

RECEIVED

MAR . 4 2003

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

Oil Conservation Division

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

No. 13031

APPLICATION

Pursuant to Division Rule 1207.A(1)(b), Mewbourne Oil Company applies for an order pooling all mineral interests from the surface to the base of the Morrow formation (except the Atoka formation) underlying the E½ of Section 11, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 11, and has the right to drill a well thereon.

2. Applicant proposes to drill its Esperanza "11" State Com. Well No. 2, at an orthodox location 1980 feet from the south line and 1650 feet from the east line of the section (Unit J), to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The SE¼ of Section 11 to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent, including the Undesignated East Avalon-Bone Spring Gas Pool; and

(b) The E½ of Section 11 to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated Cedar Hills-Upper Pennsylvanian Gas Pool,

Undesignated Burton Flat-Strawn Gas Pool, and Burton Flat-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 11 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 11, pursuant to NMSA 1978 §70-2-17.

5. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of this application:

(a) No opposition is expected because the owners have been contacted regarding the proposed well, but have simply not responded.

(b) A map outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks to dedicate to the well the acreage and formations described in paragraph (2) above. Certain formations are oil-bearing, and certain formations are gas bearing.

(c) The parties being pooled, and their last known addresses, are as follows:

J.W. Gendron  
1280 Encino Drive  
San Marino, California 91108

Sanford J. Hodge III, individually  
and as Trustee of the E.G. Holden  
Testamentary Trust  
3600 St. John Drive  
Dallas, Texas 75205

Charles Cline Moore  
138 Harvard Avenue  
Mill Valley, California 94941

Joseph R. Hodge  
P.O. Box 5238  
Austin, Texas 78763

Isaac A. Kawasaki and  
Ruby F. Kawasaki  
734 Kalanipuer Street  
Honolulu, Hawaii 96825

Betsy H. Keller  
Address unknown

The above parties collectively own an undivided 0.18586% interest in the E½ of Section 11. Ownership is more fully set forth in Exhibit B.

The above names and addresses were determined by a diligent search of all public records in Eddy County, including phone records and computer records. A summary of the communications with the locatable parties being pooled is attached hereto as Exhibit C. Applicant has been unable to determine an address for Betsy H. Keller.

(d) A structure and isopach map of the prospect are attached as Exhibits D and E. The main objective is the Morrow formation. The well's location is substantial a stepout from commercial Morrow production. Thus, applicant requests that

a risk penalty of cost plus 200% be assessed against any interest owner who does not voluntarily join in the well.

(e) A copy of the Authorization for Expenditure for the well is attached hereto as Exhibit F. The well costs are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(f) Overhead charges of \$6000/month for a drilling well, and \$600/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by applicant and other operators in this area for wells of this depth.

6. The pooling of all interests underlying the E½ of Section 11, and approval of the unorthodox location, will prevent waste and protect correlative rights.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order:

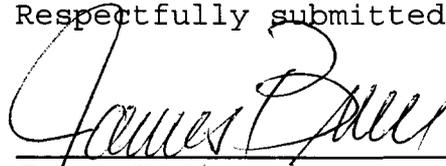
- A. Pooling all mineral interests in the E½ of Section 11 from the surface to the base of the Morrow formation, except the Atoka formation;
- B. Approving the unorthodox oil well location;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates

pursuant to the COPAS accounting procedure; and

F. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

**APPLICANT REQUESTS THAT IN THE ABSENCE OF OBJECTION THIS MATTER BE TAKEN UNDER ADVISEMENT.**

Respectfully submitted,



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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Mewbourne Oil Company

**VERIFICATION**

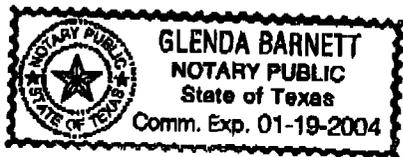
STATE OF TEXAS                    )  
                                                  )  
COUNTY OF MIDLAND            )

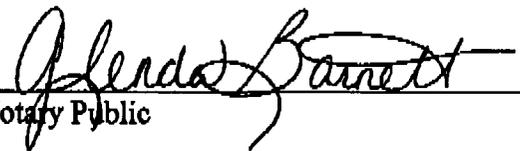
ss.

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

  
D. Paul Haden

Subscribed and sworn to before me this 4th day of March, 2003 by D. Paul Haden.



  
Notary Public

My Commission Expires:

01-19-2004



**TRACT OWNERSHIP**  
**Esperanza "11" State Com. #2 Well**  
**E/2 of Section 11, T21S, R27E**  
**Eddy County, New Mexico**

Well Location: 1980' FSL & 1650' FEL of Section 11

Tract 1: State Lease Serial No. K-3633-7; S/2SE/4, from the base of the Yates formation through the base of the Morrow formation:

<u>Owner</u>	<u>Percentage Interest</u>
Mewbourne Oil Company	96.616092
Chi Energy, Inc.	1.639555
Locker Brothers, a Partnership	0.375000
Frances B. Bunn	0.117397
Brown Brothers Harriman Trust Company Successor Trustee of the Agnes Cluthe Oliver Trust and the William B. Oliver Trust	0.234794
Frederick Van Vranken, Jr.	0.117397
Mark T. Owen, and wife Jami Owen	0.062500
Michael D. Hayes, and wife Kathryn A. Hayes	0.093750
*J.W. Gendron	0.176096
*Joseph R. Hodge	0.019566
*Sanford J. Hodge, III.	0.019566
*Sanford J. Hodge, III., Trustee of the the E.G. Holden Testamentary Trust	0.058698
*Betsy H. Keller	0.058699
*Issac A. Kawasaki or Ruby Kawasaki	0.117397
*Charles Cline Moore	<u>0.293493</u>
	100.000000



Tract 2: State Lease Serial No. V-5010-1; N/2SE/4, from the surface through the base of the Morrow formation:

<u>Owner</u>	<u>Percentage Ownership</u>
Mewbourne Oil Company	85.5083
Chi Energy, Inc.	10.2417
Locker Brothers, a Partnership	3.000
Michael D. Hayes and wife, Kathryn A. Hayes	0.750
Mark T. Owen and wife, Jami Owen	<u>0.500</u>
	100.000

Tract 3: USA Lease Serial No. NMNM-14768-B; NE/4, from the base of the Bone Spring formation through the base of the Morrow formation:

<u>Owner</u>	<u>Percentage Interest</u>
Mewbourne Oil Company	100.00

E/2 Unit Ownership

<u>Owner</u>	<u>Percentage Interest</u>
Mewbourne Oil Company	96.6311389
Chi Energy, Inc.	2.9703100
Locker Brothers, a Partnership	0.8437500
Michael D. Hayes and wife, Kathryn A. Hayes	0.2109375
Mark T. Owen and wife, Jami Owen	0.1406250
Frances B. Bunn	0.0293400
Brown Brothers Harriman Trust Company Successor Trustee of the Agnes Cluthe Oliver Trust and William B. Oliver Trust	0.0586800
Frederick Van Vranken, Jr.	0.0293400
*J.W. Gendron	0.0440240
*Joseph R. Hodge	0.0048915
*Sanford J. Hodge	0.0048915

\*Sanford J. Hodge, III, Trustee of the  
E.G. Holden Testamentary Trust

0.0146745

Owner

Percentage Interest

\*Betsy H. Keller

0.0146747

\*Issac A. Kawasaki or Ruby Kawasaki

0.0293492

\*Charles Cline Moore

0.0733732

100.000000

\*These interests are being pooled.

**Summary of Communications  
Esperanza "11" State Com. #1 and #2 Wells  
Section 11, T21S, R27E  
Eddy County, New Mexico**

Uncommitted Owners:

Mr. J.W. Gendron

- 1) Last known address per Eddy County records was at 1280 Encino Drive, San Marino, CA 91108.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Received return receipt green card on January 17, 2003.
- 4) Follow up letter dated January 20, 2003.
- 5) Per internet, there is a John W. Gendron in San Marino.
- 6) Phone number listed for J. Gendron 909-621-1365; no answer, left message on phone machine January 20, 2003.

Mr. Charles Cline Moore

- 1) Last known address per Eddy County records was at 138 Harvard Ave., Mill Valley, CA 94941.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) No return receipt green card was received.
- 4) Follow up well proposal letter dated January 21, 2003 with AFEs enclosed.
- 5) No return receipt green card was received.
- 6) Per internet, there is a Charles Cline Moore in Mill Valley.
- 7) Phone number listed was 415-383-7677, no answer, no answering machine, called this number January 20, 2003.

Mr. Joseph R. Hodge

- 1) Last known address per Eddy County records was at P.O. Box 5238, Austin, TX 78763.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Mail returned unclaimed.
- 4) Follow up letter dated January 20, 2003.
- 5) No phone listing for Joseph R. Hodge in Austin, Texas per internet January 20, 2003.

Mr. Sanford J. Hodge

- 1) Last known address per Eddy County records was at 3600 St. John Drive, Dallas, TX 75205.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Mail returned unclaimed.
- 4) Follow up letter dated January 20, 2003.
- 5) Per internet, there was a listing for S. Hodge but it was the wrong Hodge.



E.G. Holden Testamentary Trust, c/o Sanford J. Hodge, III. Trustee

- 1) Last known address per Eddy county was for Sanford J. Hodge, III, as listed above.
- 2) Proposed wells via certified mail with AFEs per letter dated February 25, 2003.
- 3) I expect no response.

Mr. Issac A. Kawasaki or Ruby Kawasaki

- 1) Last known address per Eddy County records was 734 Kalanipuer St., Honolulu, HI 96825.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Received return receipt green card January 13, 2003.
- 4) Follow up letter dated January 17, 2003 via certified mail.
- 5) Received green card January 28, 2003.

Betsy H. Keller

No last known addresses in the Eddy County records, no contact made.

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

January 20, 2003

J.W. Gendron  
1280 Encino Drive  
San Marino, CA 91108

Re: Proposed Esperanza "11  
State Com. #1 and #2 Wells  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Gendron:

Reference is made to my previous letter dated December 31, 2002 (see copy attached) regarding the captioned proposed wells. To date we have not received a response from you regarding your election to participate or not in the proposed wells.

Regarding the above, please respond at your very earliest convenience. Should you have any questions please do not hesitate to phone me collect at (915) 682-3715.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/gb

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8729

Mr. J.W. Gendron  
1280 Encino Drive  
San Marino, CA 91108

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Gendron:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates you own a .00176096 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0004402.

Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

December 31, 2002  
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**

  
D. Paul Haden  
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of January, 2003.

\_\_\_\_\_  
J.W. Gendron

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	<p>A. Signature  <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) _____ C. Date of Delivery <b>JAN 17 2003</b></p>
<p>1. Article Addressed to:</p> <p>Mr. J.W. Gendron 1280 Encino Drive San Marino, CA 91108</p> <p><b>JAN 17 2003</b></p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below: _____</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label): <b>7000 0520 0020 9191 8729</b></p> <p>PS Form 3811, August 2001 Domestic Return Receipt Esperanza "11" State Com. #1 + #2 Wells 102595-01-M-2509</p>	

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

January 21, 2003

Certified Mail

Return Receipt Requested No. 9269

Mr. Charles Cline Moore  
138 Harvard Ave.  
Mill Valley, CA 94941

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Moore:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates you own a .00293493 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0007337.

Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

January 21, 2003  
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of January, 2003.

---

Charles Cline Moore

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8774

Mr. Charles Cline Moore  
138 Harvard Ave.  
Mile Valley, CA 94941

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Moore:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

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Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

December 31, 2002  
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of January, 2003.

---

Charles Cline Moore

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

January 20, 2003

Joseph R. Hodge  
P.O. Box 5238  
Austin, Texas 78763

Re: Proposed Esperanza "11  
State Com. #1 and #2 Wells  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Hodge:

Reference is made to my previous letter dated December 31, 2002 (see copy attached) regarding the captioned proposed wells. To date we have not received a response from you regarding your election to participate or not in the proposed wells.

Regarding the above, please respond at your very earliest convenience. Should you have any questions please do not hesitate to phone me collect at (915) 682-3715.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/gb

0180 304.650 DEC  
3035 MAIL FROM ZIP CODE

DEC 3 2002 PM 11

# FIRST CLASS MAIL

1/2/03 1-14-02 1-17

**FROM**

**MEWBOURNE OIL COMPANY**  
500 WEST TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

**SHIP TO**

MR. JOSEPH R. HODGE  
P.O. BOX 5238  
AUSTIN, TEXAS 78763

**RETURN POSTAGE GUARANTEED**

MOVED, LIST NO ADDRESS  
FORWARDED, ORDER EXPIRED  
ATTEMPTED NOT KNOWN  
UNCLAIMED  REFUSED  
 NO SUCH STREET  
 NO SUCH NUMBER  
 INSUFFICIENT ADDRESS



1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

PS Form 3811, August 2001  
Domestic Return Receipt # 1 + #2 labels  
102595-01-M-2509

2. Article Number  
7000 0520 0020 9191 8699  
(Transfer from service label)

3. Service Type  
 Certified Mail  
 Express Mail  
 Return Receipt for Merchandise  
 Registered  
 Insured Mail  
 C.O.D.

4. Restricted Delivery? (Extra Fee)  
 Yes

MR. JOSEPH R. HODGE  
P.O. BOX 5238  
AUSTIN, TEXAS 78763

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8699

Joseph R. Hodge  
P.O. Box 5238  
Austin, Texas 78763

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

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Regarding the above, title examination indicates you own a .00019566 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0000489.

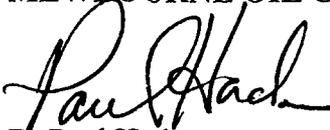
Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

December 31, 2002  
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of January, 2003.

---

Joseph R. Hodge

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

January 20, 2003

Sanford J. Hodge, III  
3600 St. John Drive  
Dallas, Texas 75205

Re: Proposed Esperanza "11  
State Com. #1 and #2 Wells  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Hodge:

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Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/gb

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature <span style="float: right;"><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</span>  <b>X</b></p>
<p>1. Article Addressed to:</p> <p>Mr. Sanford J. Hodge, III  3600 St. John Drive  Dallas, Texas 75205</p>	<p>B. Received by (Printed Name) <span style="float: right;">C. Date of Delivery</span></p>
<p>2. Article Number  (Transfer from service label)</p> <p>7000 0520 0020 9191 8736</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes  If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>PS Form 3811, August 2001 Domestic Return Receipt 102595-01-M-2509</p> <p><i>Capronya "11" State Com. #1 &amp; #2 Wells</i></p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

L/N  
1/3/03

**FROM**

**MENWBOURNE OIL COMPANY**

500 WEST TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

**SHIP TO**

Mr. Sanford J. Hodge, III  
3600 St. John Drive  
Dallas, Texas 75205

**RETURN POSTAGE GUARANTEED**

FIRST CLASS

PM MIDLAND/ODESSA TX 79707

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8736

Sanford J. Hodge, III  
3600 St. John Drive  
Dallas, Texas 75205

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Hodge:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates you own a .00019566 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0000489.

Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

December 31, 2002  
Page 2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of January, 2003.

---

Sanford J. Hodge, III.

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

February 25, 2003

Certified Mail

Return Receipt Requested No. 9689

E.G. Holden Testamentary Trust  
c/o Sanford J. Hodge, III, Trustee  
3600 St. John Drive  
Dallas, Texas 75205

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Hodge:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event the E.G. Holden Trust elects to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates the Holden Trust owns a .00058698 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, the Holden Trust's respective decimal interest in each respective spacing unit for each well is .0001467.

Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

February 25, 2003  
Page -2-

In the event the Holden Trust elects not to participate in the proposed wells, Mewbourne would be interested in acquiring all of the Holden Trust's interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

**E.G. HOLDEN TESTAMENTARY TRUST**

By: \_\_\_\_\_  
Sanford J. Hodge, III., Trustee

**SENDER: COMPLETE THIS SECTION**

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Isaac A. Kawasaki  
c/o Ruby F. Kawasaki  
734 Kalanipuer St.  
Honolulu, HI 96825

JAN 28 2003

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  
X *James M. Narita*  Agent  Addressee

B. Received by (Printed Name) C. Date of Delivery  
*James Narita* *1-24-03*

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number  
(Transfer from service label)

17000 0520 0020 9191 9807

PS Form 3811 August 2001

Domestic Return Receipt

102595-01-M-2509

*Esperanza "11" State Com #1 & #2*

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

January 17, 2003

Certified Mail

Return Receipt Requested

No. 7000 0520 0020 9191 9207

Mr. Isaac A. Kawasaki  
c/o Ruby F. Kawasaki  
734 Kalanipuer St.  
Honolulu, HI 96825

Re: Proposed Esperanza "11  
State Com. #1 and #2 Wells  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Mr. Kawasaki:

Reference is made to my previous letter dated December 31, 2002 (see copy attached) regarding the captioned proposed wells. To date we have not received a response from you regarding your election to participate or not in the proposed wells.

Regarding the above, please respond at your very earliest convenience. Should you have any questions please do not hesitate to phone me collect at (915) 682-3715.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/gb

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

(915) 682-3715  
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8781

Mr. Isaac A. Kawasaki  
c/o Ruby F. Kawasaki  
734 Kalanipuer St.  
Honolulu, HI 96825

Re: Esperanza "11" State Com. #1 Well  
1010' FSL & 660' FWL  
Section 11, T21S, R27E  
Eddy County, New Mexico  
and  
Esperanza "11" State Com. #2 Well  
1980' FSL & 1650' FEL  
Section 11, T21S, R27E  
Eddy County, New Mexico

Dear Ms. Kawasaki:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates Isaac A. Kawasaki owns a .00117397 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, the Kawasaki respective decimal interest in each respective spacing unit for each well is .0002934.

Esperanza "11" State Com. #1 Well &  
Esperanza "11" State Com. #2 Well

December 31, 2002  
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

**MEWBOURNE OIL COMPANY**



D. Paul Haden  
Senior Landman

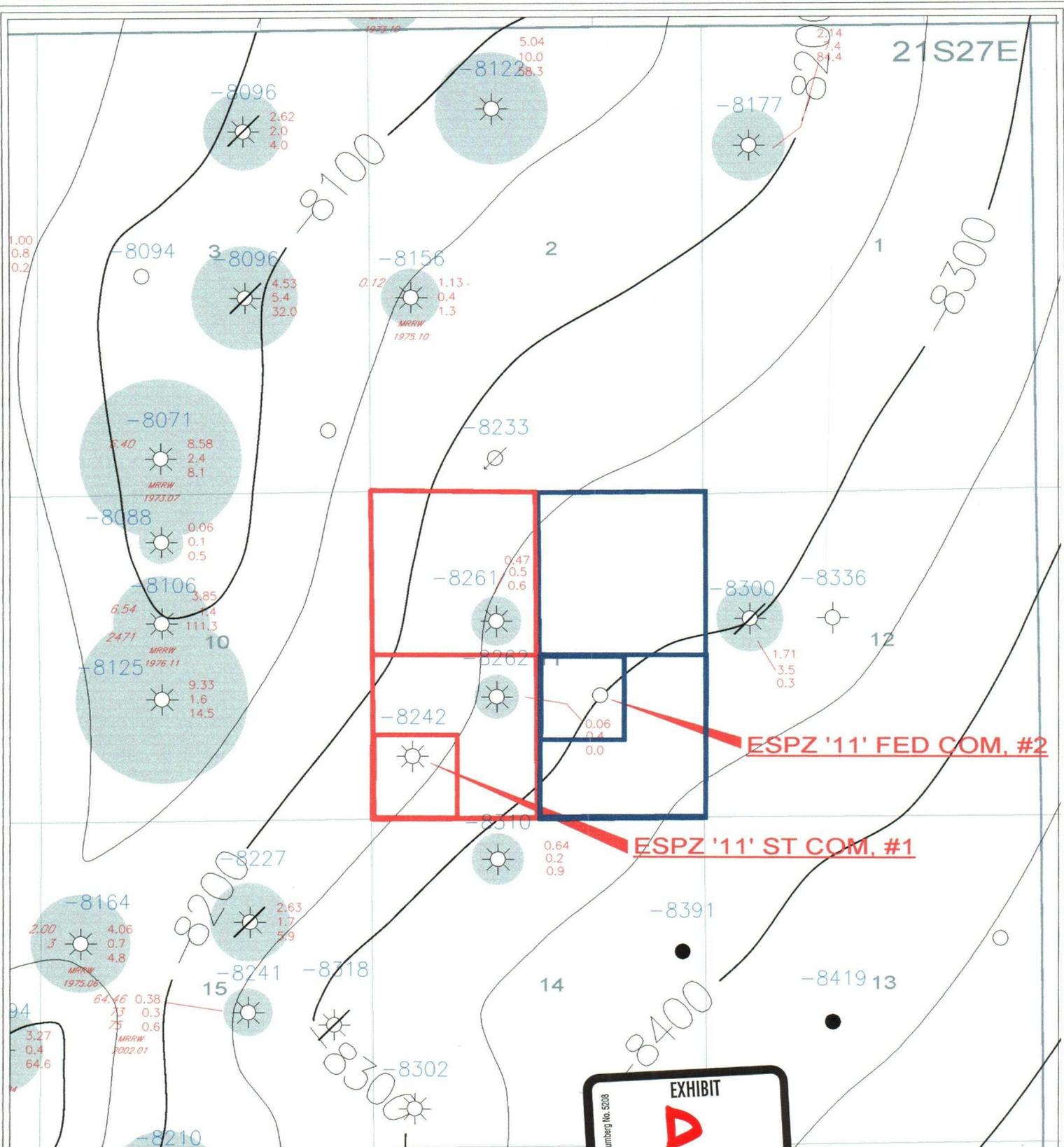
DPH/gb

The undersigned accepts the above referenced offer this \_\_\_\_\_ day of January, 2003.

Isaac A. Kawasaki

Ruby F. Kawasaki

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature  <input checked="" type="checkbox"/> <i>James M. Naughton</i> <input type="checkbox"/> Agent  <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <input type="checkbox"/> C. Date of Delivery  <i>James M. Naughton</i> <input type="checkbox"/> 1/6/03</p>
<p>1. Article Addressed to:</p> <p>Mr. Isaac A. Kawasaki  c/o Ruby F. Kawasaki  734 Kalanipuer St.  Honolulu, HI 96825</p> <p style="text-align: center;"><b>JAN 13 2003</b></p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes  If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type  <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article (Title)  PS Fol</p>	<p>02595-01-M-2509</p>



**KEY**

**SUBSEA ELEVATION**

CUR. PROD. MMCFM  
 CUR. PROD. BO/M  
 CUR. PROD. BW/M

CUM. PROD. BCFG  
 CUM. PROD. MBO  
 CUM. PROD. MBW

ACTIVE ZONE  
 FIRST PROD. DATE

SHADED DOT SIZE  
 REFLECTS CUM. PROD.

40 ACRE UNIT  
 160 ACRE UNIT  
 320 ACRE UNIT

Blumberg No. 5208

**EXHIBIT**

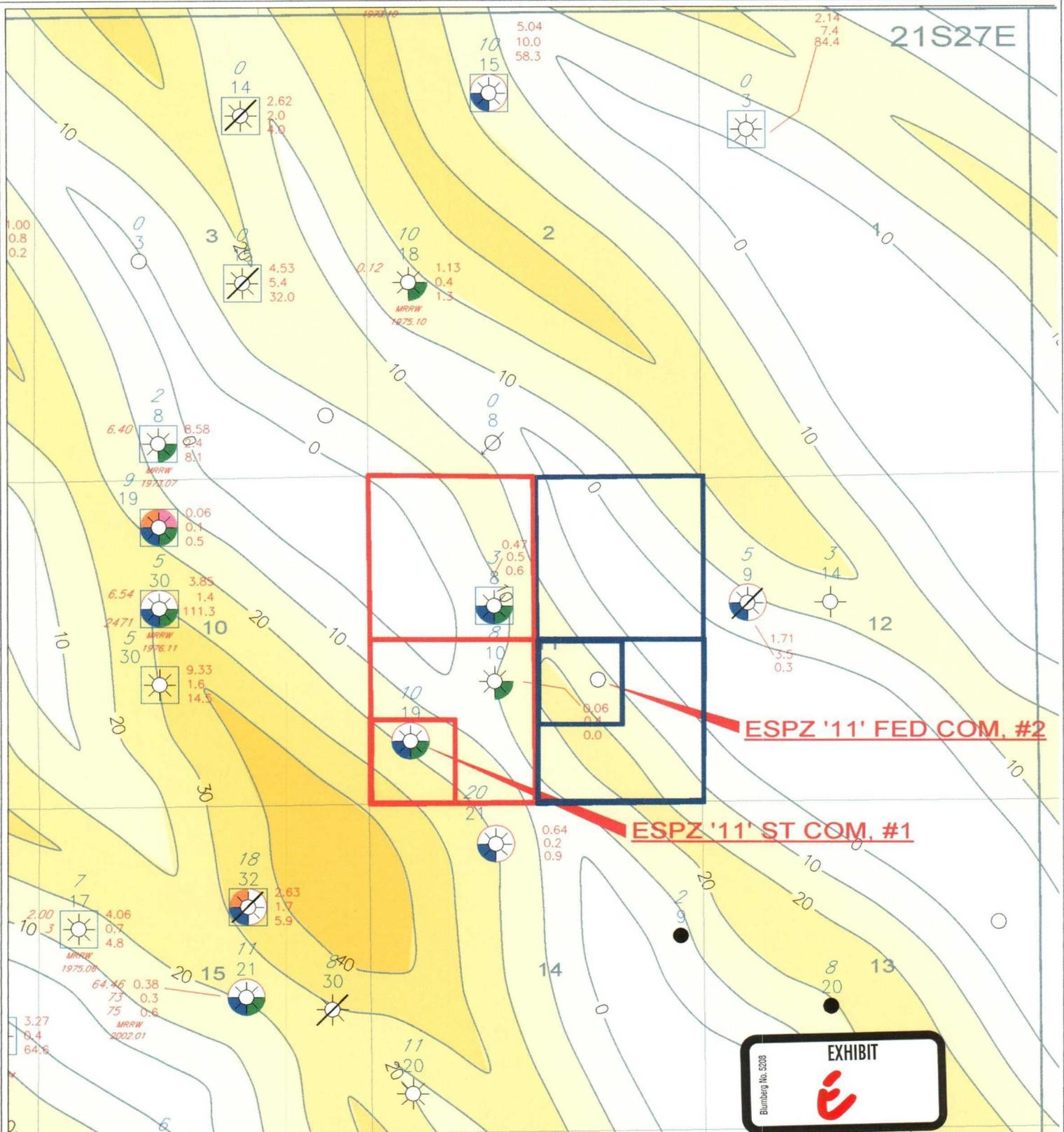
**D**

**MOC Mewbourne Oil Company**

T/LOW-MORRW STRUCTURE - W/MORRW PROD.  
 BURTON FLAT FIELD - S11/T21S/R27E  
 EDDY CO., NEW MEXICO

MB	C.I. = 50'	MARCH '03
LMRWSTR.GPF	1" = 2000'	WELLS > 10,000'

21S27E



**ESPZ '11' FED COM. #2**

**ESPZ '11' ST COM. #1**



**KEY**

NET SAND  
GROSS SAND

CUR. PROD. MMCF/M  
CUR. PROD. BCFM  
CUR. PROD. BWIM



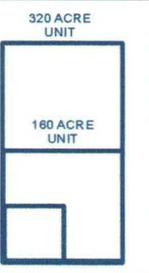
CUM. PROD. BCFG  
CUM. PROD. MBO  
CUM. PROD. MBW

ACTIVE ZONE  
FIRST PROD. DATE

COLORED DOT  
REFLECTS PERFS  
IN MMRRW ZONE

SQUARE REFLECTS  
PERFS IN L/MRRW

40 ACRE  
UNIT



**MOC Mewbourne Oil Company**

MID-MORROW 'U/BUE' SAND ISOPACH  
BURTON FLAT FIELD - S11/T21S/R27E  
EDDY CO., NEW MEXICO

MB	C.I. = 10'	MARCH '03
MM3ISOH.GPF	1" = 2000'	WELLS > 10,000'

**MEWBOURNE OIL COMPANY  
AUTHORIZATION FOR EXPENDITURE**

Prospect:	<u>Esperanza 11</u>	Well Name & No.	<u>Esperanza 11 State Com #2</u>	
Field:	<u>Burton Flat Morrow</u>	Location:	<u>1980' FSL &amp; 1650' FEL</u>	
Section:	<u>11</u>	Block:	<u>21B</u>	Range: <u>27E</u>
County:	<u>Eddy</u>	State:	<u>NM</u>	Proposed Depth: <u>11,900'</u>

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
<b>INTANGIBLE COST 180</b>			
300	Permits and Surveys	\$3,000	\$1,000
301	Location, Roads and Damages	\$25,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work (28 days @ \$7500 + 2 days after TD)	\$210,000	\$15,000
304	Fuel, Water and Other	\$50,000	\$5,000
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$30,000	\$1,000
307	Cementing	\$20,000	\$13,000
308	Logging and Wireline (Includes RFT)	\$25,000	\$18,000
309	Casing-Tubing Services	\$5,000	\$5,500
310	Mud Logging 20 Days	\$14,000	
311	Testing		\$1,000
312	Treating		\$75,000
313	Coring		
314	Fishing Services		
320	Transportation (Includes Rig Mobilization)	\$25,000	\$1,000
321	Welding and Construction Labor	\$2,000	\$3,500
322	Contract Supervision	\$3,000	
330	Equipment Rental (H <sub>2</sub> S, Sep, PVT, Rot Head)	\$17,500	\$5,000
334	Well / Lease Legal / Tax	\$3,000	\$1,000
335	Well / Lease Insurance	\$16,900	
350	Intangible Supplies (1-17 1/2, 1-12 1/4 & 4-7 7/8" bits)	\$40,000	\$1,000
360	Pipeline ROW and Easements		\$1,500
367	Pipeline Interconnect		
375	Company Supervision	\$20,000	\$3,500
380	Overhead Fixed Rate	\$5,000	\$4,000
398	Well Abandonment	\$12,000	-\$12,000
399	Contingencies 10% 5%	\$52,700	\$8,400
<b>Total Intangibles</b>		<b>\$580,100</b>	<b>\$178,400</b>
<b>TANGIBLE COST 181</b>			
797	Conductor Casing 40' 20" (included in location cost)		
797	Surface Casing 400' 13 3/8", 48#, H-40, ST&C	\$8,300	
797	Intermediate Casing 2600' 8 5/8", 32#, J-55, ST&C	\$28,000	
797	Production Casing 11,900' 5 1/2" 17# S95/N60 LTC		\$85,000
797	Production Casing		
798	Tubing 11,900' 2 7/8 6.5# P-110 EUE		\$41,700
880	Drilling Head	\$5,000	
885	Tubing Head		\$7,500
870	Upper Section		\$12,000
875	Sucker Rods		
880	Packer, Pump & Other Subsurface		\$4,500
883	Gas Lift Valve & System		
884	Plunger Lift System		
885	Pumping Unit & Prime Mover + Electricity		
886	Pumps		
890	Tanks - Steel		\$5,000
891	Tanks - Other		\$4,000
894	Separation Equipment - Fired		\$12,000
895	Separation Equipment - Non-Fired		
896	Gas Treating Equipment		
898	Metering Equipment		\$2,500
900	Line Pipe - Gas Gathering and Transportation		\$9,000
901	Line Pipe - Production		\$1,500
905	Valves		
908	Miscellaneous Fittings & Accessories		\$10,000
910	Production Equipment Installation		\$15,000
920	Pipeline Construction		\$21,000
Date prepared: 10/29/02		Total Tangibles	\$37,300
Prepared by: N. Young		SUBTOTAL	\$617,400
Company Approval: <i>M. White</i>		TOTAL WELL COST	\$1,024,500
Date Approved: 10/29/02			
Joint Owner Approval:			
Joint Owner Interest:			
Joint Owner Amount:			



**PROPOSED ADVERTISEMENT**

Case 13031:

**Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation (except the Atoka formation) underlying the following described acreage in Section 11, Township 21 South, Range 27 East, NMPM, and in the following manner: The E $\frac{1}{2}$  of Section 11 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated Cedar Hills-Upper Pennsylvanian Gas Pool, Undesignated Burton Flat-Strawn Gas Pool, and Burton Flat-Morrow Gas Pool; and the SE $\frac{1}{4}$  of Section 11 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent, including the East Avalon-Bone Spring Gas Pool. The unit is to be dedicated to applicant's Esperanza "11" St. Com. Well No. 2, drilled at an orthodox well location in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 11. 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 charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles northeast of Carlsbad, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

**RECEIVED**

MAR . 4 2003

Oil Conservation Division