

**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, EDDY COUNTY,
NEW MEXICO.**

Case No. 14,089

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 Division Rule 1210.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 cannot be located.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S½ of Section 2, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico, to form a standard 320 acre gas and spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated North Grayburg-Atoka Gas Pool and Undesignated Grayburg-Morrow Gas Pool.

The unit is to be designated to the proposed Tetra "2" State Com. Well No. 1 (API No. 30-015-35875), to be drilled at an orthodox location in the SW¼SW¼ of Section 2. The well is expected to be a gas well.

(c) The party being pooled, his working interest in the well unit, and his last known address, are as follows:

Charles C. Harlan, Jr.
P.O. Box 511
Midland, Texas 79702

0.781250%

Oil Conservation Division
Case No. _____
Exhibit No. 1

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit B. The letter was returned as undeliverable. We have also examined the Eddy County records, telephone directories, and internet directories, but have been unable to locate a current address for Mr. Harlan.

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

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. 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.

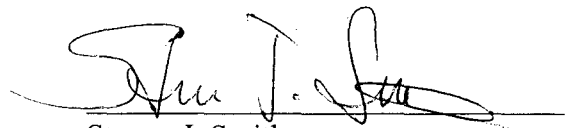
(g) Overhead charges of \$6,500.00/month for a drilling well, and \$650.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that it be designated operator of the well.

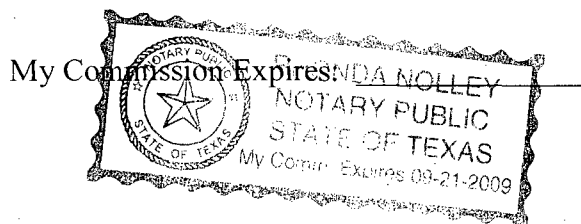
VERIFICATION

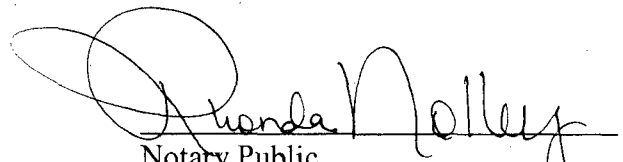
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

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 18th day of February, 2008 by Steven J. Smith.




Notary Public

District I

1625 N. French Dr., Hobbs, NM 882
Phone:(505) 393-6161 Fax:(505) 393

District II

1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources

Form C-102
Permit 62985

Oil Conservation Division

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-35875	2. Pool Code 77840	3. Pool Name GRAYBURG MORROW (GAS)
4. Property Code 36796	5. Property Name TETRA 2 STATE COM	6. Well No. 001
7. OGRID No. 14744	8. Operator Name MEWBOURNE OIL CO	9. Elevation 3645

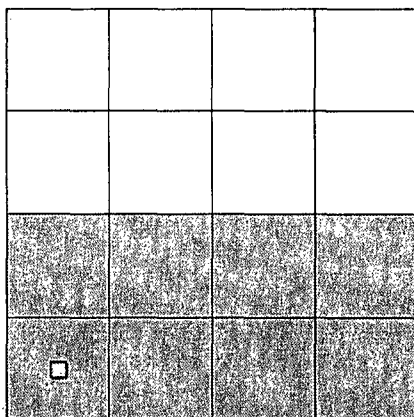
10. Surface Location

UL - Lot M	Section 2	Township 17S	Range 29E	Lot Idn	Feet From 660	N/S Line S	Feet From 660	E/W Line W	County EDDY
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00		13. Joint or Infill		14. Consolidation Code		15. Order No.			

**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**

**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(s) 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 to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Monty Whetstone
Title: Vice President Operations
Date: 10/18/2007

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.

Surveyed By: Gary Jones
Date of Survey: 9/27/2007
Certificate Number: 7977

EXHIBIT

A

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

October 19, 2007

Certified Mail-Return Receipt No. 5720

Mr. Charles C. Harlan, Jr.
P. O. Box 511
Midland, Texas 79701

Re: Proposed Morrow Test
Tetra "2" State COM #1
660' FSL & 660' FWL
Section 2, T-17-S, R-29-E
Eddy County, New Mexico
Tetra Prospect

Dear Mr. Harlan:

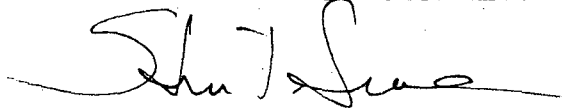
Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,100' Morrow at a location 660' FSL & 660' FWL of Section 2, T-17-S, R-29-E, Eddy County, New Mexico to be called the Tetra "2" State COM #1 well. To facilitate drilling this well, Mewbourne also proposed the formation of a 320 acre working interest unit covering the S/2 of said Section 2. Assuming a successful completion in the Morrow formation, a 320 acre communitized spacing unit would be necessary. Based upon our most current title information you appear to own 6.25% of the Operating Rights in State of New Mexico Lease E-7664 insofar as it covers the SW/4SE/4 of said Section 2. If our information is correct, you would have a 0.78125% interest in the well and working interest unit.

To indicate your election to participate in the formation of the proposed working interest unit and the drilling of the proposed well, please execute and return one of the enclosed AFE well cost estimates. Upon receipt of your election, an AAPL 1989 Model Form JOA will be forwarded for your review and approval. Should you choose not to participate, Mewbourne would consider taking either a Farmout or Term Assignment covering your interest under mutually acceptable terms.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY



Steven J. Smith
Senior Landman

EXHIBIT

B

Attachments

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Tetra Well Name & No: Tetra 2 State Com #1
 Field: _____ Location: 660' FSL & 660' FWL
 Section: 2 Block: _____ Survey: _____ Township: 17S Range: 29E
 County: Eddy ST: NM Proposed Depth: 11,100'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$3,000	
301	Location, Roads and Site Preparation	\$125,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work 26 days @ \$15,500/day and 2 days Completion	\$427,200	\$32,900
304	Fuel	\$58,000	\$7,500
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$45,000	
307	Cementing	\$41,000	\$60,000
308	Logging, Wireline and Coring Services	\$30,000	\$15,000
309	Casing, Tubing & Snubbing Services	\$10,000	\$12,000
310	Mud Logging 16 days @ \$1000/day	\$16,000	
311	Testing		
312	Treating		\$190,000
313	Water & Other	\$20,000	
314	Bits 1-17-1/2", 1-12-1/4", 4-8 3/4"	\$56,000	\$1,000
315	Inspection & Repair Services	\$3,500	\$2,500
316	Misc. Air and Pumping Services		\$2,000
320	Rig Mobilization & Transportation	\$90,000	
321	Welding and Construction	\$4,000	
322	Engineering & Contract Supervision	\$20,000	
330	Equipment Rental	\$15,000	\$4,000
334	Well / Lease Legal	\$3,000	\$1,000
335	Well / Lease Insurance	\$7,200	
350	Intangible Supplies	\$500	\$500
355	Damages	\$2,000	
360	Pipeline and Electrical ROW and Easements		\$3,500
367	Pipeline Interconnect		
375	Company Supervision	\$26,300	\$7,500
380	Overhead Fixed Rate	\$7,000	\$2,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 10%	\$102,500	\$34,800
Total Intangibles		\$1,127,200	\$382,700
TANGIBLE COST 181			
797	Conductor Casing (40' of 20" included in 301)		
797	Surface Casing 400' of 13 3/8" 48# H40 STC @ \$28.72/ft	\$11,500	
797	Intermediate Casing 3000' of 9 5/8" 36#/40# HCK55 LTC @ \$30.85/ft	\$92,600	
797	Intermediate Casing		
797	Production Casing 11,100' of 4 1/2" 11.6 P110 LTC @ \$12.25/ft		\$136,000
798	Tubing 10,900' of 2 3/8" 4.7# N80 EUE @ \$4.57/ft		\$49,900
860	Drilling Head	\$9,500	
870	Tubing Head & Upper Section		\$12,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel		\$12,000
891	Tanks - Other		\$5,500
895	Separation Equipment		\$20,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,500
900	Line Pipe - Gas Gathering and Transportation		\$30,000
901	Line Pipe - Production		
906	Miscellaneous Fittings, Valves & Accessories		\$15,000
909	Electrical Installations		
910	Production Equipment Installation		\$15,000
920	Pipeline Construction		\$30,000
Total Tangibles		\$113,600	\$331,900
Company Approval: <u>M. White</u> Date Approved: 9/18/2007		SUBTOTAL	\$1,240,800
Joint Owner Interest: 0.78125% Joint Owner Amount: \$15,276.56		TOTAL WELL COST	\$1,955,400

EXHIBIT C

Joint Owner: Charles C. Harlan, Jr. Joint Owner Approval: _____

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up, and redrilling, as estimated in Line Item 335. Non-operator may elect not to be covered by this Operator's Extra Expense Insurance only by signing below. The undersigned elects not to be covered by Operator's Extra Expense Insurance for their well.

By: _____ Name: _____