

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL
CONSERVATION
DIVISION**

CASE #: 14197

EXHIBIT

1

500 FOURTH STREET, NW, SUITE 105, ALBUQUERQUE, NEW MEXICO 87102

**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, LEA COUNTY,
NEW MEXICO.**

Case No. 14,197

VERIFIED STATEMENT OF D. PAUL HADEN

D. Paul Haden, 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 has been contacted regarding the proposed well, and has simply not decided whether to join in the well or farm out its interest.

(b) A plat outlining the spacing 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 Morrow formation underlying underlying Lots 1, 2, NE $\frac{1}{4}$, and E $\frac{1}{2}$ NW $\frac{1}{4}$ (the N $\frac{1}{2}$ equivalent) of Section 19, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in the following manner:

The SE $\frac{1}{4}$ NE $\frac{1}{4}$ to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated South Tonto Yates-Seven Rivers Pool, Crazy Horse-Delaware Pool, Undesignated South Tonto-Bone Spring Pool, and Undesignated North Gem-Wolfcamp Pool;

The NE $\frac{1}{4}$ to form a 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and

The N $\frac{1}{2}$ to form a 322.75 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including

Oil Conservation Division
Case No. _____
Exhibit No. /

the Undesignated Tonto-Atoka Gas Pool and Undesignated Gem-Morrow Gas Pool.

The unit is to be dedicated to the Norte "19" Fed. Com. Well No. 1 (API No. 30-025-39160), to be drilled at an orthodox location in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19.

(c) The party being pooled, its working interest in the N $\frac{1}{2}$ well unit, and its address, are as follows:

Edward R. Hudson Trust No. 4	1.22191%
PH 5	
222 West Fourth Street	
Fort Worth, Texas 76102	

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit B. In addition, several phone calls have been made to the interest owner.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting working 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 Lea County.

(g) Overhead charges of \$7000/month for a drilling well, and \$700/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)

D. Paul Haden, 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.



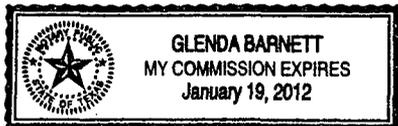
D. Paul Haden

SUBSCRIBED AND SWORN TO before me this 13th day of October, 2008 by D. Paul Haden.

My Commission Expires: 1-19-2012



Notary Public



MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

September 15, 2008

Edward R. Hudson Trust No. 4
Mary T. Ard, Trustee
222 W. 4th Street PH-5
Fort Worth, TX 76102

Re: Norte "19" Federal Com #1
1650' FNL & 710' FEL
Section 19, T19S, R33E
Lea County, New Mexico

Dear Ms. Ard:

Reference is made to my previous letter dated August 14, 2008 whereby Mewbourne Oil Company proposed drilling the captioned well at the referenced location. To date we have not received a response from you regarding the Edward R. Hudson Trust No. 4's 4.9296875% interest in the E/2NE/4 of the captioned Section 19. This interest corresponds to a 1.22191% expense interest in the proposed spacing unit which comprises the N/2 of the captioned Section 19.

Should you have any questions regarding the proposed well, please contact me at (432) 682-3715 or by email at phaden@mewbourne.com.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/tgm

EXHIBIT

B

Edward R. Hudson Trust No. 4 4.9296875% WI
Mary T. Ard Trustee
(817) 882-9377

- 1) Follow-up call 9/3/08, left message regarding air well proposal.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

August 14, 2008

Via Certified Mail-Return Receipt No. 4199

Edward R. Hudson Trust No. 4
Mary T. Ard, Trustee
222 W. 4th Street PH-5
Fort Worth, Texas 76102

Re: Norte "19" Federal Com #1
1650' FNL & 710' FEL
Section 19, T19S, R33E
Lea County, New Mexico

Ladies and Gentlemen:

Mewbourne Oil Company as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 13,800 feet beneath the surface. The N/2 of the captioned Section 19 which comprises 322.75 acres will be dedicated to the well. Enclosed for your further handling is our AFE dated August 12, 2008.

Regarding the above, public records indicate the Edward R. Hudson Trust No. 4 owns a 4.9296875% leasehold interest in the operating rights in the E/2NE/4 of the captioned Section 19 from 5,000 feet subsurface to the base of the Morrow formation. Such land is subject to Federal Lease Serial No. NMLC 064790.

In the event Trust No. 4 elects to participate in the above proposed well, please sign and return one (1) copy of the enclosed AFE and I will forward you an Operating Agreement for signature. Should the Trust elect not to participate in the proposed well, Mewbourne would be agreeable to acquiring the Trust's interest on the basis of \$250.00 per net acre for a two (2) year term whereby Mewbourne would be delivered a 80% net revenue interest, subject to proportionate reduction. Currently, you have a 84% net revenue interest on an 8/8ths basis according to public records.

Sincerely yours,

MEWBOURNE OIL COMPANY


D. Paul Haden
Senior Landman

DPH/gb

note 19#1

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ 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. 	<p>A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery AUG 18 2008</p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Edward R. Hudson Trust No. 4 Mary T. Ard, Trustee 222 W. 4th Street PH-5 Fort Worth, Texas 76102</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 Number (Transfer from service label)</p>	<p style="text-align: center;">7006 0810 0005 7342 4199</p>

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Norte 19 Well Name & No: Norte 19 Federal Com #1
 Field: _____ Location: 1650' FNL & 710' FEL
 Section: 19 Block: _____ Survey: _____ Township 19S Range: 33E
 County: Lea ST: NM Proposed Depth: 13,800'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.			
INTANGIBLE COST 180						
300	Permits and Surveys	\$1,500	\$1,500			
301	Location, Roads and Site Preparation	\$175,000	\$2,000			
302	Footage or Turnkey Drilling					
303	Day Work 43 drilling/2.5 completion	\$774,900	\$45,100			
304	Fuel	\$150,000	\$1,000			
305	Completion / Workover Rig		\$50,000			
306	Mud and Chemicals	\$125,000	\$2,000			
307	Cementing	\$100,000	\$75,000			
308	Logging, Wireline and Coring Services	\$70,000	\$22,000			
309	Casing, Tubing & Snubbing Services	\$20,000	\$12,000			
310	Mud Logging 30 days @ \$1000/day	\$30,000				
311	Testing		\$5,000			
312	Treating 70Q Binary + 70K IP		\$200,000			
313	Water & Other	\$100,000	\$1,000			
314	Bits 1-17 1/2", 1-12 1/4", 6- 8 3/4"	\$75,000				
315	Inspection & Repair Services	\$12,000	\$1,000			
316	Misc. Air and Pumping Services Air Package for 12 1/4" hole	\$40,000	\$1,500			
320	Rig Mobilization & Transportation	\$90,000	\$2,500			
321	Welding and Construction	\$4,000	\$5,500			
322	Engineering & Contract Supervision	\$30,000	\$2,000			
330	Equipment Rental	\$50,000	\$10,000			
334	Well / Lease Legal	\$10,000	\$2,500			
335	Well / Lease Insurance	\$8,100				
350	Intangible Supplies	\$1,000	\$1,000			
355	Damages	\$10,000				
360	Pipeline and Electrical ROW and Easements		\$6,000			
367	Pipeline Interconnect					
375	Company Supervision	\$32,000	\$15,000			
380	Overhead Fixed Rate	\$9,000	\$6,000			
398	Well Abandonment	\$15,000	(\$15,000)			
399	Contingencies 10% / 5%	\$193,300	\$22,700			
Total Intangibles		\$2,125,800	\$477,300			
TANGIBLE COST 181						
797	Conductor Casing 40' of 20" (included in location cost)					
797	Surface Casing 1350' 13-3/8" 54.5# K55 ST&C @ \$69.96/ft	\$94,500				
797	Intermediate Casing 5000' 9-5/8" 40# HCK55/N80 LT&C @ \$53.00/ft	\$265,000				
797	Intermediate Casing					
797	Production Casing 13,800' 5-1/2" 17# HCP110/N80 LT&C @ \$27.56/ft		\$380,300			
798	Tubing 13,000' 2-7/8" 6.5# P110 EUE 8rd @ \$10.86ft		\$141,200			
860	Drilling Head	\$10,000				
870	Tubing Head & Upper Section		\$15,000			
875	Sucker Rods					
880	Packer Pump & Subsurface Equipment		\$10,000			
884.	Artificial Lift Systems					
885	Pumping Unit					
886	Surface Pumps & Prime Movers					
890	Tanks - Steel		\$14,000			
891	Tanks - Other		\$7,500			
895	Separation Equipment		\$20,000			
896	Gas Treating Equipment					
898	Metering Equipment		\$6,500			
900	Line Pipe - Gas Gathering and Transportation					
901	Line Pipe - Production		\$1,500			
906	Miscellaneous Fittings, Valves & Accessories		\$15,000			
909	Electrical Installations					
910	Production Equipment Installation		\$20,000			
920	Pipeline Construction					
Prepared by:	<u>F. Lathan</u>	Date Prepared:	<u>8/12/2008</u>	Total Tangibles	\$369,500	\$631,000
Company Approval:	<u>M. White</u>	Date Approved:	<u>8/13/2008</u>	SUBTOTAL	\$2,495,300	\$1,108,300
Joint Owner Interest:	<u>1.22191%</u>	Joint Owner Amount:	\$44,032.75	TOTAL WELL COST	\$3,603,600	

EXHIBIT C

Joint Owner: Edward R. Hudson Trust #4 Joint Owner Approval: By: Mary T. Ard, Trustee

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: _____