

Ezeanyim

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

RECEIVED

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

April 27, 2009

Certified Mail-Return Receipt No. 0355

Wilson Oil Company, Ltd.
69930 HW 111, Suite 211
Rancho Mirage, CA 92270
Attn: Mr. Tug Wilson

Re: Notification of Election under Compulsory Pooling Order
White Wing "3" State COM #1 well
660' FNL & 660' FWL
Section 3, T-21-S, R-35-E, Lea County, New Mexico
NMOCD Case No. 14286
Order R-13112

Dear Mr. Wilson:

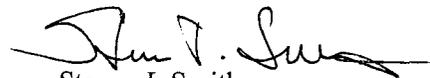
In accordance with the terms of the New Mexico Oil Conservation Division Order R-13112, copy enclosed, you are hereby notified of your right to elect to participate in the above reference well pursuant to this order. Wilson Oil Company, Ltd. (Wilson) owns a 12.5% working interest in State of New Mexico Lease E-1639 insofar only as it covers Lots 3, 4, 5 & 6 of Section 3, T21S, R35E, Lea County, New Mexico. As a result, Wilson has a 6.251206% interest in the proposed well as to formations developed on 320 acre spacing.

Should Wilson desire to participate in this well under the pooling order and avoid the payment of the 200% risk factor out of its share of production, then within thirty days of the date you receive this letter, Mewbourne Oil Company (Mewbourne) **must** receive a cashier's check in the amount of \$224,887.14 being Wilson's 6.251206% share of the completed well costs for the subject well as reflected in the attached AFE well cost estimate. In the alternative, Wilson may participate in this well pursuant to the terms of the JOA previously provided to you by unconditionally executing and returning a copy thereof within said thirty days.

If you elect not to participate then you need do nothing further. In that event, Mewbourne will pay your share of the costs of the well and will recover your share out of production plus and additional 200%.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

Enclosures: Copy of Order R-13112
AFE for subject well

XC: Director/NMOCD-Santa Fe
Mr. Jim Bruce Esq./Santa Fe

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:

CASE NO. 14286
ORDER NO. R-13112

APPLICATION OF MEWBOURNE OIL COMPANY FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 am on March 19, 2009 at Santa Fe, New Mexico, before Examiner Richard Ezeanyim.

NOW, on this 14th day of April, 2009, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The applicant, Mewbourne Oil Company ("applicant"), seeks an order pooling all uncommitted interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying Lots 1-8 (the N/2 equivalent) of irregular Section 3, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, to form a non-standard 310.92-acre spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated South Osudo-Morrow Gas Pool.

(3) The above-described unit (the "Unit") is to be dedicated to applicant's White Wing "3" State Com. Well No. 1(API No. 30-025-39359) which is to be drilled at an orthodox location 660 feet from the North line and 660 feet from the West line (Unit D) of Section 3.

(4) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill its White Wing "3" State Com. Well No. 1 at an orthodox well location.

(6) Because applicant owns no interest in the drillsite lease, it seeks to pool only those interests from the top of the Wolfcamp formation to the base of the Morrow formation, being those zones developed on 320-acre spacing.

(7) There are interest owners in the proposed Unit who have not agreed to pool their interests, and there are no title disputes and no un-locatable owners.

(8) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste, and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(9) Applicant should be designated the operator of the subject well and of the Unit.

(10) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000.00 per month while drilling and \$700.00 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*"

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Mewbourne Oil Company, all uncommitted interests in all formations from the top of the Wolfcamp formation to the base of the Morrow formation underlying Lots 1-8 (the N/2 equivalent) of irregular Section 3, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico, are hereby pooled to form a non-standard 310.92-acre gas spacing and proration unit for all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated South Osudo-Morrow Gas Pool.

The above-described unit (the "Unit") is to be dedicated to applicant's White Wing "3" State Com. Well No. 1, (API No. 30-025-39359) to be drilled at an orthodox

location 660 feet from the North line and 660 feet from the West line (Unit D) of Section 3, to test any and all formations from the top of the Wolfcamp formation to the base of the Morrow formation.

(2) Mewbourne Oil Company is hereby designated the operator of the subject well and of the Unit.

(3) The operator of the Unit shall commence drilling the proposed well on or before April 30, 2010 and shall thereafter continue drilling the well with due diligence to test the Morrow formation.

(4) In the event the operator does not commence drilling the proposed well on or before April 30, 2010, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(5) Should the subject well not be drilled and completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the Unit created by this Order shall terminate unless the operator appears before the Division Director and obtains an extension of time to complete the well for good cause demonstrated by satisfactory evidence.

(6) Upon final plugging and abandonment of the subject well, and all other wells drilled on the Unit pursuant to Division Rule 13.9, the pooled Unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(7) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the subject well ("well costs").

(8) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(9) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not

objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(10) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(11) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(12) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(13) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7000.00 per month while drilling and \$700.00 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

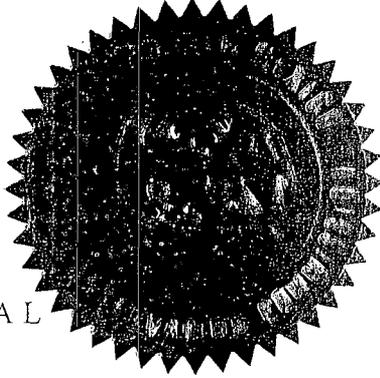
(14) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(15) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(17) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is written in a cursive style and is positioned above the printed name and title.

MARK E. FESMIRE, PE
Director

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: White Wing 3 Well Name & No: White Wing 3 St. #1
 Field: _____ Location: 660' FNL & 660' FWL
 Section: 3 Block: _____ Survey: _____ Township: 21S Range: 35E
 County: Lea ST: NM Proposed Depth: 12,300'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$3,000	\$1,500
301	Location, Roads and Site Preparation	\$250,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work 47 Days Drlg + 2 Days Completion @ \$16,500/d + 6% GRT	\$822,000	\$35,000
304	Fuel \$3,800/day	\$178,600	\$7,600
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$150,000	\$2,000
307	Cementing	\$70,000	\$50,000
308	Logging, Wireline and Coring Services	\$50,000	\$20,000
309	Casing, Tubing & Snubbing Services	\$15,000	\$12,000
310	Mud Logging 25 days @ \$1000/day + RU	\$27,000	
311	Testing	\$1,500	\$5,000
312	Treating 70Q Binary + 70K IP		\$200,000
313	Water & Other	\$60,000	\$1,000
314	Bits 1-17 1/2", 1-12 1/4", 5- 8 3/4"	\$65,000	
315	Inspection & Repair Services	\$8,000	\$1,000
316	Misc. Air and Pumping Services Air Package for 12 1/4" hole & reverse unit		\$2,000
320	Rig Mobilization & Transportation	\$90,000	\$2,500
321	Welding and Construction	\$4,000	\$5,500
322	Engineering & Contract Supervision	\$47,000	\$2,000
330	Equipment Rental	\$40,000	\$3,500
334	Well / Lease Legal	\$10,000	\$2,500
335	Well / Lease Insurance	\$8,100	
350	Intangible Supplies	\$500	\$500
355	Damages	\$10,000	
360	Pipeline and Electrical ROW and Easements	\$5,000	\$6,000
367	Pipeline Interconnect		
375	Company Supervision	\$30,000	\$15,000
380	Overhead Fixed Rate	\$9,000	\$6,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 5%	\$196,900	\$19,400
	Total Intangibles	\$2,165,600	\$407,000
TANGIBLE COST 181			
797	Conductor Casing 40' of 20" (included in location cost)		
797	Surface Casing 1500' 13-3/8" 54.5# K55/ 48# H40 ST&C @ \$64.00/ft	\$96,000	
797	Intermediate Casing 5400' 9-5/8" 40# HCK55/80 LT&C @ \$54.22/ft	\$293,000	
797	Intermediate Casing		
797	Production Casing 12,300' 5-1/2" 17# HCP110/N80 LT&C @ \$27.24/ft		\$335,000
798	Tubing 12,000' 2-7/8" 6.5# P110 EUE 8rd @ \$10.87/ft		\$130,400
860	Drilling Head	\$9,500	
870	Tubing Head & Upper Section		\$12,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$10,000
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel		\$17,000
891	Tanks - Other		\$8,000
895	Separation Equipment		\$20,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,500
900	Line Pipe - Gas Gathering and Transportation		\$40,000
901	Line Pipe - Production		\$1,500
906	Miscellaneous Fittings, Valves & Accessories		\$15,000
909	Electrical Installations		
910	Production Equipment Installation		\$10,000
920	Pipeline Construction		\$21,000
Prepared by: Charles Martin	Date Prepared: 7/17/2008	Total Tangibles	\$398,500
Company Approval: <u>M. Whittall</u>	Date Approved: 7/17/2008	SUBTOTAL	\$2,564,100
Joint Owner Interest: 6.251206%	Joint Owner Amount: \$224,887.14	TOTAL WELL COST	\$3,597,500

Joint Owner: Wilson Oil Company, Ltd. 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: _____