

**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 AND AN UNORTHODOX
WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

Case No. 14,869

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 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 regarding the proposed well and has not decided whether to join in the well or lease her interests.

(b) A plat outlining the unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in the W/2 of Section 14, Township 26 South, Range 28 East, NMPM, and in the following manner: From the surface to the top of the Wolfcamp formation underlying the NE/4NW/4 of Section 14 to form a standard 40 acre oil spacing and proration unit; and the Wolfcamp formation underlying the W/2 of Section 14 to form a standard 320 acre gas spacing and proration unit. The units are to be dedicated to the Delaware Ranch 14 CN Well No. 1, a horizontal well with a surface location 330 feet from the north line and 1650 feet from the west line, and a terminus 330 feet from the south line and 1650 feet from the west line, of Section 14. A Form C-102 describing the horizontal well path is attached hereto as Exhibit B. The terminus is unorthodox in the Wolfcamp formation.

(c) The party being pooled and her working interest (unleased mineral interest) in the W½ of Section 14 well unit is as follows:

Oil Conservation Division
Case No. _____
Exhibit No. 1

Catherine Foley Estate
10061 Fieldcrest Drive
Omaha, Nebraska 68124

0.854135%

This address is current and correct.

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit C. Mewbourne did not receive a response to its proposal letter. After the Estate received the notice of hearing in this case Mewbourne was contacted by one of decedent's children, John C. Foley. Mewbourne was informed that Mrs. Foley's estate would not be probated. As a result, the Estate's interest will pass by New Mexico's intestacy laws. However, at this time we do not know the identity of the heirs, and do not know if Mewbourne will be able to lease their interests. Mewbourne must proceed with pooling because of time deadlines in the development of its interests in this area. If Mewbourne reaches voluntary agreement with any of Ms. Foley's heirs we will notify the Division, and they will not be subject to pooling.

(e) Mewbourne has made a good faith effort to obtain the voluntary joinder of the interest owners in the proposed well.

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

(g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit 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 \$7500/month for a drilling well, and \$750/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.

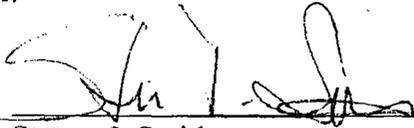
(i) The operator of Section 23, offsetting the unorthodox location, is COG Operating LLC, Suite 100, 550 West Texas, Midland, Texas 79701.

(j) 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.



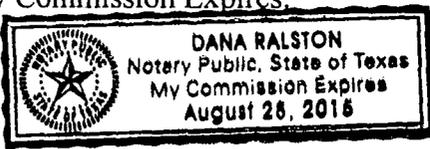
Steven J. Smith

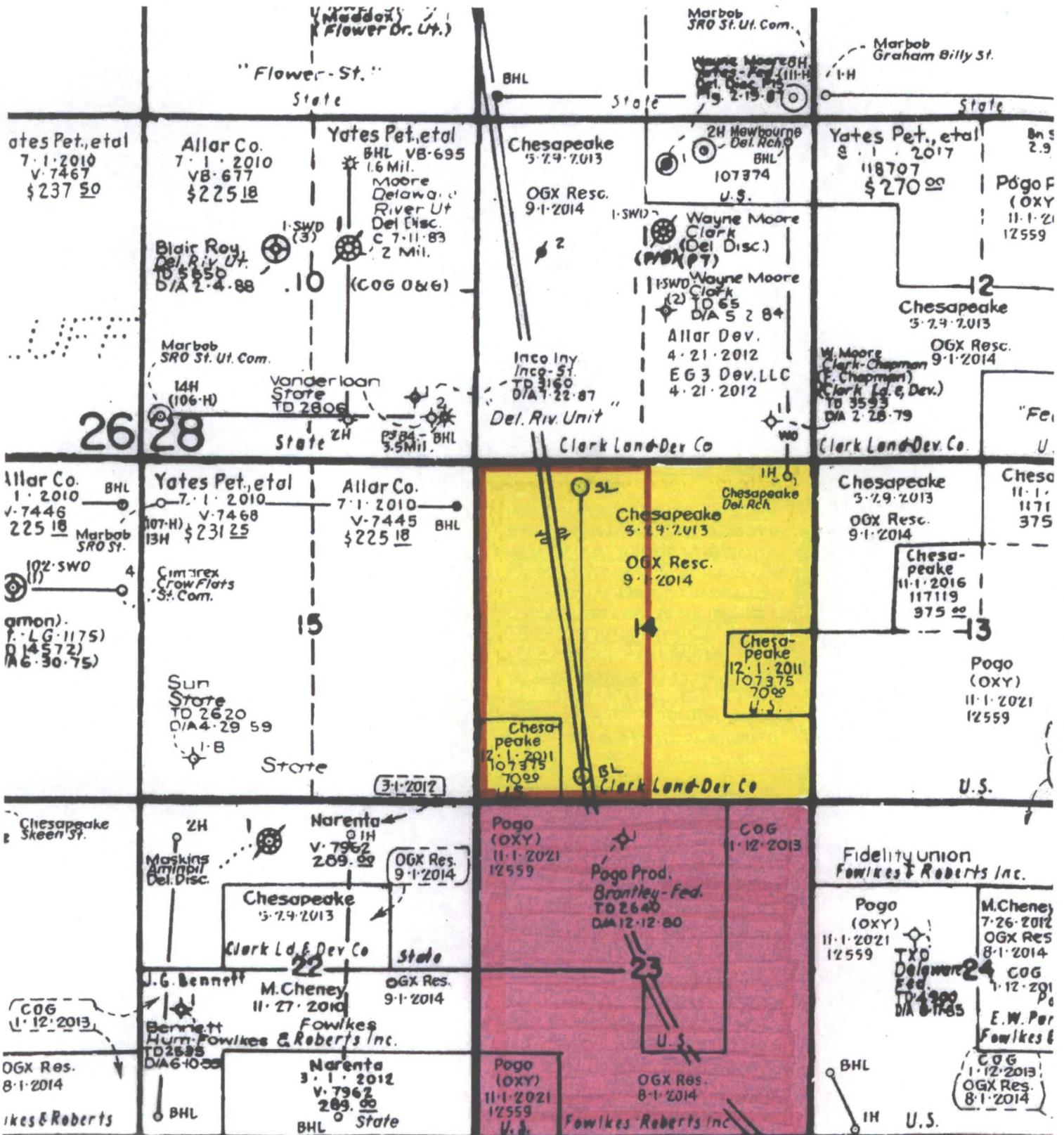
SUBSCRIBED AND SWORN TO before me this 29th day of June, 2012 by Steven J. Smith.

My Commission Expires: _____



Dana Ralston
Notary Public





Spacing Unit For Delaware Ranch "14" CN Fee COM #1-H



Mewbourne Oil Company



COG Operating LLC

EXHIBIT **A**

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised July 16, 2010

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

□ AMENDED REPORT

API Number	Pool Code	Pool Name
	92102	Crow Flats Wolfcamp Gas
Property Code	Property Name	Well Number
	DELAWARE RANCH "14" CN Fed Com	1H
OGRID No.	Operator Name	Elevation
14744	MEWBOURNE OIL COMPANY	2976'

Surface Location

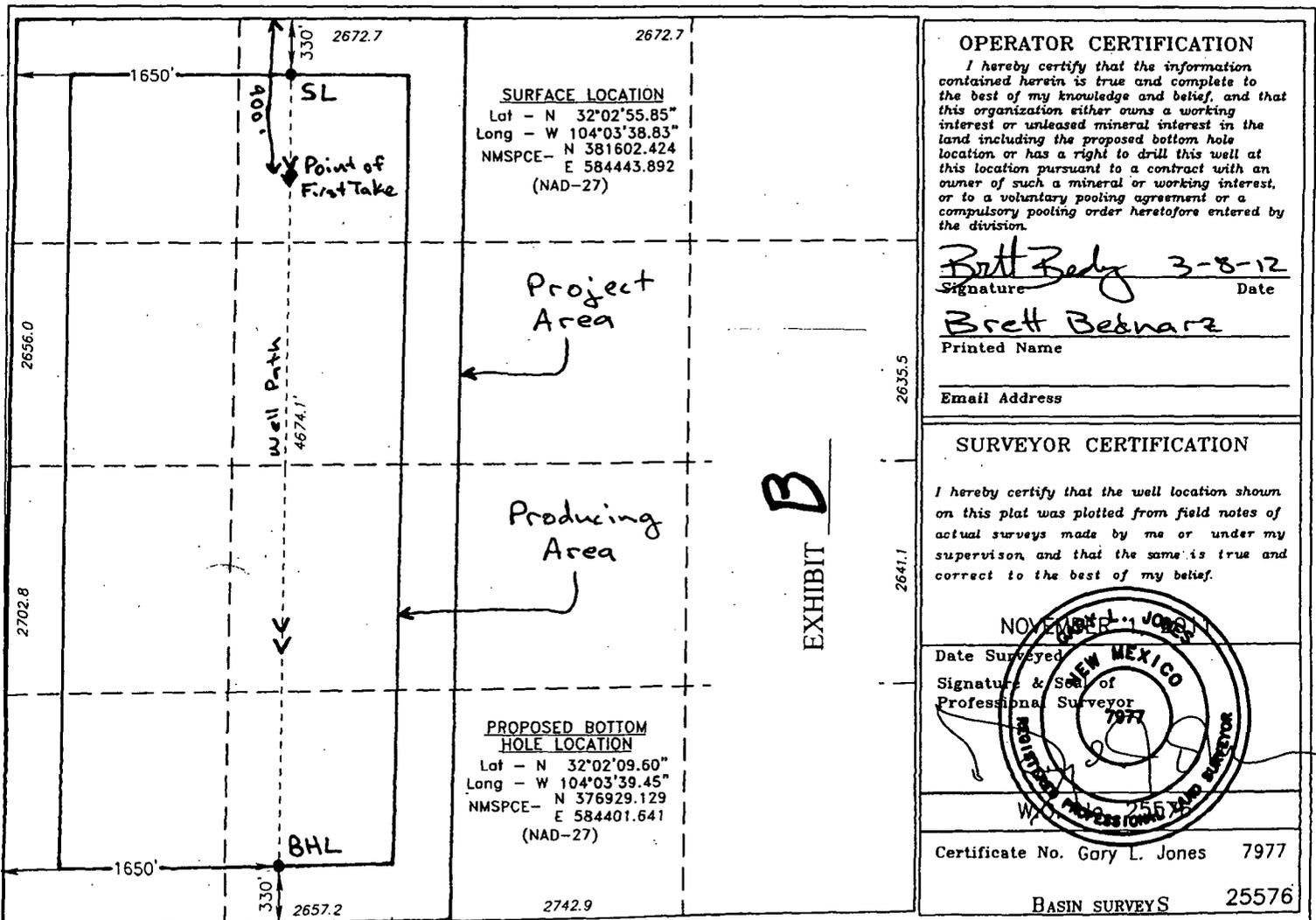
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	14	26 S	28 E		330	NORTH	1650	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	14	26 S	28 E		330	SOUTH	1650	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

March 2, 2012

Certified Mail-Return Receipt No. 7368

Mrs. Catherine Ann Foley
10061 Fieldcrest Drive
Omaha, Nebraska 68124

Re: Proposed Horizontal Wolfcamp Test
Delaware Ranch "14" CN #1-H
W/2 Section 14, T-26-S, R-28-E
Eddy County, New Mexico
Delaware Ranch Prospect

Dear Mrs. Foley:

Mewbourne Oil Company hereby proposes drilling a horizontal Wolfcamp test at a surface location 330' FNL & 1650' FWL (NE/4NW/4) and a bottom hole location 330' FSL & 1650' FWL (SE/4SW/4) of Section 14, T-26-S, R-28-E, Eddy County, New Mexico well to be called the Delaware Ranch "14" CN #1-H. We anticipate drilling at the surface location to an approximate vertical depth of 10,050' where horizontal drilling operations will commence that should result in turning the well completely horizontal at an approximate vertical depth of 10,640' in the Wolfcamp. We then plan to drill horizontally to the south in the Wolfcamp to the bottom hole location at an approximate total measured depth of 15,000'. The anticipated project area for this well will be the W/2 of said Section 14.

Based upon available title information, you appear to own an undivided 0.976154% unleased mineral interest in all of said Section 14 save and except the SW/4SW/4 and NE/4SE/4 thereof. To facilitate the orderly development of said Section 14, Mewbourne also proposes forming a 640 acre working interest unit covering all of said Section 14. Assuming you would be willing to commit your interest to such a unit, you would have a 0.854135% working and net revenue interest in each well drilled in the unit.

Enclosed are duplicate originals of Mewbourne's AFE well cost estimate for this well. Also enclosed is the AAPL 1989 Model Form Joint Operating Agreement Mewbourne proposes for this project along with an extra set of signature pages thereto. To make your election to participate in the proposed working interest unit and well, please properly execute and return to my attention the extra set of signature pages to the JOA along with one of the AFEs. You will also need to provide your "Well Information" requirements.

Oil Conservation Division
Case No. C
Exhibit No.

Mrs. Catherine Ann Foley
Delaware Ranch "14" CN Fed COM #1-H Well
March 2, 2012
Page 2 of 2

Please note that Mewbourne's AFEs provide all participants the opportunity to opt out of the "Extra Expense Well Control Insurance" that Mewbourne purchases for each well it drills. To opt out of this insurance, please be sure to sign the AFE a second time at the bottom of each AFE. If you do opt out, you will need to provide evidence that you have adequate "Well Control Insurance".

As an alternative to participation in this project, Mewbourne would be interested in acquiring an oil and gas lease covering your unleased mineral interest in the area under mutually acceptable terms.

Feel free to contact me if you have any questions or would like to discuss this proposal in greater detail. I can be reached by phone at (432) 682-3715 or via email at ssmith@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read "Steven J. Smith", with a long horizontal flourish extending to the right.

Steven J. Smith
Senior Landman

Enclosures

Del Rank 14CN#111

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:

Mrs. Catherine Ann Foley
10061 Fieldcrest Drive
Omaha, Nebraska 68124

2. Article Number
(Transfer from service label)

7010 1870 0001 6456 7368

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 Addressee
 Agent

B. Received by (Printed Name)
Catherine K Foley

C. Date of Delivery
3-6-12

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

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

4. Restricted Delivery? (Extra Fee)
 Yes

MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE

Well Name: Delaware Ranch "14" CN Fed Com #1H	Prospect: Delaware Ranch 14
Location: SL: 330' FNL & 1650' FWL BHL: 330' FSL & 1650' FWL	County: Eddy ST: NM
Sec: 14 Bkt: Survey	TWP: 26S RNG: 28E Prop. TMD: 10661 TMD: 15000

INTANGIBLE COSTS 180		CODE	TCP	CODE	CC
Permits and Surveys		100	\$12,000	200	\$2,000
Location: Roads, Pits & Site Preparation		105	\$75,000	205	\$10,000
Location: Site Restoration, Excavation & Other		105	\$135,000		
Day Work, Footage, Turnkey Drilling 35 days drlg & 4 days comp @ \$17,000/day		110	\$595,000	210	\$68,000
Fuel		114	\$150,000		
Mud		120	\$100,000		
Chemicals and Additives		121		221	\$5,000
Cementing		125	\$100,000	225	
Logging, Wireline & Coring Services		130	\$36,000	230	
Casing, Tubing & Snubbing Services		134	\$40,000	234	\$10,000
Mud Logging		137	\$25,000		
Stimulation				241	\$1,100,000
Stimulation Rentals & Other				242	\$250,000
Water & Other		145	\$55,000		
Bits		148	\$50,000	248	
Inspection & Repair Services		150	\$15,000	250	\$1,500
Misc. Air & Pumping Services		154		254	
Testing		158	\$6,500	258	\$20,000
Completion / Workover Rig				260	\$15,000
Rig Mobilization		164	\$200,000		
Transportation		165	\$25,000	265	\$5,000
Welding and Construction		168	\$6,000	268	\$2,000
Engineering & Contract Supervision		170	\$75,000	270	
Directional Services		175	\$175,000		
Equipment Rental		180	\$150,000	280	\$5,000
Well / Lease Legal		184	\$8,000	284	\$1,000
Well / Lease Insurance		185	\$4,000	285	
Intangible Supplies		188	\$15,000	288	\$1,000
Damages		190	\$5,000	290	
Pipeline, Road, Electrical ROW & Easements		192		292	\$3,000
Pipeline Interconnect				293	
Company Supervision		195	\$75,000	295	\$35,000
Overhead Fixed Rate		196	\$9,000	296	\$4,000
Well Abandonment		198		298	
Contingencies 10% (TCP) 5% (CC)		199	\$214,200	299	\$76,900
TOTAL			\$2,355,700		\$1,614,400
TANGIBLE COSTS 181					
Casing (19.1" - 30")		793			
Casing (10.1" - 19.0") 1000' 13 3/8" 48# J55 STC @ \$39/ft		794	\$39,000		
Casing (8.1" - 10.0") 4400' 9 5/8" 36/40# N80 LTC @ \$29/ft		795	\$127,600		
Casing (6.1" - 8.0") 11000' 7" 26# P110 BTC/LTC @ \$28/ft		796	\$308,000		
Casing (4.1" - 6.0") 4500' 4 1/2" 13.5# P110 LTC @ \$16/ft				797	\$72,000
Tubing (2" - 4") 10000' 2 7/8" 6.5# EUE 8rd @ \$7.50/ft				798	\$75,000
Drilling Head		860	\$12,000		
Tubing Head & Upper Section				870	\$15,000
Sucker Rods				875	
Packer Pump & Subsurface Equipment 20 ports + pump assembly				880	\$235,000
Artificial Lift Systems				884	\$700
Pumping Unit				885	
Surface Pumps & Prime Movers				886	
Tanks - Steel 4 - 500 bbl steel				890	\$30,000
Tanks - Others 2 - 500 bbl fiberglass				891	
Separation Equipment 20" x 7 1/2" x 1000# 2-phase				895	\$15,000
Gas Treating Equipment				896	
Heater Treaters, Line Heaters 6' x 20' x 75#				897	\$25,000
Metering Equipment				898	\$10,000
Line Pipe - Gas Gathering and Transportation				900	\$10,000
Misc. Fittings, Valves, Line Pipe and Accessories				906	\$50,000
Cathodic Protection				908	
Electrical Installations				909	
Production Equipment Installation				910	\$50,000
Pipeline Construction				920	\$10,000
TOTAL			\$486,600		\$597,700
SUBTOTAL			\$2,842,300		\$2,212,100
TOTAL WELL COST			\$5,054,400		

Prepared by: J. Burnett Date: 2/16/2012
Co. Approval: M. Whittall Date: 2/17/2012

Joint Owner Interest: 0.85413500% Amount: \$43,171.40

Joint Owner Name: Catherine Ann Foley

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 185. Non-Operator may elect NOT to be covered by this Operator's Extra Expense Insurance only by signing below. The

Joint Owner Name: _____

Signature: _____

Form Rev. 1/1/12

Oil Conservation Division
Case No. **D**
Exhibit No.