

**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 COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 14,089

VERIFIED STATEMENT OF STEVEN J. SMITH

Steven J. Smith, being duly sworn upon his oath, deposes and states:

1. I am a landman for Mewbourne Oil Company, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1210.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 cannot be located.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S $\frac{1}{2}$ of Section 2, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, to form a standard 320 acre gas and spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated North Grayburg-Atoka Gas Pool and Undesignated Grayburg-Morrow Gas Pool.

The unit is to be designated to the proposed Tetra "2" State Com. Well No. 1 (API No. 30-015-35875), to be drilled at an orthodox location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 2. The well is expected to be a gas well.

(c) The party being pooled, his working interest in the well unit, and his last known address, are as follows:

Charles C. Harlan, Jr.
P.O. Box 511
Midland, Texas 79702

0.781250%

Oil Conservation Division
Case No. _____
Exhibit No. 1

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit B. The letter was returned as undeliverable. We have also examined the Eddy County records, telephone directories, and internet directories, but have been unable to locate a current address for Mr. Harlan.

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

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. 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.

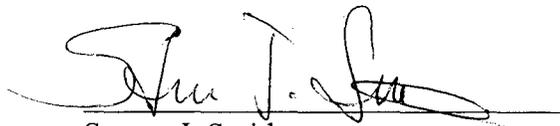
(g) Overhead charges of \$6,500.00/month for a drilling well, and \$650.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

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

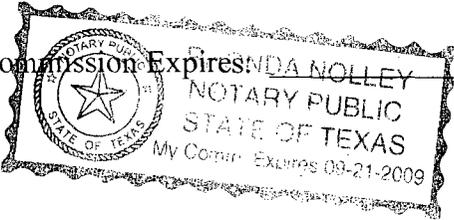
VERIFICATION

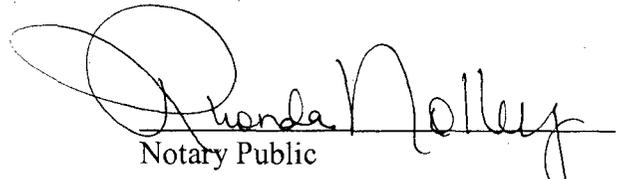
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Steven J. Smith, 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.


Steven J. Smith

SUBSCRIBED AND SWORN TO before me this 18th day of February, 2008 by Steven J. Smith.

My Commission Expires ND

NOTARY PUBLIC
STATE OF TEXAS
My Comm. Expires 09-21-2009


Notary Public

District I
 1625 N. French Dr., Hobbs, NM 882
 Phone:(505) 393-6161 Fax:(505) 393

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-102
 Permit 62985

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

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

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-35875	2. Pool Code 77840	3. Pool Name GRAYBURG,MORROW (GAS)
4. Property Code 36796	5. Property Name TETRA 2 STATE COM	6. Well No. 001
7. OGRID No. 14744	8. Operator Name MEWBOURNE OIL CO	9. Elevation 3645

10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
M	2	17S	29E		660	S	660	W	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00		13. Joint or Infill		14. Consolidation Code		15. 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		
	<p><i>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(s) or has a right to drill this well at this 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.</i></p>		
	<p>E-Signed By: Monty Whetstone Title: Vice President Operations Date: 10/18/2007</p>		
	SURVEYOR CERTIFICATION		
<p><i>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.</i></p>			
<p>Surveyed By: Gary Jones Date of Survey: 9/27/2007 Certificate Number: 7977</p>			

EXHIBIT A

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

October 19, 2007

Certified Mail-Return Receipt No. 5720

Mr. Charles C. Harlan, Jr.
P. O. Box 511
Midland, Texas 79701

Re: Proposed Morrow Test
Tetra "2" State COM #1
660' FSL & 660' FWL
Section 2, T-17-S, R-29-E
Eddy County, New Mexico
Tetra Prospect

Dear Mr. Harlan:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,100' Morrow at a location 660' FSL & 660' FWL of Section 2, T-17-S, R-29-E, Eddy County, New Mexico to be called the Tetra "2" State COM #1 well. To facilitate drilling this well, Mewbourne also proposed the formation of a 320 acre working interest unit covering the S/2 of said Section 2. Assuming a successful completion in the Morrow formation, a 320 acre communitized spacing unit would be necessary. Based upon our most current title information you appear to own 6.25% of the Operating Rights in State of New Mexico Lease E-7664 insofar as it covers the SW/4SE/4 of said Section 2. If our information is correct, you would have a 0.78125% interest in the well and working interest unit.

To indicate your election to participate in the formation of the proposed working interest unit and the drilling of the proposed well, please execute and return one of the enclosed AFE well cost estimates. Upon receipt of your election, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. Should you choose not to participate, Mewbourne would consider taking either a Farmout or Term Assignment covering your interest under mutually acceptable terms.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

EXHIBIT B

Attachments

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Tetra Well Name & No: Tetra 2 State Com #1
 Field: _____ Location: 660' FSL & 660' FWL
 Section: 2 Block: _____ Survey: _____ Township: 17S Range: 29E
 County: Eddy ST: NM Proposed Depth: 11,100'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.			
INTANGIBLE COST 180						
300	Permits and Surveys	\$3,000				
301	Location, Roads and Site Preparation	\$125,000	\$1,500			
302	Footage of Turnkey Drilling					
303	Day Work 26 days @ \$15,500/day and 2 days Completion	\$427,200	\$32,900			
304	Fuel	\$58,000	\$7,500			
305	Completion / Workover Rig		\$20,000			
306	Mud and Chemicals	\$45,000				
307	Cementing	\$41,000	\$60,000			
308	Logging, Wireline and Coring Services	\$30,000	\$15,000			
309	Casing, Tubing & Snubbing Services	\$10,000	\$12,000			
310	Mud Logging 16 days @ \$1000/day	\$16,000				
311	Testing					
312	Treating		\$190,000			
313	Water & Other	\$20,000				
314	Bits 1-17-1/2", 1-12-1/4", 4-8 3/4"	\$56,000	\$1,000			
315	Inspection & Repair Services	\$3,500	\$2,500			
316	Misc. Air and Pumping Services		\$2,000			
320	Rig Mobilization & Transportation	\$90,000				
321	Welding and Construction	\$4,000				
322	Engineering & Contract Supervision	\$20,000				
330	Equipment Rental	\$15,000	\$4,000			
334	Well / Lease Legal	\$3,000	\$1,000			
335	Well / Lease Insurance	\$7,200				
350	Intangible Supplies	\$500	\$500			
355	Damages	\$2,000				
360	Pipeline and Electrical ROW and Easements		\$3,500			
367	Pipeline Interconnect					
375	Company Supervision	\$26,300	\$7,500			
380	Overhead Fixed Rate	\$7,000	\$2,000			
396	Well Abandonment	\$15,000	(\$15,000)			
399	Contingencies 10% / 10%	\$102,500	\$34,800			
Total Intangibles		\$1,127,200	\$382,700			
TANGIBLE COST 181						
797	Conductor Casing (40' of 20" included in 301)					
797	Surface Casing 400' of 13 3/8" 48# H40 STC @ \$28.72/ft	\$11,500				
797	Intermediate Casing 3000' of 9 5/8" 36#/40# HCK55 LTC @ \$30.85/ft	\$92,600				
797	Intermediate Casing					
797	Production Casing 11,100' of 4 1/2" 11.6 P110 LTC @ \$12.25/ft		\$136,000			
798	Tubing 10,900' of 2 3/8" 4.7# N80 EUE @ \$4.57/ft		\$49,900			
860	Drilling Head	\$9,500				
870	Tubing Head & Upper Section		\$12,000			
875	Sucker Rods					
880	Packer Pump & Subsurface Equipment					
884	Artificial Lift Systems					
885	Pumping Unit					
886	Surface Pumps & Prime Movers					
890	Tanks - Steel		\$12,000			
891	Tanks - Other		\$5,500			
895	Separation Equipment		\$20,000			
896	Gas Treating Equipment					
898	Metering Equipment		\$6,500			
900	Line Pipe - Gas Gathering and Transportation		\$30,000			
901	Line Pipe - Production					
906	Miscellaneous Fittings, Valves & Accessories		\$15,000			
909	Electrical Installations					
910	Production Equipment Installation		\$15,000			
920	Pipeline Construction		\$30,000			
Prepared by:	Robin Terrell	Date Prepared:	9/17/2007	Total Tangibles	\$113,600	\$331,900
Company Approval:	<i>M. White</i>	Date Approved:	9/18/2007	SUBTOTAL	\$1,240,800	\$714,600
Joint Owner Interest:	0.78125%	Joint Owner Amount:	\$15,276.56	TOTAL WELL COST	\$1,955,400	

EXHIBIT C

Joint Owner: Charles C. Harlan, Jr. Joint Owner Approval: _____

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up, and redrilling, as estimated in Line Item 335. 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.

By: _____ Name: _____