

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

Case No. 16450

VERIFIED STATEMENT OF CY SHOOK

Cy Shook, being duly sworn upon his oath, deposes and states:

1. I am a landman for Mewbourne Oil Company ("Mewbourne"), and have personal knowledge of the matters stated herein. I have worked as a petroleum landman for 12.5 years.
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) The purpose of this application is to force pool working interest owners into the Bone Spring horizontal spacing unit described below, and in wells to be drilled in the unit.
 - (b) No opposition is expected because the interest owners being pooled have been contacted regarding the proposed well, but have simply refused to voluntarily commit their interests to the well.
 - (c) A plat outlining the unit being pooled is attached hereto as Attachment A. Mewbourne seeks an order approving a 237.60-acre horizontal spacing unit in the Bone Spring formation comprised of Lots 2, 7, 10, 15, and the W2SE4 of Section 6, Township 21 South, Range 35 East, NMPM. The unit will be dedicated to the Cast Away 6 B2BW State Com Unit #1H, a horizontal well with a surface location in Unit B and a final take point in Unit W of Section 6. There are no depth severances in the Bone Spring Formation
 - (d) The parties being pooled and their interests are set forth in Attachment B. Their current and correct addresses are also set forth.
 - (e) Attachment C contains a summary of contacts with the interest owners, together with copies of the proposal letters sent to them.

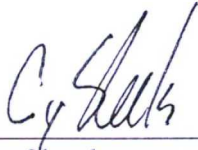


- (f) Mewbourne has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed well.
- (g) Mewbourne has the right to pool the overriding royalty owners in the well unit.
- (h) Attachment D is the Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable, and is comparable to the costs of other wells of similar depth and length drilled in this area Lea County.
- (i) Mewbourne requests overhead and administrative rates of \$8000/month for a drilling well and \$800/month for a producing well. These rates are fair, and comparable to the rates charged by other operators for wells of this type in this portion of Lea County. Mewbourne requests that these rates be adjusted periodically as provided in the standard COPAS. Accounting Procedure.
- (j) Mewbourne requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.
- (k) Applicant requests that it be designated operator of the well.
- (l) The attachments to this affidavit were prepared by me or under my supervision, or compiled from company business records.
- (m) The granting of this application is in the interests of conservation and the prevention of waste.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

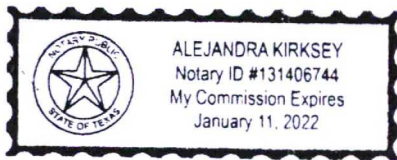
Cy Shook, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information,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



Cy Shook

SUBSCRIBED AND SWORN TO before me this 16th day of October, 2018 by Cy Shook.

My Commission Expires:  
Notary Public



District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AUG 09 2018

☐ AMENDED REPORT

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 70-025-46059	² Pool Code 97704	³ Pool Name WILSON; BONE SPRING, NORTH
⁴ Property Code 72230	⁵ Property Name CAST AWAY 6 B2BW STATE COM UNIT	⁶ Well Number 1H
⁷ GRID NO. 14744	⁸ Operator Name MEWBOURNE OIL COMPANY	⁹ Elevation 3858'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	6	21S	35E		220	NORTH	2540	EAST	LEA

¹¹ 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
2	6	21S	35E		100	SOUTH	2234	EAST	LEA

¹² Dedicated Acres 232.60	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.

<p>¹⁶ GEODETIC DATA NAD 83 GRID - NM EAST SURFACE LOCATION N: 554788.1 - E: 827013.7 LAT: 32.5217567° N LONG: 103.4064920° W BOTTOM HOLE N: 547268.1 - E: 827310.0 LAT: 32.5010822° N LONG: 103.4054964° W CORNER DATA NAD 83 GRID - NM EAST A: FOUND 2" PIPE N: 547148.8 - E: 824482.3 B: FOUND 1/2" REBAR N: 549789.2 - E: 824471.7 C: FOUND NAIL N: 554985.0 - E: 824430.0 D: FOUND NAIL N: 555030.7 - E: 829551.7 E: FOUND 6"x4"x2.5" LIMESTONE ROCK N: 549825.8 - E: 829596.4 F: FOUND 12"x6"x4" LIMESTONE ROCK N: 547184.0 - E: 828620.4</p>	<p>N 89°29'17" E 5122.79'</p> <p>LOT 4 LOT 3 LOT 2 LOT 1</p> <p>LOT 5 LOT 6 LOT 7 LOT 8</p> <p>LOT 12 LOT 11 LOT 10 LOT 9</p> <p>LOT 13 LOT 14 LOT 15 LOT 16</p> <p>LOT 17 LOT 18</p> <p>100'</p> <p>N 89°36'24" E 5129.19'</p>				<p>¹⁷ OPERATOR CERTIFICATION 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 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 in a voluntary pooling agreement or a compulsory pooling order as may be entered by the division. Signature: <i>Bradley Bishop</i> Date: 8-8-18 Printed Name: BRADLEY BISHOP E-mail Address: BBISHOP@MEWBOURNE.COM</p>
	<p>¹⁸ SURVEYOR CERTIFICATION 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. Date of Survey: 7-17-18 Signature and Seal of Professional Surveyor: <i>Robert M. Howett</i> Certificate Number: 19680</p>				

RRC-Job No.: LS1807904

**Lots 2, 7, 10, 15, and the W2SE4 of Section 6,
Township 21 South, Range 35 East
Bone Spring Formation:**

* Total interest being pooled: 38.34232%

1

Summary of Communication with Apache Corporation

Case # 16450

Compulsory Pooling Application

MOC's Cast Away 6 B2BW State Com Unit #1H

API #30-025-45059

220' FNL & 2540' FEL (SL)

100' FSL & 2234' FEL (BHL)

Lots 2, 7, 10, 15, and W2SE4 of Sections 6, T21S, R35E

Lea County, New Mexico

- 8/17/2018: Sent Proposal via certified mail.
- 8/27/2018: Emailed Nick Lars about title and plans for drilling proposed well.
- 9/11/2018: Emailed Nick Lars with title information.
- 9/18/2018: Talked on the phone with Nick Lars about Proposal, he stated Apache was having a meeting about the proposal 9/20/18.
- 9/20/2018: Emailed Nick Lars asking that Apache sign a letter voting MOC as Operator of the North Wilson Deep Unit
- 9/27/2018: Emailed Nick Lars and told him I would send a JOA if they wished to participate.
- 10/3/2018: Received email from Nick Lars stating he received the compulsory pooling notice and was still waiting on approval from "Houston".
- 10/15/2018: Received email from Nick Lars stating Apache did not wish to participate and discussed a possible farmout.
- 10/16/2018: Sent Nick Lars terms MOC would be willing to use for a Farm in of Apache's interest in the proposed well.

ATTACHMENT C

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 17, 2018

Via Certified Mail

Apache Corporation
303 Veterans Airpark Ln,
Midland, Texas 79705
Attn: Permian Land Manager

Re: Well Proposal
Cast Away 6 B2BW State Com Unit #1H
Section 6: W2E2
T-21-S, R-35-E, Lea County, New Mexico

Dear Owner:

Mewbourne Oil Company ("Mewbourne") hereby proposes to drill the referenced horizontal Bone Spring well. The Cast Away 6 B2BW State Com Unit #1H will be at a surface location 220' FNL & 2540' FEL and a bottom hole location approximately 100' FSL & 2230' FEL in Section 6, T-21-S, R-35-E, Lea County, New Mexico. We anticipate drilling to an approximate vertical depth of 9,894' and an approximate measured depth of 17,418'. The estimated cost to casing point for this well is \$3,482,300 and the estimated cost of a producing well is \$9,321,200. These costs are more fully detailed in the AFE enclosed herewith. If successful, the project area for this well will be comprised of the W2E2 of Section 6.

To facilitate the drilling of this well and the development of the E2 of Section 6, Mewbourne proposes forming a working interest unit by signing an Operating Agreement with a Contract Area comprised of the E2 of Section 6. If you wish to form this working interest unit, please advise and I will send an Operating Agreement for your review and execution.

If you does not wish to participate in the well Mewbourne is interested in discussing a Farmout of your interest.

Enclosed is an original of Mewbourne's AFE for the well. To make your election to participate in the proposed well, properly execute and return the AFE. You will also need to provide your "Well Information" requirements. As a reminder, 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. If you do opt out, you must provide evidence that you have adequate "Well Control Insurance".

MEWBOURNE OIL COMPANY

AUTHORIZATION FOR EXPENDITURE

Well Name: <u>Cast Away 6 B2BW State Com Unit #1H</u>		Prospect: <u>Bone Spring</u>	
Location: <u>SL: 220' FNL & 2540' FEL; BHL: 100' FSL & 2230' FEL</u>		County: <u>Lea</u>	ST: <u>NM</u>
Sec. <u>6</u>	Blk: <u></u>	Survey: <u></u>	TWP: <u>21S</u> RNG: <u>35E</u> Prop. TVD: <u>9894</u> TMD: <u>17418</u>

INTANGIBLE COSTS 0180	CODE	TCP	CODE	CC
Regulatory Permits & Surveys	0180-0100	\$10,000	0180-0200	
Location / Road / Site / Preparation	0180-0105	\$60,000	0180-0205	\$30,000
Location / Restoration	0180-0106	\$200,000	0180-0206	\$30,000
Daywork / Turnkey / Footage Drilling 29 days drlg / 4 days comp @ \$22,000/d	0180-0110	\$682,000	0180-0210	\$94,000
Fuel 1700 gal/day @ 2.70/gal	0180-0114	\$166,800	0180-0214	\$300,000
Mud, Chemical & Additives	0180-0120	\$230,000	0180-0220	
Horizontal Drillout Services			0180-0222	\$200,000
Cementing	0180-0125	\$95,000	0180-0225	\$30,000
Logging & Wireline Services	0180-0130	\$2,000	0180-0230	\$300,000
Casing / Tubing / Snubbing Service	0180-0134	\$25,000	0180-0234	\$80,000
Mud Logging	0180-0137	\$30,000		
Stimulation 38 Stg 14.9 MM gal / 14.9 MM lb			0180-0241	\$2,280,000
Stimulation Rentals & Other			0180-0242	\$175,000
Water & Other	0180-0145	\$50,000	0180-0245	\$475,000
Bits	0180-0148	\$90,000	0180-0248	\$8,000
Inspection & Repair Services	0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services	0180-0154		0180-0254	\$10,000
Testing & Flowback Services	0180-0158	\$15,000	0180-0258	\$30,000
Completion / Workover Rig			0180-0260	\$10,500
Rig Mobilization	0180-0164	\$150,000		
Transportation	0180-0165	\$20,000	0180-0265	\$20,000
Welding Services	0180-0168	\$5,000	0180-0268	\$15,000
Contract Services & Supervision	0180-0170	\$48,000	0180-0270	\$30,000
Directional Services Includes Vertical Control	0180-0175	\$283,500		
Equipment Rental	0180-0180	\$250,000	0180-0280	\$30,000
Well / Lease Legal	0180-0184	\$5,000	0180-0284	
Well / Lease Insurance	0180-0185	\$5,400	0180-0285	
Intangible Supplies	0180-0188	\$8,000	0180-0288	\$10,000
Damages	0180-0190		0180-0290	
ROW & Easements	0180-0192		0180-0292	\$1,000
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$153,600	0180-0295	\$96,000
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 10% (CC)	0180-0199	\$263,400	0180-0299	\$426,000
TOTAL		\$2,897,700		\$4,707,500

TANGIBLE COSTS 0181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	0181-0793			
Casing (10.1" - 19.0") 1960' - 13 3/8" 54.5# J-55 ST&C @ \$35.90/ft	0181-0794	\$75,200		
Casing (8.1" - 10.0") 5520' - 9 5/8" 40# N-80 LT&C @ \$27.61/ft	0181-0795	\$162,800		
Casing (6.1" - 8.0") 10170' - 7" 29# P-110 LT&C @ \$27.76/ft	0181-0796	\$301,600		
Casing (4.1" - 6.0") 8000' - 4 1/2" 13.5# P-110 BPN @ \$13.66/ft			0181-0797	\$116,800
Tubing 9420' - 2 7/8" 6.5# L-80 EUE 8rd @ \$5.62/ft			0181-0798	\$56,600
Drilling Head	0181-0860	\$45,000		
Tubing Head & Upper Section			0181-0870	\$50,000
Horizontal Completion Tools Completion Liner Hanger			0181-0871	\$70,000
Sucker Rods			0181-0875	
Subsurface Equipment			0181-0880	
Artificial Lift Systems Gas Lift Valves & Packer			0181-0884	\$25,000
Pumping Unit			0181-0885	
Surface Pumps & Prime Movers 1/2 VRU/SWD Pump/Circ Pump			0181-0886	\$40,000
Tanks - Oil 3 - 750 bbl			0181-0890	\$55,000
Tanks - Water 3 - 750 bbl			0181-0891	\$66,000
Separation / Treating Equipment 30"x10"x1k# 3 ph/36"x15"x1k#/Gun bbl/VRT			0181-0895	\$75,000
Heater Treaters, Line Heaters 8"x20"x75# HT			0181-0897	\$25,000
Metering Equipment			0181-0898	\$14,000
Line Pipe & Valves - Gathering 1.3 Mile 4" Gas & 5.25 Miles 4" Water			0181-0900	\$200,000
Fittings / Valves & Accessories			0181-0906	\$60,000
Cathodic Protection			0181-0908	\$8,000
Electrical Installation			0181-0909	\$50,000
Equipment Installation			0181-0910	\$50,000
Pipeline Construction 1.3 Mile 4" Steel & 5.25 Miles 4" Poly			0181-0920	\$170,000
TOTAL		\$584,600		\$1,131,400
SUBTOTAL		\$3,482,300		\$5,838,900
TOTAL WELL COST		\$9,321,200		

Extra Expense Insurance

☐ I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.
Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

☐ I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: <u>B. Talley</u>	Date: <u>8/1/2018</u>
Company Approval: <u><i>m. whitte</i></u>	Date: <u>8/2/2018</u>
Joint Owner Interest: _____ Amount: _____	
Joint Owner Name: <u>Apache Corporation</u>	Signature: _____

Feel free to contact me if you have any questions. I can be reached by phone at (432) 682-3715 or via email at cshook@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read "Cy Shook". The signature is stylized with a large, looped "C" and a sharp, upward-pointing "S".

Cy Shook
Landman



Proof of Delivery (Electronic)

Date: 9/13/2018

Client Name: Mewbourne Oil Company

Certified item number 9407110699945033617787, addressed to Attn:
Permian Land Manager was designated Delivered at 9:03 AM on
August 22, 2018 in MIDLAND, TX 79705.

The item number, time, date, city, state, and zip code is a true extract of
information provided by the United States Postal Service to
SimpleCertifiedMail.com.

Attn: Permian Land Manager
Apache Corporation
303 VETERANS AIRPARK LN
MIDLAND, TX 79705
Reference #: Cast Away B2BW Proposal CS
Item ID: Cast Away B2BW Proposal

The above information is for the sole use of SimpleCertifiedMail.com
clients and represents information provided by the United States Postal
Service.

Summary of Communication with Chisholm Energy Holding, LLC

Case # 16450

Compulsory Pooling Application

MOC's Cast Away 6 B2BW State Com Unit #1H

API #30-025-45059

220' FNL & 2540' FEL (SL)

100' FSL & 2234' FEL (BHL)

Lots 2, 7, 10, 15, and W2SE4 of Sections 6, T21S, R35E

Lea County, New Mexico

8/17/2018: Sent Proposal via certified mail.

9/10/2018: Sent email to Beau Sullivan with proposal and asked if they had made any decisions.

10/10/2018: Talked to Beau on the phone, no decision had been made regarding MOC's proposal.

10/11/2018: Sent JOA and Comm Agreement to Beau in case they elect to participate.



**Proof of Delivery
(Electronic)**

Date: 9/13/2018

Client Name: Mewbourne Oil Company

Certified item number 9407110699945033617497, addressed to Attn:
Land Manager was designated Delivered, To Mail Room at 1:59 PM on
August 22, 2018.

The item number, time, date, city, state, and zip code is a true extract of
information provided by the United States Postal Service to
SimpleCertifiedMail.com.

Attn: Land Manager
Chisholm Energy Holdings
801 Cherry Street, Suite 1200-Unit 20
Fort Worth, TX 76102
Reference #: Cast Away B2BW Proposal CS
Item ID: Cast Away B2BW Proposal

The above information is for the sole use of SimpleCertifiedMail.com
clients and represents information provided by the United States Postal
Service.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 17, 2018

Via Certified Mail

Chisholm Energy Holdings, LLC
801 Cherry Street, Suite 1200-Unit 20
Fort Worth, TX 76102
Attn: Permian Land Manager

Re: Well Proposal
Cast Away 6 B2BW State Com Unit #1H
Section 6: W2E2
T-21-S, R-35-E, Lea County, New Mexico

Dear Owner:

Mewbourne Oil Company ("Mewbourne") hereby proposes to drill the referenced horizontal Bone Spring well. The Cast Away 6 B2BW State Com Unit #1H will be at a surface location 220' FNL & 2540' FEL and a bottom hole location approximately 100' FSL & 2230' FEL in Section 6, T-21-S, R-35-E, Lea County, New Mexico. We anticipate drilling to an approximate vertical depth of 9,894' and an approximate measured depth of 17,418'. The estimated cost to casing point for this well is \$3,482,300 and the estimated cost of a producing well is \$9,321,200. These costs are more fully detailed in the AFE enclosed herewith. If successful, the project area for this well will be comprised of the W2E2 of Section 6.

To facilitate the drilling of this well and the development of the E2 of Section 6, Mewbourne proposes forming a working interest unit by signing an Operating Agreement with a Contract Area comprised of the E2 of Section 6. If you wish to form this working interest unit, please advise and I will send an Operating Agreement for your review and execution.

If you does not wish to participate in the well Mewbourne is interested in discussing a Farmout of your interest.

Enclosed is an original of Mewbourne's AFE for the well. To make your election to participate in the proposed well, properly execute and return the AFE. You will also need to provide your "Well Information" requirements. As a reminder, 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. If you do opt out, you must provide evidence that you have adequate "Well Control Insurance".

Feel free to contact me if you have any questions. I can be reached by phone at (432) 682-3715 or via email at cshook@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY

File Copy

Cy Shook
Landman

AUTHORIZATION FOR EXPENDITURE

Extra Expense Insurance

☐

I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.
Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

☐

☐ I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance

Prepared by:

B. Talley

Date: 8/1/2018

Company Approval:

m. whitte

Date: 8/2/2018

Joint Owner Interest:

Amount:

Joint Owner Name:

Chisholm Energy Holdings, LLC

Signature:

Summary of Communication with Kaiser-Francis Oil Company

Case # 16450

Compulsory Pooling Application

MOC's Cast Away 6 B2BW State Com Unit #1H

API #30-025-45059

220' FNL & 2540' FEL (SL)

100' FSL & 2234' FEL (BHL)

Lots 2, 7, 10, 15, and W2SE4 of Sections 6, T21S, R35E

Lea County, New Mexico

- 8/17/2018: Sent Proposal via certified mail.
- 8/29/2018: Received email from Michael Maxey, wants to ask a few questions over the phone.
- 8/30/2018: Talked on the phone and emailed Michael Maxey at Kaiser about title and plans for drilling proposed well. He stated he would help get a decision on whether or not Kaiser would participate in the proposed well.
- 9/18/2018: Talked to Michael Maxey on the phone, he said no decision had been made as to participation.
- 9/27/2018: Talked to Michael Maxey on the phone about the proposal, no decision from Kaiser yet.
- 10/10/2018: Received email from Maxey, stated Kaiser didn't want to participate, Sent offer for Kaiser to Farmout.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 17, 2018

Via Certified Mail

Kaiser-Francis Oil Company
6733 South Yale Avenue
Tulsa, Oklahoma 74136
Attn: Permian Land Manager

Re: Well Proposal
Cast Away 6 B2BW State Com Unit #1H
Section 6: W2E2
T-21-S, R-35-E, Lea County, New Mexico

Dear Owner:

Mewbourne Oil Company ("Mewbourne") hereby proposes to drill the referenced horizontal Bone Spring well. The Cast Away 6 B2BW State Com Unit #1H will be at a surface location 220' FNL & 2540' FEL and a bottom hole location approximately 100' FSL & 2230' FEL in Section 6, T-21-S, R-35-E, Lea County, New Mexico. We anticipate drilling to an approximate vertical depth of 9,894' and an approximate measured depth of 17,418'. The estimated cost to casing point for this well is \$3,482,300 and the estimated cost of a producing well is \$9,321,200. These costs are more fully detailed in the AFE enclosed herewith. If successful, the project area for this well will be comprised of the W2E2 of Section 6.

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Feel free to contact me if you have any questions. I can be reached by phone at (432) 682-3715 or via email at cshook@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read 'Cy Shook', written in a cursive style.

Cy Shook
Landman

MEWBOURNE OIL COMPANY

AUTHORIZATION FOR EXPENDITURE

Well Name: <u>Cast Away 6 B2BW State Com Unit #1H</u>		Prospect: <u>Bone Spring</u>	
Location: <u>SL: 220' FNL & 2540' FEL; BHL: 100' FSL & 2230' FEL</u>		County: <u>Lea</u>	ST: <u>NM</u>
Sec: <u>6</u>	Bik: <u></u>	Survey: <u></u>	TWP: <u>21S</u> RNG: <u>35E</u> Prop. TVD: <u>9894</u> TMD: <u>17418</u>

INTANGIBLE COSTS 0180		CODE	TCP	CODE	CC
Regulatory Permits & Surveys		0180-0100	\$10,000	0180-0200	
Location / Road / Site / Preparation		0180-0105	\$60,000	0180-0205	\$30,000
Location / Restoration		0180-0106	\$200,000	0180-0206	\$30,000
Daywork / Turnkey / Footage Drilling 29 days drlg / 4 days comp @ \$22,000/d		0180-0110	\$682,000	0180-0210	\$94,000
Fuel 1700 gal/day @ 2.70/gal		0180-0114	\$166,800	0180-0214	\$300,000
Mud, Chemical & Additives		0180-0120	\$230,000	0180-0220	
Horizontal Drillout Services				0180-0222	\$200,000
Cementing		0180-0125	\$95,000	0180-0225	\$30,000
Logging & Wireline Services		0180-0130	\$2,000	0180-0230	\$300,000
Casing / Tubing / Snubbing Service		0180-0134	\$25,000	0180-0234	\$80,000
Mud Logging		0180-0137	\$30,000		
Stimulation 38 Stg 14.9 MM gal / 14.9 MM lb				0180-0241	\$2,280,000
Stimulation Rentals & Other				0180-0242	\$175,000
Water & Other		0180-0145	\$50,000	0180-0245	\$475,000
Bits		0180-0148	\$90,000	0180-0248	\$8,000
Inspection & Repair Services		0180-0150	\$40,000	0180-0250	\$5,000
Misc. Air & Pumping Services		0180-0154		0180-0254	\$10,000
Testing & Flowback Services		0180-0158	\$15,000	0180-0258	\$30,000
Completion / Workover Rig				0180-0260	\$10,500
Rig Mobilization		0180-0164	\$150,000		
Transportation		0180-0165	\$20,000	0180-0265	\$20,000
Welding Services		0180-0168	\$5,000	0180-0268	\$15,000
Contract Services & Supervision		0180-0170	\$48,000	0180-0270	\$30,000
Directional Services Includes Vertical Control		0180-0175	\$283,500		
Equipment Rental		0180-0180	\$250,000	0180-0280	\$30,000
Well / Lease Legal		0180-0184	\$5,000	0180-0284	
Well / Lease Insurance		0180-0185	\$5,400	0180-0285	
Intangible Supplies		0180-0188	\$8,000	0180-0288	\$10,000
Damages		0180-0190		0180-0290	
ROW & Easements		0180-0192		0180-0292	\$1,000
Pipeline Interconnect				0180-0293	
Company Supervision		0180-0195	\$153,600	0180-0295	\$96,000
Overhead Fixed Rate		0180-0196	\$10,000	0180-0296	\$20,000
Well Abandonment		0180-0198		0180-0298	
Contingencies 10% (TCP) 10% (CC)		0180-0199	\$263,400	0180-0299	\$428,000
TOTAL			\$2,897,700		\$4,707,500

TANGIBLE COSTS 0181		CODE	TCP	CODE	CC
Casing (19.1" - 30")		0181-0793			
Casing (10.1" - 19.0") 1960' - 13 3/8" 54.5# J-55 ST&C @ \$35.90/ft		0181-0794	\$75,200		
Casing (8.1" - 10.0") 5520' - 9 5/8" 40# N-80 LT&C @ \$27.61/ft		0181-0795	\$162,800		
Casing (6.1" - 8.0") 10170' - 7" 29# P-110 LT&C @ \$27.76/ft		0181-0796	\$301,600		
Casing (4.1" - 6.0") 8000' - 4 1/2" 13.5# P-110 BPN @ \$13.66/ft				0181-0797	\$116,800
Tubing 9420' - 2 7/8" 6.5# L-80 EUE 8rd @ \$5.62/ft				0181-0798	\$56,600
Drilling Head		0181-0860	\$45,000		
Tubing Head & Upper Section				0181-0870	\$50,000
Horizontal Completion Tools Completion Liner Hanger				0181-0871	\$70,000
Sucker Rods				0181-0875	
Subsurface Equipment				0181-0880	
Artificial Lift Systems Gas Lift Valves & Packer				0181-0884	\$25,000
Pumping Unit				0181-0885	
Surface Pumps & Prime Movers 1/2 VRU/SWD Pump/Circ Pump				0181-0886	\$40,000
Tanks - Oil 3 - 750 bbl				0181-0890	\$55,000
Tanks - Water 3 - 750 bbl				0181-0891	\$66,000
Separation / Treating Equipment 30"x10"x1k# 3 ph/36"x15"x1k#/Gun bbl/VRT				0181-0895	\$75,000
Heater Treaters, Line Heaters 8'x20'x75# HT				0181-0897	\$25,000
Metering Equipment				0181-0898	\$14,000
Line Pipe & Valves - Gathering 1.3 Mile 4" Gas & 5.25 Miles 4" Water				0181-0900	\$200,000
Fittings / Valves & Accessories				0181-0906	\$60,000
Cathodic Protection				0181-0908	\$8,000
Electrical Installation				0181-0909	\$50,000
Equipment Installation				0181-0910	\$50,000
Pipeline Construction 1.3 Mile 4" Steel & 5.25 Miles 4" Poly				0181-0920	\$170,000
TOTAL			\$584,600		\$1,131,400
SUBTOTAL			\$3,482,300		\$5,838,900
TOTAL WELL COST					\$9,321,200

Extra Expense Insurance

☐ I elect to be covered by Operator's Extra Expense Insurance and pay my proportionate share of the premium.
Operator has secured Extra Expense Insurance covering costs of well control, clean up and redrilling as estimated in Line Item 0180-0185.

☐ I elect to purchase my own well control insurance policy.

If neither box is checked above, non-operating working interest owner elects to be covered by Operator's well control insurance.

Prepared by: <u>B. Talley</u>	Date: <u>8/1/2018</u>
Company Approval: <u><i>M. White</i></u>	Date: <u>8/2/2018</u>

Joint Owner Interest: _____ Amount: _____	Signature: _____
Joint Owner Name: <u>Kaiser-Francis Oil Company</u>	



Proof of Delivery (Electronic)

Date: 9/13/2018

Client Name: Mewbourne Oil Company

Certified item number 9407110699945033617862, addressed to Attn:
Permian Land Manager was designated Delivered, To Mail Room at
9:56 AM on August 23, 2018.

The item number, time, date, city, state, and zip code is a true extract of
information provided by the United States Postal Service to
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Attn: Permian Land Manager
Kaiser-Francis Oil Company
6733 S YALE AVE
TULSA, OK 74136
Reference #: Cast Away B2BW Proposal CS
Item ID: Cast Away B2BW Proposal

The above information is for the sole use of SimpleCertifiedMail.com
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Service.

Summary of Communication with Magnum Hunter Production, Inc.

Case # 16450

Compulsory Pooling Application

MOC's Cast Away 6 B2BW State Com Unit #1H

API #30-025-45059

220' FNL & 2540' FEL (SL)

100' FSL & 2234' FEL (BHL)

Lots 2, 7, 10, 15, and W2SE4 of Sections 6, T21S, R35E

Lea County, New Mexico

- 8/17/2018: Sent Proposal via certified mail.
- 9/14/2018: Emailed Cody Elliott about title and plans for drilling proposed well.
- 9/27/2018: Emailed Riley Morris at Magnum with title information.
- 10/11/2018: Emailed Riley Morris at Magnum with Farmout Terms MOC would accept.
- 10/12/2018: Emailed Riley Morris at Magnum discussed farmout terms.
- 10/15/2018: Emailed Riley Morris at Magnum discussed farmout terms.
- 10/16/2018: Talked with Riley Morris on the phone about Farmout terms.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 17, 2018

Via Certified Mail

Magnum Hunter Production, Inc.
600 N Marienfeld, Suite 600
Midland, Texas 79701
Attn: Permian Land Manager

Re: Well Proposal
Cast Away 6 B2BW State Com Unit #1H
Section 6: W2E2
T-21-S, R-35-E, Lea County, New Mexico

Dear Owner:

Mewbourne Oil Company ("Mewbourne") hereby proposes to drill the referenced horizontal Bone Spring well. The Cast Away 6 B2BW State Com Unit #1H will be at a surface location 220' FNL & 2540' FEL and a bottom hole location approximately 100' FSL & 2230' FEL in Section 6, T-21-S, R-35-E, Lea County, New Mexico. We anticipate drilling to an approximate vertical depth of 9,894' and an approximate measured depth of 17,418'. The estimated cost to casing point for this well is \$3,482,300 and the estimated cost of a producing well is \$9,321,200. These costs are more fully detailed in the AFE enclosed herewith. If successful, the project area for this well will be comprised of the W2E2 of Section 6.

To facilitate the drilling of this well and the development of the E2 of Section 6, Mewbourne proposes forming a working interest unit by signing an Operating Agreement with a Contract Area comprised of the E2 of Section 6. If you wish to form this working interest unit, please advise and I will send an Operating Agreement for your review and execution.

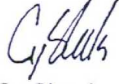
If you does not wish to participate in the well Mewbourne is interested in discussing a Farmout of your interest.

Enclosed is an original of Mewbourne's AFE for the well. To make your election to participate in the proposed well, properly execute and return the AFE. You will also need to provide your "Well Information" requirements. As a reminder, 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. If you do opt out, you must provide evidence that you have adequate "Well Control Insurance".

Feel free to contact me if you have any questions. I can be reached by phone at (432) 682-3715 or via email at cshook@mewbourne.com.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read 'Cy Shook', written in a cursive style.

Cy Shook
Landman



Proof of Delivery (Electronic)

Date: 9/13/2018

Client Name: Mewbourne Oil Company

Certified item number 9407110699945033617817, addressed to Attn: Permian Land Manager was designated Delivered, Left with Individual at 11:58 AM on August 21, 2018.

The item number, time, date, city, state, and zip code is a true extract of information provided by the United States Postal Service to SimpleCertifiedMail.com.

Attn: Permian Land Manager
Magnum Hunter Production, Inc.
600 N MARIENFELD ST STE 600
MIDLAND, TX 79701
Reference #: Cast Away B2BW Proposal CS
Item ID: Cast Away B2BW Proposal

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AUTHORIZATION FOR EXPENDITURE

ATTACHMENT D

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruce@aol.com

September 27, 2018

CERTIFIED MAIL

To: Persons on Exhibit A

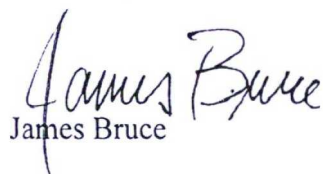
Ladies and gentlemen:

Enclosed is a copy of an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Mewbourne Oil Company, regarding a Bone Spring well in the W/2E/2 of Section 6, Township 21 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

This matter is set for hearing at 8:15 a.m. on Thursday, October 18, 2018, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Regulations to file a Pre-Hearing Statement no later than Thursday, October 11, 2018. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,


James Bruce

Attorney for Mewbourne Oil Company



Exhibit A

Chisholm Energy Operating
801 Cherry Street, Suite 1200-Unit 20
Fort Worth, Texas 76102
Attn: Land Manager

Kaiser-Francis Oil Company
6733 South Yale Avenue
Tulsa, Oklahoma 74136

Apache Corporation
303 Veterans Airpark Ln
Midland, Texas 79705

Magnum Hunter Production, Inc.
600 N Marienfeld, Suite 600
Midland, Texas 79701
Attn: Permian Land Manager

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete items 1, 2, and 3.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>C. Date of Delivery</p>	
<p>1. Article Addressed to:</p> <p>Chisholm Energy Operating 801 Cherry Street, Suite 1200-Unit 20 Fort Worth, Texas 76102</p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p>	
<p>2. Article</p> <p>7018 0360 0000 2188 4518</p>		<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™</p> <p><input type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053</p>		<p>Domestic Return Receipt</p>	

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<p>Certified Mail Fee</p> <p>\$</p> <p>Extra Services & Fees (check box, add fee as appropriate)</p> <p><input type="checkbox"/> Return Receipt (hardcopy) \$</p> <p><input type="checkbox"/> Return Receipt (electronic) \$</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery \$</p> <p><input type="checkbox"/> Adult Signature Required \$</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery \$</p> <p>Postage</p> <p>\$</p> <p>Total Postage and Fees</p> <p>\$</p>	<p>Postmark Here</p>
<p>Sent To</p> <p>Magnum Hunter Production, Inc. 600 N Marienfeld, Suite 600 Midland, Texas 79701</p>	<p>City, State, ZIP+4®</p>
<p>PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions</p>	

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<p>Certified Mail Fee</p> <p>\$</p> <p>Extra Services & Fees (check box, add fee as appropriate)</p> <p><input type="checkbox"/> Return Receipt (hardcopy) \$</p> <p><input type="checkbox"/> Return Receipt (electronic) \$</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery \$</p> <p><input type="checkbox"/> Adult Signature Required \$</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery \$</p> <p>Postage</p> <p>\$</p> <p>Total Postage and Fees</p> <p>\$</p>	<p>Postmark Here</p>
<p>Sent To</p> <p>Chisholm Energy Operating 801 Cherry Street, Suite 1200-Unit 20 Fort Worth, Texas 76102</p>	<p>City, State, ZIP+4®</p>
<p>PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions</p>	

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<p>1. Article Addressed to:</p> <p>Magnum Hunter Production, Inc. 600 N Marienfeld, Suite 600 Midland, Texas 79701</p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p>	
<p>2. Article</p> <p>7018 0360 0000 2188 4471</p>		<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™</p> <p><input type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053</p>		<p>Domestic Return Receipt</p>	

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<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
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<input type="checkbox"/> Return Receipt (hardcopy) \$	
<input type="checkbox"/> Return Receipt (electronic) \$	
<input type="checkbox"/> Certified Mail Restricted Delivery \$	
<input type="checkbox"/> Adult Signature Required \$	
<input type="checkbox"/> Adult Signature Restricted Delivery \$	
Postage \$	
Total Postage and Fees \$	
Sent To Kaiser-Francis Oil Company 6733 South Yale Avenue Street and Apt. No., or Tulsa, Oklahoma 74136	
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PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	