

STATE OF NEW MEXICO

**ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT**

OIL CONSERVATION

CASE #: 14307

EXHIBIT 1

**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. 14,307

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 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 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 the underlying the $W\frac{1}{2}$ of Section 9, Township 20 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in the following manner:

The $SW\frac{1}{4}SW\frac{1}{4}$ 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;

The $SW\frac{1}{4}$ to form a 160 acre oil or gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent, including the Undesignated North Dagger Draw-Upper Pennsylvanian Pool; and

The $W\frac{1}{2}$ 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 North Cemetery-Wolfcamp Gas Pool, East Dagger Draw-Strawn Gas Pool, and Cemetery-Morrow Gas Pool.

Oil Conservation Division
Case No. 14,307
Exhibit No. 1

The units are to be dedicated to the First National Bank of Albuquerque A Well No. 1, located 660 feet from the south and west lines of Section 9, which is to be re-entered to a depth sufficient to test the Morrow formation.

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

Kaiser-Francis Oil Company	25%
P.O. Box 21468	
Tulsa, Oklahoma 74121	

(d) Copies of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit B. We have also had several telephone discussions with personnel from Kaiser-Francis Oil Company, but have been unable to reach agreement with it.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any 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 Eddy County.

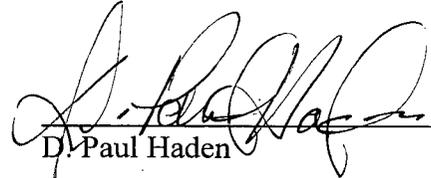
(g) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting 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.



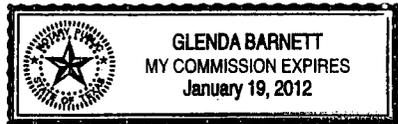
D. Paul Haden

SUBSCRIBED AND SWORN TO before me this 8th day of April, 2009 by D. Paul Haden.

My Commission Expires: 1-19-2012



Notary Public



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
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EXHIBIT

BUILDING
STAIRS

SWAMPERS

STAR

SWAMPERS

SWAMPERS

CASE NO. 14307
FNB Albuquerque A Com No. 1
660' FSL & 660' FWL
Section 9, T20S, R25E
Eddy County, New Mexico

Ownership Plat

<p style="text-align: center;">NMNM 14758</p> <p>Mewbourne Oil Company 100%</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: center;">NMNM 114958</td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">MOC 50.0000%</td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">PAC 17.1550%</td> </tr> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">Triple</td> </tr> <tr> <td style="width: 50%; vertical-align: top;">ALL DEPTHS</td> <td style="width: 50%;">Gunsight 15.6900%</td> </tr> <tr> <td></td> <td>D2 Res. 8.5775%</td> </tr> <tr> <td></td> <td>Solis <u>8.5775%</u></td> </tr> <tr> <td></td> <td style="text-align: right;">100.0000%</td> </tr> <tr> <td></td> <td style="text-align: center;">ALL DEPTHS</td> </tr> </table>		NMNM 114958		MOC 50.0000%		PAC 17.1550%		Triple	ALL DEPTHS	Gunsight 15.6900%		D2 Res. 8.5775%		Solis <u>8.5775%</u>		100.0000%		ALL DEPTHS	<p style="text-align: center;"><u>W/2 Unit Ownership</u></p> <p>Mewbourne Oil Company 43.750000%</p> <p>KCS Resources, Inc. 25.000000%</p> <p>Kaiser-Francis Oil Company 25.000000%</p> <p>PAC Triple Crown, LLC 2.144390%</p> <p>Gunsight Limited Partnership 1.961240%</p> <p>D2 Resources, LLC 1.072185%</p> <p>Solis Energy, LCC <u>1.072185%</u></p> <p style="text-align: right;">100.000000%</p> <p style="text-align: center;">ALL DEPTHS 3-24-09 JOA</p>
	NMNM 114958																		
	MOC 50.0000%																		
	PAC 17.1550%																		
	Triple																		
ALL DEPTHS	Gunsight 15.6900%																		
	D2 Res. 8.5775%																		
	Solis <u>8.5775%</u>																		
	100.0000%																		
	ALL DEPTHS																		
<p>FEE LEASES</p>																			
<p>KCS Resources, Inc. 50%</p> <p>Kaiser-Francis Oil Company 50%</p> <p style="text-align: center;">ALL DEPTHS</p>																			

Paul Haden/Mewbourne
04/03/2009 08:22 AM

To "Wayne Fields" <WayneF@kfoc.net>
cc
bcc
Subject RE: FNB Albuquerque A #1 

Thanks Wayne. Have a great weekend.

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

EXHIBIT

B



"Wayne Fields"
<WayneF@kfoc.net>
04/02/2009 03:44 PM

To "Paul Haden" <phaden@Mewbourne.com>
cc
bcc
Subject RE: FNB Albuquerque A #1

History: This message has been replied to and forwarded

Paul:

Brent and I have reviewed your proposal below, however, we have not heard from Jim Wakefield who responds on his Blackberry when he is out of the office. However, he usually responds by this amount of time. We will try to get a quick review next week when Jim returns. And, as you said we will have your JOA to present along with your proposed terms.

Thanks, Wayne

-----Original Message-----

From: Paul Haden [mailto:phaden@Mewbourne.com]
Sent: Wednesday, April 01, 2009 4:19 PM
To: Wayne Fields
Subject: RE: FNB Albuquerque A #1

Wayne , after careful consideration , we are not interested in those terms. What we would be agreeable to doing was for KFOC to farmout their interest (all depths) in the FNB Albuquerque A #1 and commit all of their interest(all depths) to a W/2 unit. For any subsequent well (as to any depth) in the W/2 , KFOC would have the option to participate as its undivided 25% unit interest under the terms of an Operating Agreement designating MOC as Operator. If KFOC elects not to participate, KFOC would be non-consent (400%) under the JOA. I have the JOA prepared and will send it out to all owners tomorrow with this proposal in mind. Otherwise , the Pooling Hearing is scheduled for 4-16-09. The deal ya'll are offering is what we could get under pooling (and a better NRI with no back-in). Also , KFOC currently has no interest in the NW/4 whereby our proposal would give KFOC a 25% contractual WI for subsequent wells drilled anywhere in the W/2. Let me know if that'll work. By the time Jim gets back , you'll have the proposed JOA in hand for consideration and you can let me know if KFOC is agreeable. Thanks Wayne. I hope we can work this out.

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

April 2, 2009

Via Overnight Mail (918) 491-4436

Kaiser-Francis Oil Company
6733 South Yale
Tulsa, Oklahoma 74136
Attn: Mr. Wayne Fields

Re: FNB Albuquerque A No. 1
W/2 Section 9, T20S, R25E
Eddy County, New Mexico

Gentlemen:

Regarding the captioned proposed well, enclosed for your further handling is our Operating Agreement dated March 24, 2009 and extra set of signature pages prepared for execution. Please have the enclosed Operating Agreement and extra set of signature pages executed and return only the extra set of signature pages to me at your earliest convenience. Retain the executed Operating Agreement for your file.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb



"Wayne Fields"
<WayneF@kfoc.net>
03/31/2009 03:33 PM

To "Paul Haden" <phaden@Mewbourne.com>
cc
bcc
Subject RE: FNB Albuquerque A #1

Paul:

I know you said you were going to be in Santa Fe until Wednesday of this week, however, I decided to go ahead and send this proposal prior to your return to allow you to see it upon your return. I had time to review this deal again today with Brent Meadows, while Jim Wakefield is out for the week and I thought I would get it sent while I had the opportunity. At this time we have authority from both Jim Wakefield and Brent Meadows to farmout our interest as to all depths from the surface to TD in the re-entry of the FNB Albuquerque A # 1, and as to any subsequent deep (Morrow) wells drilled on the 320 acre spacing unit, with KFOC reserving the rights outside those wellbores as to our leasehold rights above 4,000 feet.

In the re-entry of the FNB Albuquerque A # 1, we would like to encourage Mewbourne to run an open-hole compensated Neutron-density with PEF log and a resistivity log from total depth to 2,000 feet. To encourage the running of those logs we would be willing to pay our proportionate share of those costs. Further, if Mewbourne should recommend the abandonment of the wellbore, KFOC would like to be provided adequate notice of such abandonment to allow us to take over the wellbore to attempt a completion above 4,000 feet.

Please advise if the terms set forth would be acceptable and we can prepare our Farmout Agreement accordingly.

Thanks, Wayne

-----Original Message-----

From: Paul Haden [mailto:phaden@Mewbourne.com]
Sent: Friday, March 27, 2009 3:42 PM
To: Wayne Fields
Cc: lcunningham@mewbourne.com
Subject: RE: FNB Albuquerque A #1

Wayne , we at least need all rights in any deep well drilled below 4000 feet. KFOC can retain their rights above 4000 feet for any well drilled above 4000 feet. Will that work ??

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

Paul Haden/Mewbourne
03/27/2009 04:04 PM

To waynef@kfoc.net
cc
bcc
Subject Re: Farmout

Wayne , management suggests that KFOC farmout all its interest in all depths for a unit WI whereby KFOC would have the option to participate in subsequent wells as to its APO 6.25%WI or elect to go non-consent under the terms of a JOA that covers all of the W/2 as to all depths from the surface to the base of the Morrow formation. This would give KFOC a contractual interest in the NW/4 where it currently has no interest. Will that work ??

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

Paul Haden/Mewbourne
03/27/2009 03:42 PM

To "Wayne Fields" <WayneF@kfoc.net>
cc lcunningham@mewbourne.com
bcc
Subject RE: FNB Albuquerque A #1 

Wayne , we at least need all rights in any deep well drilled below 4000 feet. KFOC can retain their rights above 4000 feet for any well drilled above 4000 feet. Will that work ??

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX



"Wayne Fields"
<WayneF@kfoc.net>
03/27/2009 03:21 PM

To "Paul Haden" <phaden@Mewbourne.com>
cc
bcc

Subject RE: FNB Albuquerque A #1

History

This message has been forwarded.

Paul:

Jim just advised that KFOC would agree to amending the Farmout Agreement to provide for a 180 day continuous drilling provision, provided that the Farmout Agreement would be limited to only those depths below 4,000 feet down to the base of the Morrow Formation. If that is feasible then we would amend the Farmout Agreement accordingly and re-send it to you. This change would also provide that for any well that is currently located on the Farmout Leasehold, or on lands pooled with the Farmout Leasehold, or to be drilled on the said Farmout Leasehold, we would have the right to participate with our present rights above the 4,000 ft. depth.

Thanks, Wayne

-----Original Message-----

From: Paul Haden [mailto:phaden@Mewbourne.com]
Sent: Friday, March 27, 2009 12:57 PM
To: Wayne Fields
Subject: RE: FNB Albuquerque A #1

Thanks Wayne.

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

Paul Haden/Mewbourne
03/23/2009 03:59 PM

To "Jim Wakefield" <JimWake@kfoc.net>

cc waynef@kfoc.net

bcc

Subject RE: FNB of Albuquerque Com #1 

Jim and Wayne , how about giving us a Farmout providing for continuous development given the risk associated with this re-entry ?????

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX



"Jim Wakefield"
<JimWake@kfoc.net>
03/18/2009 02:02 PM

To <phaden@mewbourne.com>
cc
bcc

Subject RE: FNB of Albuquerque Com #1

History

☞ This message has been replied to.

Paul I had to resend this to you since I had a typo in your email address on the first try. Larry should have received his copy of the email.

Paul and Larry, Kaiser-Francis accepts Mewbourne's farmout terms for our 25% WI in the proposed reentry by the delivery of a 75% NRIF BPO with the option to convert it to a proportionately reduced 25% BIAP0. The farmout will be wellbore limited and we will assign rights from surface to 100' below TD drilled or base of the Morrow which ever is lesser for a one year term. Kaiser-Francis will grant replacement rights up to 200' from the original wellbore.

Wayne Fields is on vacation the rest of this week, but will prepare the farmout agreement upon his return to the office.

-----Original Message-----

From: Paul Haden [mailto:phaden@Mewbourne.com]
Sent: Tuesday, March 03, 2009 9:27 AM
To: Wayne Fields
Subject: RE: FNB of Albuquerque Com #1

Wayne , I should have a Drilling Title Opinion soon which I'll send you as soon as I get it. We'll be commencing operations on the proposed re-entry in less than 60 days. Is KF0C leaning toward joining or farming out ??

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

Paul Haden/Mewbourne
03/03/2009 11:00 AM

To "Wayne Fields" <WayneF@kfoc.net>
cc
bcc
Subject RE: FNB of Albuquerque Com #1 

Thanks Wayne. Ya'll aren't the only ones who haven't made their decision.

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

Paul Haden/Mewbourne
03/03/2009 10:51 AM

To "Wayne Fields" <WayneF@kfoc.net>
cc
bcc
Subject RE: FNB of Albuquerque Com #1 

That'll work but we'll be filing a compulsory pooling application by mid-next week for the 4-16-09 docket if we don't have everybody's participation elections. Thanks Wayne.

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

Paul Haden/Mewbourne
03/03/2009 09:26 AM

To "Wayne Fields" <WayneF@kfoc.net>
cc
bcc
Subject RE: FNB of Albuquerque Com #1 

Wayne , I should have a Drilling Title Opinion soon which I'll send you as soon as I get it. We'll be commencing operations on the proposed re-entry in less than 60 days. Is KFOC leaning toward joining or farming out ??

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX



"Wayne Fields"
<WayneF@kfoc.net>
02/11/2009 02:17 PM

To "Paul Haden" <phaden@Mewbourne.com>
cc
bcc

Subject RE: FNB of Albuquerque Com #1

History

This message has been replied to and forwarded.

Paul:

Jim Wakefield and I have discussed your proposal as set forth in your letter dated January 23, 2009. He advised that he has been completely wrapped up with a large project for Mr. Kaiser and has not been able to get any time to get to his regular evaluation work. He thinks his special project will be completed this week. Based upon Mewbourne's success with the Long Draw "9" Federal Com # 1, located in the E/2 of Section 9, and our previous agreement to farmout our interest to Mewbourne for the drilling of that well, would farmout terms be available on this well?

Our interest in this section is derived from an assignment from NRM/Mesa and our acquisition of all of the assets of MGF Corporation and we do not have good title information for this section from either of those sources. When you get your drilling opinion completed we would appreciate your assistance in providing us title backup to our interest.

Thanks, Wayne

-----Original Message-----

From: Paul Haden [mailto:phaden@Mewbourne.com]
Sent: Wednesday, February 11, 2009 10:42 AM
To: Wayne Fields; jwakefield@kfoc.net
Subject: Re: FNB of Albuquerque Com #1

Wayne and Jim , just following up on our well re-entry proposal for the captioned well located 660'FSL & 660'FWL of Sec. 9, T20S, R25E, (a W/2 unit) in Eddy Co.,NM. Any idea whether or not K-FOC is going to join as to its 25%WI ?? We're trying to move this proposal along. Let me know , thanks.

Paul Haden
Land Department
Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
(432) 682-3715
(432) 685-4170 FAX

TRANSMISSION REPORT

(FRI) JAN 23 2009 13:08
MEWBOURNE OIL CO.

USER ACCOUNT :
DESTINATION : 19184914387
DEST. NUMBER : 19184914387

DOCUMENT# : 7363267-354
TIME STORED : JAN 23 13:08
TX START : JAN 23 13:08
DURATION : 34sec
MODE : ECM

F-CODE :

PAGES : 3sheets
RESULT : OK

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

FACSIMILE TRANSMITTAL COVER SHEET

DATE: 1-23-09
PAGE 1 of 3 PAGES

TO: WAYNE HELD COMPANY: KAISER-FRANCIS OIL CO.
FACSIMILE NO.: (918) 491-4387 PHONE NO.:

FD302-116 Com #1

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:

**Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, OK 74121-1468
Attn: Mr. Wayne Fields**

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee
x Felicia Simon

B. Received by (*Printed Name*) C. Date of Delivery

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*) 7003 3110 0002 5115 5583

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

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

January 23, 2009

Via Certified Mail Return Receipt No. 5583

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, OK 74121-1468
Attn: Mr. Wayne Fields

Re: MOC's FNB of Albuquerque Com #1
660' FSL & 660' FWL
Section 9, T20S, R25E
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company as Operator, hereby proposes to re-enter the Mark Production Company's 1st National Bank of Albuquerque Com #1 at the referenced location and drill same to a depth sufficient to evaluate the Morrow formation, estimated total depth being 9,600 feet beneath the surface. The W/2 of the captioned Section 9 will be dedicated to the well. Enclosed for your further handling in this regard is our AFE dated January 22, 2009.

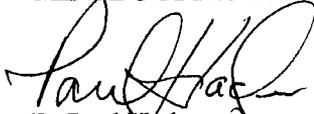
Public records indicate your firm owns an undivided 50% interest in the SW/4 of the captioned Section 9. In the event your firm elects to participate in the above proposed well re-entry, please sign and return one copy of the enclosed AFE to me at your very earliest convenience. Upon receipt of same, I will forward you an Operating Agreement for consideration and execution.

In the event your firm elects not to participate in the above proposed re-entry, Mewbourne offers to purchase a one year term assignment covering your leasehold on the basis of \$250.00 per net acre providing Mewbourne a 80% net revenue interest, subject to proportionate reduction.

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

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

**MEWBOURNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: Fast Draw "9" Well Name & No: FNB Albuquerque A #1
 Field: Cemetery Morrow Location: 660' FSL & 660' FWL
 Section: 9 Block: _____ Survey: _____ Township: 20S Range: 25E
 County: Eddy ST: NM Proposed Depth: 9600'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,000
301	Location, Roads and Site Preparation 2900' new road/ location cleanup	\$25,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work 3 days @ \$15000/day + 2 completion + GRT	\$47,700	\$31,800
304	Fuel 850 gal/day @ \$1.75/gal	\$4,500	\$3,000
305	Completion / Workover Rig 2 days		\$8,000
306	Mud and Chemicals	\$15,000	
307	Cementing		\$38,000
308	Logging, Wireline and Coring Services		\$7,000
309	Casing, Tubing & Snubbing Services		\$3,500
310	Mud Logging		
311	Testing	\$2,500	
312	Treating 70K# binary		\$180,000
313	Water & Other	\$10,000	\$1,000
314	Bits 1 - 7 7/8" mill tooth bit	\$5,400	
315	Inspection & Repair Services	\$3,500	\$2,500
316	Misc. Air and Pumping Services		\$2,000
320	Rig Mobilization & Transportation	\$70,000	\$2,000
321	Welding and Construction	\$4,000	\$2,500
322	Engineering & Contract Supervision	\$3,000	\$2,000
330	Equipment Rental	\$10,000	\$5,000
334	Well / Lease Legal	\$1,000	\$1,000
335	Well / Lease Insurance	\$7,200	
350	Intangible Supplies	\$3,100	\$2,500
355	Damages	\$8,000	
360	Pipeline and Electrical ROW and Easements		\$7,000
367	Pipeline Interconnect		
375	Company Supervision	\$4,000	\$6,000
380	Overhead Fixed Rate	\$5,000	\$4,000
398	Well Abandonment		
399	Contingencies 10% / 10%	\$23,000	\$31,100
	Total Intangibles	\$253,400	\$342,400
TANGIBLE COST 181			
797	Conductor Casing		
797	Surface Casing		
797	Intermediate Casing		
797	Intermediate Casing		
797	Production Casing 9600' - 4 1/2" 11.6# HCP110 @ \$17.85/ft		\$171,500
798	Tubing 9300' - 2 3/8" 4.7# L-80 @ \$7.00/ft		\$65,100
860	Drilling Head	\$7,500	
870	Tubing Head & Upper Section		\$20,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel 1- 300 bbl		\$10,000
891	Tanks - Other 1- 210 bbl FG		\$8,000
895	Separation Equipment 1MMBTU stac pack		\$22,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,000
900	Line Pipe - Gas Gathering and Transportation		\$40,000
901	Line Pipe - Production		\$1,500
906	Miscellaneous Fittings, Valves & Accessories		\$10,000
909	Electrical Installations		
910	Production Equipment Installation		\$10,000
920	Pipeline Construction		\$45,000
Prepared by: <u>L. Jackson</u>	Date Prepared: <u>1/22/2009</u>	Total Tangibles	\$7,500
Company Approval <u>m. whittor</u>	Date Approved: <u>1/22/2009</u>	SUBTOTAL	\$260,900
Joint Owner Interest: _____	Joint Owner Amount: _____	TOTAL WELL COST	\$1,012,400

EXHIBIT

Joint Owner: _____ 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: _____