as it has to be to make things work and total NRI equal 100% in all cases):

Owner	WI %	Lease NRI %	ORRI NRI %	Total NRI %	Notes
Mewbourne	25%	21.875%	0%	21.875%	
Conoco	25%	21.875%	0%	21.875%	
Devon	25%	21.875%	0%	21.875%	
Enduro	12.5%	10.9375%	1.5625%	12.50%	$12.5\% \text{ ORRI} * .5 = 6.25\%$ of 8/8ths. ORRI represents 25% of JOA contract area so have to divide it by 4 (or $6.25\% / 4 = 1.5625\%$ )
Southwestern	12.5%	9.375%	0%	9.375%	Southwestern was delivered a 75% NRI
Lessor NRI	0.0%	12.5%	0%	12.5%	Only lessor(s) paid are those included within the NMOCD spacing unit
	100%	98.4375%	1.5625%	100.00%	

I would also like to make clear that the only parties that are affected by the ORRI are those that are tied to the governing lease where it was derived. In this case, Mewbourne is not affected by any scenario since it is not a party to the ORRI lease. I just wanted to be sure you knew that Mewbourne's WI/NRI doesn't change at all as a result of the ORRI being correctly spread across the JOA contract area.

Corey Mitchell  
Land Department  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, TX 79701  
Bus. (432) 682-3715  
Fax (432) 685-4170

---

**From:** Kevin Smith [<mailto:ksmith@endurores.com>]  
**Sent:** Wednesday, July 15, 2015 11:09 AM  
**To:** Corey Mitchell  
**Subject:** Enduro Ownership in Antelope wells (Bone Spring formation)

Corey – Attached is a spreadsheet outlining Enduro's ownership as to the Bone Spring formation in Sec 9-T23S-R34E, Lea Co., NM. It depicts our Bone Spring ownership 3 different ways being:

- 1) By quarter section just for your reference.
- 2) Assuming we execute your proposed form of JOA with a contract area being all of Sec 9. I would like to point you to 6. of roman numeral IV. Additional Notes in the attached spreadsheet. If you don't agree to spread our ORRI across the Sec 9 contract area just as you would do with our WI (that is the correct way of doing it in my opinion), then we will not agree to execute the JOA.
- 3) Assuming we don't execute your proposed form of JOA and just elect pursuant to NMOCD rules and regs as to the two E2 Sec 9 Antelope wells (as to stand-up 160 acre spacing units as Mewbourne as permitted).

Also attached is the 06/01/04 COP to Southwestern TA, a 04/05/04 title opinion and the 11/01/10 assignment from Cop to Enduro that should help you as well.

This is the last of the emails I plan to send concerning Enduro's Bone Spring formation ownership in your 4 Antelope wells. Once you and your title attorney have had a chance to review (along with all the other title information I sent you), please give me a call to discuss further.

Thanks and let me know if you have any questions in the meantime.

Kevin

Kevin D. Smith  
Enduro Resource Partners LLC  
777 Main St, Ste 800  
Ft. Worth, TX 76102  
(817) 529-8640

## Corey Mitchell

---

**From:** Corey Mitchell  
**Sent:** Wednesday, July 15, 2015 1:03 PM  
**To:** Kevin Smith  
**Subject:** RE: Enduro Ownership in Antelope wells (Bone Spring formation)

Kevin,

We agree that Enduro has a 50% leasehold interest in the NE/4 as to depths from the surface to 14,574'. However, this interest was committed to the 1-15-99 JOA, which revised the interest to 31.640625%. This is the same interest that Devon acknowledges Enduro as owning in the 5-14-15 email. This is the interest I have credited Enduro as owning when calculating the 1 section WIU numbers ( $31.640625\% \times 160/640 = 7.910156\%$  interest).

Also, the proposed JOA is a contract between the working interest owners only. The ORI and Royalty owners are not a party to this contract and therefore their interest is on a tract by tract basis. The burdens are not spread under these types of deals. Example: If the State of New Mexico owned the royalty under the W/2W/2, it would not receive royalty under the E/2E/2 just because the working interest owners agree to spread their interest. They would still be paid the full amount of royalty on the W/2W/2. This would also apply to the ORI owners. Enduro would still receive its full amount of ORI in the E/2, but it would not be spread into the W/2 as the W/2 already has its own burdens on it.

I hope this helps. Let me know your thoughts. Thanks.

Corey Mitchell  
Land Department  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, TX 79701  
Bus. (432) 682-3715  
Fax (432) 685-4170

---

**From:** Kevin Smith [<mailto:ksmith@endurores.com>]  
**Sent:** Wednesday, July 15, 2015 11:09 AM  
**To:** Corey Mitchell  
**Subject:** Enduro Ownership in Antelope wells (Bone Spring formation)

Corey – Attached is a spreadsheet outlining Enduro's ownership as to the Bone Spring formation in Sec 9-T23S-R34E, Lea Co., NM. It depicts our Bone Spring ownership 3 different ways being:

- 1) By quarter section just for your reference.
- 2) Assuming we execute your proposed form of JOA with a contract area being all of Sec 9. I would like to point you to 6. of roman numeral IV. Additional Notes in the attached spreadsheet. If you don't agree to spread our ORRI across the Sec 9 contract area just as you would do with our WI (that is the correct way of doing it in my opinion), then we will not agree to execute the JOA.
- 3) Assuming we don't execute your proposed form of JOA and just elect pursuant to NMOCD rules and regs as to the two E2 Sec 9 Antelope wells (as to stand-up 160 acre spacing units as Mewbourne as permitted).

Also attached is the 06/01/04 COP to Southwestern TA, a 04/05/04 title opinion and the 11/01/10 assignment from Cop to Enduro that should help you as well.



This is the last of the emails I plan to send concerning Enduro's Bone Spring formation ownership in your 4 Antelope wells. Once you and your title attorney have had a chance to review (along with all the other title information I sent you), please give me a call to discuss further.

Thanks and let me know if you have any questions in the meantime.

Kevin

Kevin D. Smith  
Enduro Resource Partners LLC  
777 Main St, Ste 800  
Ft. Worth, TX 76102  
(817) 529-8640

## Corey Mitchell

---

**From:** Corey Mitchell  
**Sent:** Wednesday, July 15, 2015 12:35 PM  
**To:** Kevin Smith  
**Subject:** RE: Antelope E2 Sec 9 permits  
**Attachments:** Enduro - Antelope 9 B3PA.pdf

Kevin,

You should have it as both proposals were mailed in the same package. Either way, please see attached. Our interest is derived from the S/2. Thanks.

Corey Mitchell  
Land Department  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, TX 79701  
Bus. (432) 682-3715  
Fax (432) 685-4170

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**From:** Kevin Smith [<mailto:ksmith@endurores.com>]  
**Sent:** Wednesday, July 15, 2015 10:33 AM  
**To:** Corey Mitchell  
**Subject:** RE: Antelope E2 Sec 9 permits

Corey – We only received the B2NC proposal. Will you email me the B3PA proposal please?

Also, are you guys successors in interest to Devon or Southwestern in that N2 JOA ? Or do you guys own in the S2 only. Thanks.

Kevin

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**From:** Corey Mitchell [<mailto:cmitchell@Mewbourne.com>]  
**Sent:** Wednesday, July 15, 2015 10:16 AM  
**To:** Kevin Smith  
**Subject:** RE: Antelope E2 Sec 9 permits

Kevin,

I actually sent you two well proposals , (1) the Antelope 9 B3PA State No. 1H and (2) the Antelope 9 B2NC State Com No. 1H. We plan on spudding the Antelope 9 B3PA in the next couple of weeks and then drilling the Antelope 9 B2NC directly after. I hope this helps. Let me know if you have any questions. Thanks.

Corey Mitchell  
Land Department  
Mewbourne Oil Company  
500 West Texas, Suite 1020  
Midland, TX 79701  
Bus. (432) 682-3715  
Fax (432) 685-4170

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**From:** Kevin Smith [mailto:[ksmith@endurores.com](mailto:ksmith@endurores.com)]  
**Sent:** Wednesday, July 15, 2015 10:07 AM  
**To:** Corey Mitchell  
**Subject:** Antelope E2 Sec 9 permits

Corey – Do you have any idea as to when you all plan to spud the two E2 Sec 9 Antelope wells? The permits for each are attached. Thanks for your help.

Kevin

Kevin D. Smith  
Enduro Resource Partners LLC  
777 Main St, Ste 800  
Ft. Worth, TX 76102  
(817) 529-8640

## Corey Mitchell

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**From:** Kevin Smith <ksmith@endurores.com>  
**Sent:** Wednesday, July 15, 2015 9:31 AM  
**To:** Corey Mitchell  
**Subject:** RE: Rio Blanco 9 St 1  
**Attachments:** 1361\_001.pdf; Rio Blanco Summary.pdf

Corey – Attached is a new DO that was received today from Devon for the Rio Blanco well. It reflects the updated interest that I described below and as reflected in the attached ownership summary that was also sent to you yesterday. Please note the following as to the ORRI shown on the Do and the summary:

- 1) I again point you to the Rio Blanco Summary (also attached) that was prepared by Enduro and accepted by Devon. If you see the 6.25% ORRI noted therein in as to the NE4, you will see it is the same ORRI you incorrectly reference COP as owning in your JOA Ex "A" 6. Burdens on Production. You note it as being 3. to Lease No.
2. Enduro owns this ORRI as to all depths in the NE4 as COP assigned everything they owned in the NE4 to Enduro effective 11/01/10.

I will send you one more email outlining our ownership in the Bone Spring formation this morning. Once you and your title attorney have had a chance to review everything, please let me know your thoughts.

Thanks,

Kevin

---

**From:** Kevin Smith  
**Sent:** Tuesday, July 14, 2015 5:02 PM  
**To:** Corey Mitchell (cmitchell@Mewbourne.com)  
**Subject:** FW: Rio Blanco 9 St 1

Corey –

As discussed, below/attached is all the information exchanged between Enduro and Devon relating to the Rio Blanco 9 St 1 JOA covering certain depths in the N2 Sec 9. As you can see from the below email from Darlene Willoughby of Devon, she agreed in the end that their Enduro WI/NRI calculations were wrong and should be revised to be what is reflected in the attached 02/24/15 ownership summary spreadsheet prepared by Enduro (insofar as it pertains to rights and depths below the base of the Bone Spring formation).

I will follow up with an additional email outlining what I believe Enduro's WI/NRI should be in the Bone Spring formation. I will provide back-up detail as to my findings too.

Thanks and let me know if you have any questions in the meantime.

Kevin

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**From:** Shawn M. Dumesnil  
**Sent:** Tuesday, July 14, 2015 4:32 PM  
**To:** Kevin Smith  
**Subject:** FW: Rio Blanco 9 St 1

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**From:** Willoughby, Darlene [<mailto:Darlene.Willoughby@dvn.com>]  
**Sent:** Thursday, May 14, 2015 9:23 AM  
**To:** Shawn M. Dumesnil  
**Subject:** Rio Blanco 9 St 1

Shawn,

Sorry for the delay getting back to you, but I have been gathering information to backup your claim for the larger ORRI per your Exhibit, which was attached to your email dated February 24, 2015. After review of the Assignments, I believe the OR .0859375 is correct and adjustments will be made to our records.

Attached for your record, a copy of an Amendment to Operating Agreement, Enduro is credited with GWI 31.640625 and NWI .27685547 on the Rio Blanco 9 St. 1 well.

We will correct our records as follows:

Enduro is already credited with .0625 (pay status), effective 4/1/2011 production per attached Letter in Lieu from ConocoPhillips, and per the correction we will adjust our revenue decks by adding an additional decimal credited to Enduro of .0234375, effective November 1, 2010 per the assignment by ConocoPhillips and giving Enduro a total of .0859375 ORRI.

Are you in an agreement to the above adjustments as presented?

Thank you,

Darlene Willoughby  
Senior Division Order Advisor  
Devon Energy Corporation  
333 W Sheridan, Oklahoma City, OK 73102  
405-228-7561-Direct Line-- Office  
[Darlene.Willoughby@dvn.com](mailto:Darlene.Willoughby@dvn.com)

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**AUTHORIZATION FOR EXPENDITURE**

Well Name:  Prospect:

Location:  County:  ST:

Sec:  Blk:  Survey:  TWP:  RNG:  Prop. TVD:  TMD:

INTANGIBLE COSTS 0180	CODE	TCP	CODE	CC
Permits and Surveys	0180-0100	\$10,000	0180-0200	
Location: Roads, Pits & Site Preparation	0180-0105	\$75,000	0180-0205	\$20,000
Location: Site Restoration, Excavation & Other	0180-0106	\$200,000	0180-0206	\$20,000
Day Work, Footage, Turnkey Drilling 25 days drlg & 3 comp @ \$18000/day	0180-0110	\$480,600	0180-0210	\$57,700
Fuel 1000 gal/day @ \$2.45/gal	0180-0114	\$68,600		
Mud	0180-0120	\$50,000		
Chemicals and Additives	0180-0121		0180-0221	\$5,000
Cementing	0180-0125	\$85,000	0180-0225	\$25,000
Logging, Wireline & Coring Services Gyro/Wireline for Plug & Perf/TCP toe	0180-0130	\$5,000	0180-0230	\$115,000
Casing, Tubing & Snubbing Services	0180-0134	\$25,000	0180-0234	\$15,000
Mud Logging	0180-0137	\$20,000		
Stimulation 15 Stg 5.2MM Gal SW X 6.3MM# Sand			0180-0241	\$825,000
Stimulation Rentals & Other			0180-0242	\$475,000
Water & Other	0180-0145	\$45,000		
Bits	0180-0148	\$70,000	0180-0248	\$2,500
Inspection & Repair Services	0180-0150	\$30,000	0180-0250	\$4,000
Misc. Air & Pumping Services N2/Reverse Unit for Drill out	0180-0154		0180-0254	\$80,000
Testing	0180-0158	\$15,000	0180-0258	\$20,000
Completion / Workover Rig 12 days @ \$3500/day(Toe prep & drill out/rod up)			0180-0260	\$42,000
Rig Mobilization	0180-0164	\$160,000		
Transportation	0180-0165	\$35,000	0180-0265	\$12,000
Welding and Construction	0180-0168	\$5,000	0180-0268	
Engineering & Contract Supervision	0180-0170		0180-0270	
Directional Services	0180-0175	\$135,000		
Equipment Rental	0180-0180	\$155,000	0180-0280	\$40,000
Well / Lease Legal	0180-0184	\$5,000	0180-0284	
Well / Lease Insurance	0180-0185	\$5,000	0180-0285	
Intangible Supplies	0180-0188	\$8,000	0180-0288	\$1,000
Damages	0180-0190	\$5,000	0180-0290	
Pipeline, Road, Electrical ROW & Easements	0180-0192		0180-0292	
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$82,500	0180-0295	\$30,000
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 5% (CC)	0180-0199	\$178,500	0180-0299	\$90,500
<b>TOTAL</b>		<b>\$1,963,200</b>		<b>\$1,899,700</b>

TANGIBLE COSTS 0181			
Casing (19.1" - 30")		0181-0793	
Casing (10.1" - 19.0") 1200' 13 3/8" 54.5# J55 STC @ \$29.88/ft + GRT		0181-0794	\$36,300
Casing (8.1" - 10.0") 4900' 9 5/8" 36/40# J55/N80 LTC @ \$20.52/ft + GRT		0181-0795	\$107,400
Casing (6.1" - 8.0") 11425' 7" 26# P110 LTC/BTC @ \$26.20/ft + GRT		0181-0796	\$319,700
Casing (4.1" - 6.0") 5150' 4 1/2" 13.5# P110 LTC @ \$14.50/ft + GRT			0181-0797 \$79,800
Tubing (2" - 4") 10600' 2 7/8" 6.5# L80 EUE 8rd @ \$4.62/ft + GRT			0181-0798 \$49,000
Drilling Head		0181-0860	\$12,000
Tubing Head & Upper Section			0181-0870 \$12,000
Downhole Directional Equipment Halliburton VersaStim Liner Hanger			0181-0871 \$60,000
Sucker Rods			0181-0875 \$42,000
Packer Pump & Subsurface Equipment rod pump			0181-0880 \$10,000
Artificial Lift Systems			0181-0884
Pumping Unit 912 Pumping Unit			0181-0885 \$100,000
Surface Pumps & Prime Movers 75HP PU motor & SWD transfer pump			0181-0886 \$20,000
Tanks - Steel 7-500bbl steel (3 coated)			0181-0890 \$79,500
Tanks - Others			0181-0891
Separation & Gas Treating Equipment 30"x10"x1000# 3ph & 24"x10"x1000# 2ph			0181-0895 \$30,000
Heater Treaters, Line Heaters 6"x20"x75# HT			0181-0897 \$17,500
Metering Equipment			0181-0898 \$7,000
Line Pipe - Gas Gathering and Transportation			0181-0900 \$20,000
Misc. Fittings, Valves, Line Pipe and Accessories			0181-0906 \$60,000
Cathodic Protection			0181-0908 \$5,000
Electrical Installations			0181-0909 \$100,000
Production Equipment Installation			0181-0910 \$40,000
Pipeline Construction 1 mile 4" SDR7			0181-0920 \$25,000
<b>TOTAL</b>			<b>\$477,400 \$756,800</b>
<b>SUBTOTAL</b>			<b>\$2,440,600 \$2,656,500</b>
<b>TOTAL WELL COST</b>			<b>\$5,097,100</b>

Prepared by: **J. Nave** Date: **6/24/2015**

Co. Approval: *M. White* Date: 6/29/2015

Joint Owner Interest: Amount:

Joint Owner Name:

**Signature:**

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185. Non-Operator may elect NOT to be covered by this Operator's Extra Expense Insurance only by signing below. **The undersigned elects NOT to be covered by Operator's Extra Expense Insurance for their well.**

Joint Owner Name:

**Signature**

Form Rev. 9/2014

## Attachment



Offset Ownership  
Antelope "9" B3PA State Com No. 1H  
E/2E/2 of Section 9, T23S, R34E  
Lea County, New Mexico

Section 3:

Devon Energy Production Company, LP – Operator  
BTA Oil Producers, LLC – Operator

Section 4:

Devon Energy Production Company, LP – Operator

W/2E/2 of Section 9:

Mewbourne Oil Company – Operator

W/2 of Section 10:

Siana Operating LLC – Operator  
Merit Energy Company, LLC – Operator

W/2 of Section 15:

Merit Energy Company, LLC – Operator

W/2 of Section 16:

COG Operating LLC – Operator

Attachment

**E**