

**OIL  
CONSERVATION  
DIVISION**

**CASE NO.**  
*14299*

**EXHIBIT**  
*7*

**MEWBOURNE OIL COMPANY  
AUTHORIZATION FOR EXPENDITURE**

Prospect: Hackberry Hills Well Name & No: Hackberry Hills 1 Federal #1  
 Field: \_\_\_\_\_ Location: 1650' FNL & 990' FWL  
 Section: 1 Block: \_\_\_\_\_ Survey: \_\_\_\_\_ Township 22S Range: 25E  
 County: Eddy ST: NM Proposed Depth: 12,000'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
<b>INTANGIBLE COST 180</b>			
300	Permits and Surveys	\$2,000	\$1,000
301	Location, Roads and Site Preparation Includes restoration	\$200,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work 40 days @ \$16,500/Day + 3 Days @ TD + GRT	\$700,000	\$55,000
304	Fuel	\$96,000	
305	Completion / Workover Rig		\$30,000
306	Mud and Chemicals	\$85,000	\$1,000
307	Cementing	\$50,000	\$70,000
308	Logging, Wireline and Coring Services	\$40,000	\$20,000
309	Casing, Tubing & Snubbing Services	\$10,000	\$10,000
310	Mud Logging	\$30,000	
311	Testing	\$2,000	\$5,000
312	Treating		\$160,000
313	Water & Other	\$70,000	\$1,000
314	Bits (1-26", 1 - 12 1/4", 4 - 8 3/4")	\$55,000	
315	Inspection & Repair Services	\$3,500	\$2,500
316	Misc. Air and Pumping Services		\$2,000
320	Rig Mobilization & Transportation	\$90,000	\$2,000
321	Welding and Construction	\$4,000	\$5,000
322	Engineering & Contract Supervision	\$33,000	\$2,500
330	Equipment Rental	\$50,000	\$15,000
334	Well / Lease Legal	\$3,000	\$1,000
335	Well / Lease Insurance	\$8,000	
350	Intangible Supplies	\$1,500	\$500
355	Damages	\$3,000	
360	Pipeline and Electrical ROW and Easements		\$10,000
367	Pipeline Interconnect		
375	Company Supervision	\$30,000	\$10,000
380	Overhead Fixed Rate	\$10,000	\$8,000
398	Well Abandonment	\$12,000	(\$12,000)
399	Contingencies 10% / 10%	\$158,800	\$40,100
Total Intangibles		<b>\$1,746,800</b>	<b>\$441,100</b>
<b>TANGIBLE COST 181</b>			
797	Conductor Casing 90' 30" (included in location)		
797	Surface Casing 400' 20" 94# K55 STC @ \$164/ft + GRT	\$70,000	
797	Intermediate Casing		
797	Intermediate Casing 2200' 9 5/8" 40# N80/J55 LTC @ \$50/ft + GRT	\$117,000	
797	Production Casing 12,000' 4 1/2" 11.6# P110LTC @ \$19/ft + GRT		\$242,000
798	Tubing 11,800' 2 3/8" 4.7# N80 EUE 8rd @ \$7/ft + GRT		\$88,000
860	Drilling Head	\$10,000	
870	Tubing Head & Upper Section		\$20,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$12,000
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel -2		\$17,000
891	Tanks - Other -1		\$5,000
895	Separation Equipment		\$22,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,000
900	Line Pipe - Gas Gathering and Transportation (3000', 4" 1.88 wall, X-42 w/coating)		\$25,000
901	Line Pipe - Production		\$2,000
906	Miscellaneous Fittings, Valves & Accessories		\$12,000
909	Electrical Installations		
910	Production Equipment Installation		\$20,000
920	Pipeline Construction 3000'		\$60,000
Prepared by: <u>F. Lathan</u> Date Prepared: <u>7/16/2008</u> Total Tangibles		<b>\$197,000</b>	<b>\$531,000</b>
Company Approval: <u>M. Whitte</u> Date Approved: <u>7/17/2008</u> SUBTOTAL		<b>\$1,943,800</b>	<b>\$972,100</b>
Joint Owner Interest: _____ Joint Owner Amount: _____ TOTAL WELL COST		<b>\$2,915,900</b>	

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 7

Joint Owner: \_\_\_\_\_ 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: \_\_\_\_\_