

RECEIVED

MAR . 4 2003

Oil Conservation Division

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MEWBOURNE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

No. 13031

APPLICATION

Pursuant to Division Rule 1207.A(1)(b), Mewbourne Oil Company applies for an order pooling all mineral interests from the surface to the base of the Morrow formation (except the Atoka formation) underlying the E½ of Section 11, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of Section 11, and has the right to drill a well thereon.

2. Applicant proposes to drill its Esperanza "11" State Com. Well No. 2, at an orthodox location 1980 feet from the south line and 1650 feet from the east line of the section (Unit J), to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The SE¼ of Section 11 to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent, including the Undesignated East Avalon-Bone Spring Gas Pool; and

(b) The E½ of Section 11 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 East Carlsbad-Wolfcamp Gas Pool, Undesignated Cedar Hills-Upper Pennsylvanian Gas Pool,

Undesignated Burton Flat-Strawn Gas Pool, and Burton Flat-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 11 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 11, pursuant to NMSA 1978 §70-2-17.

5. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of this application:

(a) No opposition is expected because the owners have been contacted regarding the proposed well, but have simply not responded.

(b) A map outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks to dedicate to the well the acreage and formations described in paragraph (2) above. Certain formations are oil-bearing, and certain formations are gas bearing.

(c) The parties being pooled, and their last known addresses, are as follows:

J.W. Gendron
1280 Encino Drive
San Marino, California 91108

Sanford J. Hodge III, individually
and as Trustee of the E.G. Holden
Testamentary Trust
3600 St. John Drive
Dallas, Texas 75205

Charles Cline Moore
138 Harvard Avenue
Mill Valley, California 94941

Joseph R. Hodge
P.O. Box 5238
Austin, Texas 78763

Isaac A. Kawasaki and
Ruby F. Kawasaki
734 Kalanipuer Street
Honolulu, Hawaii 96825

Betsy H. Keller
Address unknown

The above parties collectively own an undivided 0.18586% interest in the E½ of Section 11. Ownership is more fully set forth in Exhibit B.

The above names and addresses were determined by a diligent search of all public records in Eddy County, including phone records and computer records. A summary of the communications with the locatable parties being pooled is attached hereto as Exhibit C. Applicant has been unable to determine an address for Betsy H. Keller.

(d) A structure and isopach map of the prospect are attached as Exhibits D and E. The main objective is the Morrow formation. The well's location is substantial a stepout from commercial Morrow production. Thus, applicant requests that

a risk penalty of cost plus 200% be assessed against any interest owner who does not voluntarily join in the well.

(e) A copy of the Authorization for Expenditure for the well is attached hereto as Exhibit F. The well costs are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(f) Overhead charges of \$6000/month for a drilling well, and \$600/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by applicant and other operators in this area for wells of this depth.

6. The pooling of all interests underlying the E½ of Section 11, and approval of the unorthodox location, will prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

A. Pooling all mineral interests in the E½ of Section 11 from the surface to the base of the Morrow formation, except the Atoka formation;

B. Approving the unorthodox oil well location;

C. Designating applicant as operator of the well;

D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

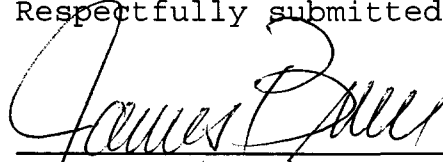
E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates

pursuant to the COPAS accounting procedure; and

F. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

**APPLICANT REQUESTS THAT IN THE ABSENCE OF OBJECTION THIS
MATTER BE TAKEN UNDER ADVISEMENT.**

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Mewbourne Oil Company

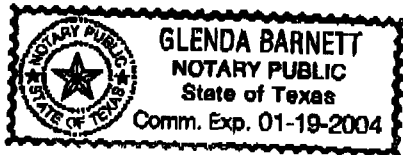
VERIFICATION

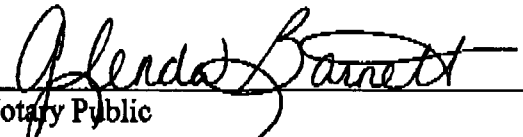
STATE OF TEXAS)
)
COUNTY OF MIDLAND) ss.

D. Paul Haden, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company, and is authorized to make this verification on its behalf; he has read the foregoing application 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 4th day of March, 2003 by D. Paul Haden.




Notary Public

My Commission Expires:

01-19-2004

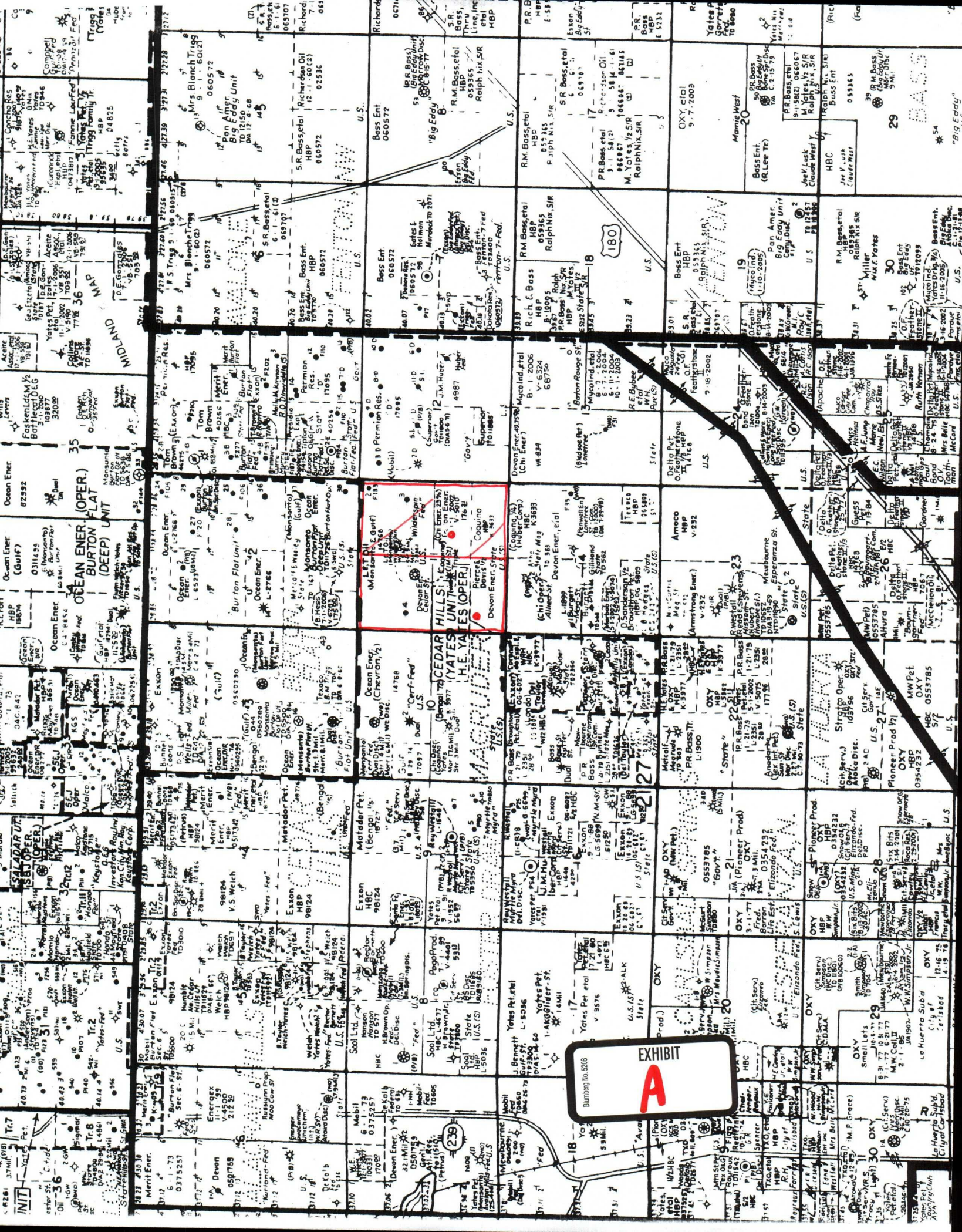


EXHIBIT
A
Bulmberg No. 9208

TRACT OWNERSHIP
Esperanza "11" State Com. #2 Well
E/2 of Section 11, T21S, R27E
Eddy County, New Mexico

Well Location: 1980' FSL & 1650' FEL of Section 11

Tract 1: State Lease Serial No. K-3633-7; S/2SE/4, from the base of the Yates formation through the base of the Morrow formation:

<u>Owner</u>	<u>Percentage Interest</u>
Mewbourne Oil Company	96.616092
Chi Energy, Inc.	1.639555
Locker Brothers, a Partnership	0.375000
Frances B. Bunn	0.117397
Brown Brothers Harriman Trust Company Successor Trustee of the Agnes Cluthe Oliver Trust and the William B. Oliver Trust	0.234794
Frederick Van Vranken, Jr.	0.117397
Mark T. Owen, and wife Jami Owen	0.062500
Michael D. Hayes, and wife Kathryn A. Hayes	0.093750
*J.W. Gendron	0.176096
*Joseph R. Hodge	0.019566
*Sanford J. Hodge, III.	0.019566
*Sanford J. Hodge, III., Trustee of the the E.G. Holden Testamentary Trust	0.058698
*Betsy H. Keller	0.058699
*Issac A. Kawasaki or Ruby Kawasaki	0.117397
*Charles Cline Moore	<u>0.293493</u>
	100.000000



Tract 2: State Lease Serial No. V-5010-1; N/2SE/4, from the surface through the base of the Morrow formation:

<u>Owner</u>	<u>Percentage Ownership</u>
Mewbourne Oil Company	85.5083
Chi Energy, Inc.	10.2417
Locker Brothers, a Partnership	3.000
Michael D. Hayes and wife, Kathryn A. Hayes	0.750
Mark T. Owen and wife, Jami Owen	<u>0.500</u>
	100.000

Tract 3: USA Lease Serial No. NMNM-14768-B; NE/4, from the base of the Bone Spring formation through the base of the Morrow formation:

<u>Owner</u>	<u>Percentage Interest</u>
Mewbourne Oil Company	100.00

E/2 Unit Ownership

<u>Owner</u>	<u>Percentage Interest</u>
Mewbourne Oil Company	96.6311389
Chi Energy, Inc.	2.9703100
Locker Brothers, a Partnership	0.8437500
Michael D. Hayes and wife, Kathryn A. Hayes	0.2109375
Mark T. Owen and wife, Jami Owen	0.1406250
Frances B. Bunn	0.0293400
Brown Brothers Harriman Trust Company Successor Trustee of the Agnes Cluthe Oliver Trust and William B. Oliver Trust	0.0586800
Frederick Van Vranken, Jr.	0.0293400
*J.W. Gendron	0.0440240
*Joseph R. Hodge	0.0048915
*Sanford J. Hodge	0.0048915

*Sanford J. Hodge, III, Trustee of the
E.G. Holden Testamentary Trust

0.0146745

Owner

Percentage Interest

*Betsy H. Keller

0.0146747

*Issac A. Kawasaki or Ruby Kawasaki

0.0293492

*Charles Cline Moore

0.0733732

100.000000

*These interests are being pooled.

**Summary of Communications
Esperanza "11" State Com. #1 and #2 Wells
Section 11, T21S, R27E
Eddy County, New Mexico**

Uncommitted Owners:

Mr. J.W. Gendron

- 1) Last known address per Eddy County records was at 1280 Encino Drive, San Marino, CA 91108.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Received return receipt green card on January 17, 2003.
- 4) Follow up letter dated January 20, 2003.
- 5) Per internet, there is a John W. Gendron in San Marino.
- 6) Phone number listed for J. Gendron 909-621-1365; no answer, left message on phone machine January 20, 2003.

Mr. Charles Cline Moore

- 1) Last known address per Eddy County records was at 138 Harvard Ave., Mill Valley, CA 94941.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) No return receipt green card was received.
- 4) Follow up well proposal letter dated January 21, 2003 with AFEs enclosed.
- 5) No return receipt green card was received.
- 6) Per internet, there is a Charles Cline Moore in Mill Valley.
- 7) Phone number listed was 415-383-7677, no answer, no answering machine, called this number January 20, 2003.

Mr. Joseph R. Hodge

- 1) Last known address per Eddy County records was at P.O. Box 5238, Austin, TX 78763.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Mail returned unclaimed.
- 4) Follow up letter dated January 20, 2003.
- 5) No phone listing for Joseph R. Hodge in Austin, Texas per internet January 20, 2003.

Mr. Sanford J. Hodge

- 1) Last known address per Eddy County records was at 3600 St. John Drive, Dallas, TX 75205.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Mail returned unclaimed.
- 4) Follow up letter dated January 20, 2003.
- 5) Per internet, there was a listing for S. Hodge but it was the wrong Hodge.



E.G. Holden Testamentary Trust, c/o Sanford J. Hodge, III. Trustee

- 1) Last known address per Eddy county was for Sanford J. Hodge, III. as listed above.
- 2) Proposed wells via certified mail with AFEs per letter dated February 25, 2003.
- 3) I expect no response.

Mr. Issac A. Kawasaki or Ruby Kawasaki

- 1) Last known address per Eddy County records was 734 Kalanipuer St., Honolulu, HI 96825.
- 2) Proposed wells via certified mail with AFEs enclosed per letter dated December 31, 2002.
- 3) Received return receipt green card January 13, 2003.
- 4) Follow up letter dated January 17, 2003 via certified mail.
- 5) Received green card January 28, 2003.

Betsy H. Keller

No last known addresses in the Eddy County records, no contact made.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

January 20, 2003

J.W. Gendron
1280 Encino Drive
San Marino, CA 91108

Re: Proposed Esperanza "11
State Com. #1 and #2 Wells
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Gendron:

Reference is made to my previous letter dated December 31, 2002 (see copy attached) regarding the captioned proposed wells. To date we have not received a response from you regarding your election to participate or not in the proposed wells.

Regarding the above, please respond at your very earliest convenience. Should you have any questions please do not hesitate to phone me collect at (915) 682-3715.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8729

Mr. J.W. Gendron
1280 Encino Drive
San Marino, CA 91108

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Gendron:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates you own a .00176096 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0004402.

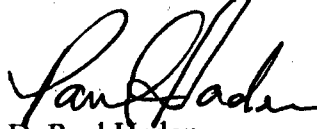
Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

December 31, 2002
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

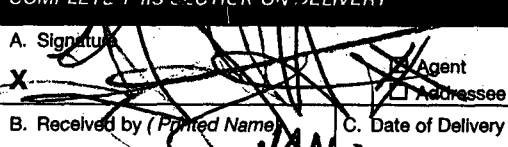
MEWBOURNE OIL COMPANY


D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of January, 2003.

J.W. Gendron

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 type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) _____ C. Date of Delivery JAN 17 2003</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below: _____</p>	
1. Article Addressed to: Mr. J.W. Gendron 1280 Encino Drive San Marino, CA 91108		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.	
2. Article Number (Transfer from service label): 7000 0520 0020 9191 8729		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
PS Form 3811, August 2001 Domestic Return Receipt Esperanza "11" State Com. #1 & #2 Wells 102595-01-M-2509			

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

January 21, 2003

Certified Mail

Return Receipt Requested No. 9269

Mr. Charles Cline Moore
138 Harvard Ave.
Mill Valley, CA 94941

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Moore:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

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Regarding the above, title examination indicates you own a .00293493 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0007337.

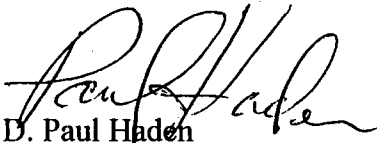
Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

January 21, 2003
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of January, 2003.

Charles Cline Moore

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8774

Mr. Charles Cline Moore
138 Harvard Ave.
Mile Valley, CA 94941

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
Section 11, T21S, R27E
Eddy County, New Mexico

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Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

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Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

December 31, 2002
Page -2-

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Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of January, 2003.

Charles Cline Moore

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

January 20, 2003

Joseph R. Hodge
P.O. Box 5238
Austin, Texas 78763

Re: Proposed Esperanza "11
State Com. #1 and #2 Wells
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Hodge:

Reference is made to my previous letter dated December 31, 2002 (see copy attached) regarding the captioned proposed wells. To date we have not received a response from you regarding your election to participate or not in the proposed wells.

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Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

0180304.650 DEC
3035 MAILED FROM 26 0008

DEC 3 2002 PM 11

12/2/03 1-14-02

12/2/03 1-14-02

12/2/03 1-14-02

FIRST CLASS MAIL

PS Form 3811, August 2007
(Transfer from service label)

2. Article Number
7000 0520 0020 9191 8699

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

4. Restricted Delivery? (Extra Fee)
☐ Yes

5. Signature
Mr. Joseph R. Hodge
P.O. Box 5238
Austin, Texas 78763

FROM

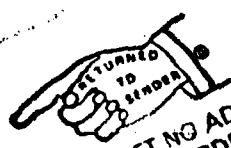
MEWBOURNE OIL COMPANY
500 WEST TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

SHIP TO

Mr. Joseph R. Hodge
P.O. Box 5238
Austin, Texas 78763

RETURN POSTAGE GUARANTEED

MOVED, LIST NO ADDRESS
FORWARDING ORDER EXPIRED
ATTEMPTED NOT KNOWN
UNCLAIMED ☐ REFUSED
NO SUCH STREET
NO SUCH NUMBER
INSUFFICIENT ADDRESS



MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8699

Joseph R. Hodge
P.O. Box 5238
Austin, Texas 78763

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
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Eddy County, New Mexico

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Regarding the above, title examination indicates you own a .00019566 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0000489.

Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

December 31, 2002
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of January, 2003.

Joseph R. Hodge

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

January 20, 2003

Sanford J. Hodge, III
3600 St. John Drive
Dallas, Texas 75205

Re: Proposed Esperanza "11
State Com. #1 and #2 Wells
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Hodge:

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Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

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:

Mr. Sanford J. Hodge, III
3600 St. John Drive
Dallas, Texas 75205

2. Article Number

(Transfer from service label)

7000 0520 0020 9191 8736

PS Form 3811, August 2001

Domestic Return Receipt

102595-01-M-2509

esperanza "11" State Com. #1 & #2 Wells

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

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

PM MIDLAND/ODESSA TX 79707

1/3/03
L/N

FIRST CLASS

FROM

MEWBOURNE OIL COMPANY

500 WEST TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

SHIP TO

Mr. Sanford J. Hodge, III
3600 St. John Drive
Dallas, Texas 75205

RETURN POSTAGE GUARANTEED

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8736

Sanford J. Hodge, III
3600 St. John Drive
Dallas, Texas 75205

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Hodge:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates you own a .00019566 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, your respective decimal interest in each respective spacing unit for each well is .0000489.

Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

December 31, 2002
Page 2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of January, 2003.

Sanford J. Hodge, III.

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

February 25, 2003

Certified Mail

Return Receipt Requested No. 9689

E.G. Holden Testamentary Trust
c/o Sanford J. Hodge, III, Trustee
3600 St. John Drive
Dallas, Texas 75205

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Hodge:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event the E.G. Holden Trust elects to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates the Holden Trust owns a .00058698 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, the Holden Trust's respective decimal interest in each respective spacing unit for each well is .0001467.

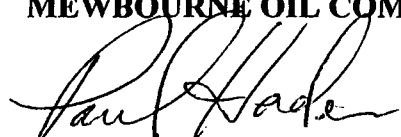
Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

February 25, 2003
Page -2-

In the event the Holden Trust elects not to participate in the proposed wells, Mewbourne would be interested in acquiring all of the Holden Trust's interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of _____, 2003.

E.G. HOLDEN TESTAMENTARY TRUST

By: _____
Sanford J. Hodge, III., Trustee

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:

Mr. Isaac A. Kawasaki
c/o Ruby F. Kawasaki
734 Kalanipuer St.
Honolulu, HI 96825

JAN 28 2003

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *James M. Narita* ☒ Agent ☐ Addressee

B. Received by (Printed Name)

James Narita

C. Date of Delivery

1-24-03

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)

7000 0520 0020 9191 9807

PS Form 3811 August 2001

Domestic Return Receipt

102595-01-M-2508

Esperanza "11" State Com #1 & #2

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

January 17, 2003

Certified Mail

Return Receipt Requested

No. 7000 0520 0020 9191 9207

Mr. Isaac A. Kawasaki
c/o Ruby F. Kawasaki
734 Kalanipuer St.
Honolulu, HI 96825

Re: Proposed Esperanza "11
State Com. #1 and #2 Wells
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Mr. Kawasaki:

Reference is made to my previous letter dated December 31, 2002 (see copy attached) regarding the captioned proposed wells. To date we have not received a response from you regarding your election to participate or not in the proposed wells.

Regarding the above, please respond at your very earliest convenience. Should you have any questions please do not hesitate to phone me collect at (915) 682-3715.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

(915) 682-3715
FAX (915) 685-4170

December 31, 2002

Certified Mail

Return Receipt Requested No. 8781

Mr. Isaac A. Kawasaki
c/o Ruby F. Kawasaki
734 Kalanipuer St.
Honolulu, HI 96825

Re: Esperanza "11" State Com. #1 Well
1010' FSL & 660' FWL
Section 11, T21S, R27E
Eddy County, New Mexico
and
Esperanza "11" State Com. #2 Well
1980' FSL & 1650' FEL
Section 11, T21S, R27E
Eddy County, New Mexico

Dear Ms. Kawasaki:

Mewbourne Oil Company (Mewbourne) as Operator, hereby proposes drilling the captioned wells at the referenced locations to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth for each well being 11,900' beneath the surface. The W/2 of the captioned Section 11 will be dedicated to the referenced #1 Well and the E/2 of the captioned Section 11 will be dedicated to the referenced #2 Well for proration unit purposes.

Enclosed for your further handling regarding the above proposed wells is our AFE dated July 30, 2002 for the #1 Well and our AFE dated October 29, 2002 for the referenced #2 Well which are estimated well costs. In the event you elect to participate in either or both proposed wells, please sign and return the respective AFEs and I will forward you an Operating Agreement for signature regarding the respective wells.

Regarding the above, title examination indicates Isaac A. Kawasaki owns a .00117397 decimal interest in the S/2S/2 of the captioned Section 11 as to operating rights from the surface to a depth of 11,758' beneath the surface. Accordingly, the Kawasaki respective decimal interest in each respective spacing unit for each well is .0002934.

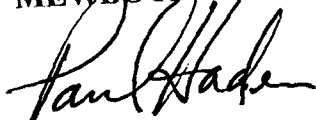
Esperanza "11" State Com. #1 Well &
Esperanza "11" State Com. #2 Well

December 31, 2002
Page -2-

In the event you elect not to participate in the proposed wells, Mewbourne would be interested in acquiring all of your interest in the S/2S/2 of the captioned Section 11 for \$100.00 cash. If you elect this option, please indicate so by signing and returning this letter to me in the enclosed envelope. Upon my receipt of same, I will have the respective Assignment of Operating Rights instrument prepared for your execution.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden
Senior Landman

DPH/gb

The undersigned accepts the above referenced offer this _____ day of January, 2003.

Isaac A. Kawasaki

Ruby F. Kawasaki

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:

Mr. Isaac A. Kawasaki
c/o Ruby F. Kawasaki
734 Kalanipuer St.
Honolulu, HI 96825

JAN 13 2003

COMPLETE THIS SECTION ON DELIVERY

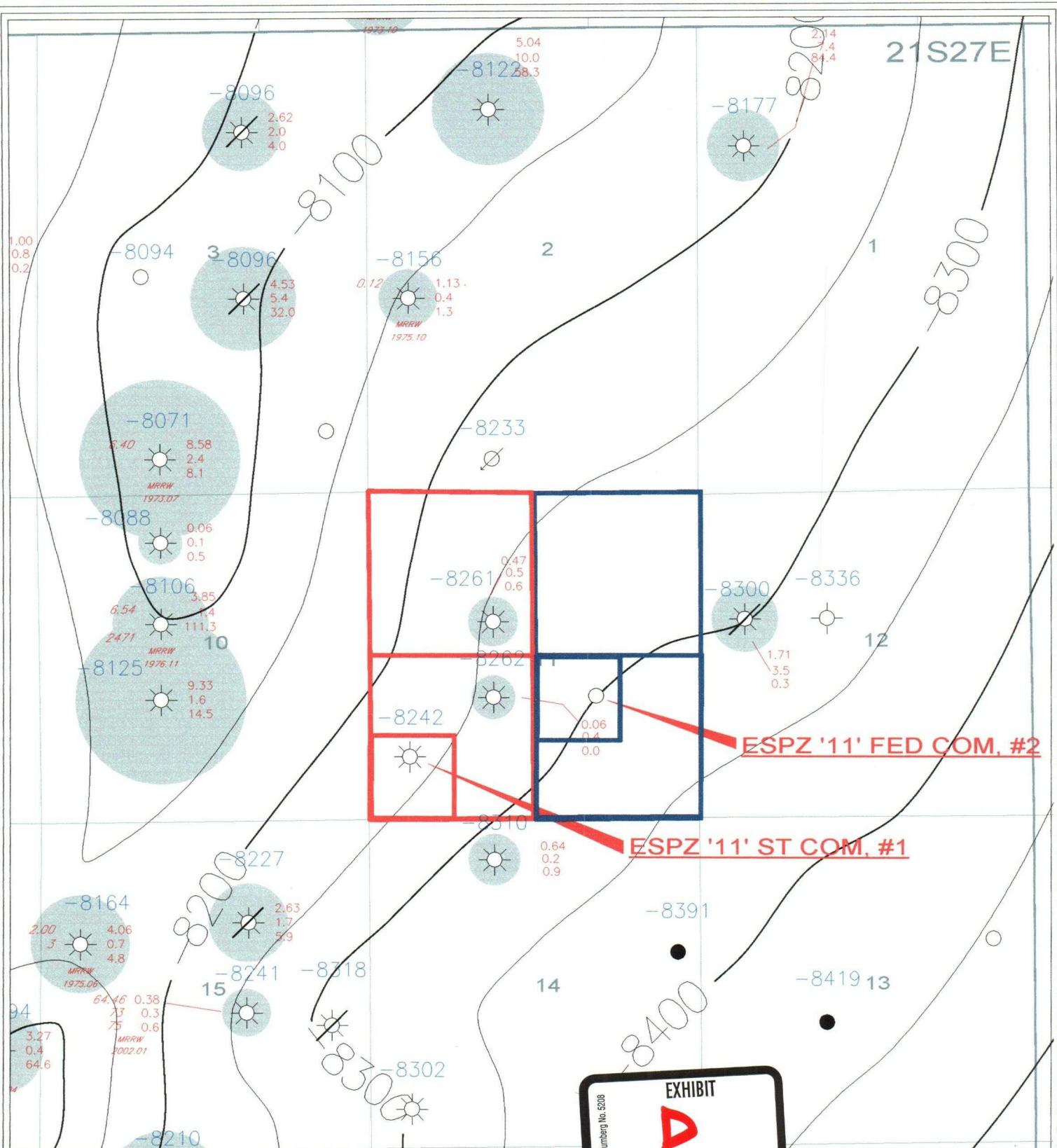
- A. Signature
☒ *James M. Naritson* ☐ Agent ☐ Addressee
- B. Received by (Printed Name) C. Date of Delivery
James M. Naritson 1/6/03
- D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

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
(Title)
PS For

02595-01-M-2509



KEY

SUBSEA ELEVATION

CUR. PROD. MMCFM
CUR. PROD. BO/M
CUR. PROD. BW/M

CUM. PROD. BCFG
CUM. PROD. MBO
CUM. PROD. MBW

ACTIVE ZONE
FIRST PROD. DATE

SHADED DOT SIZE
REFLECTS CUM. PROD.

320 ACRE UNIT

160 ACRE UNIT

40 ACRE UNIT

EXHIBIT

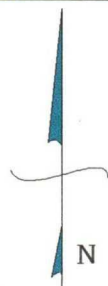
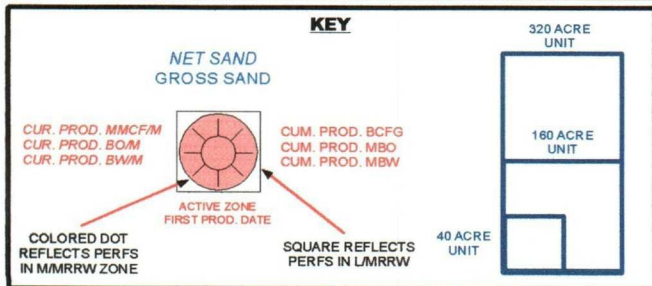
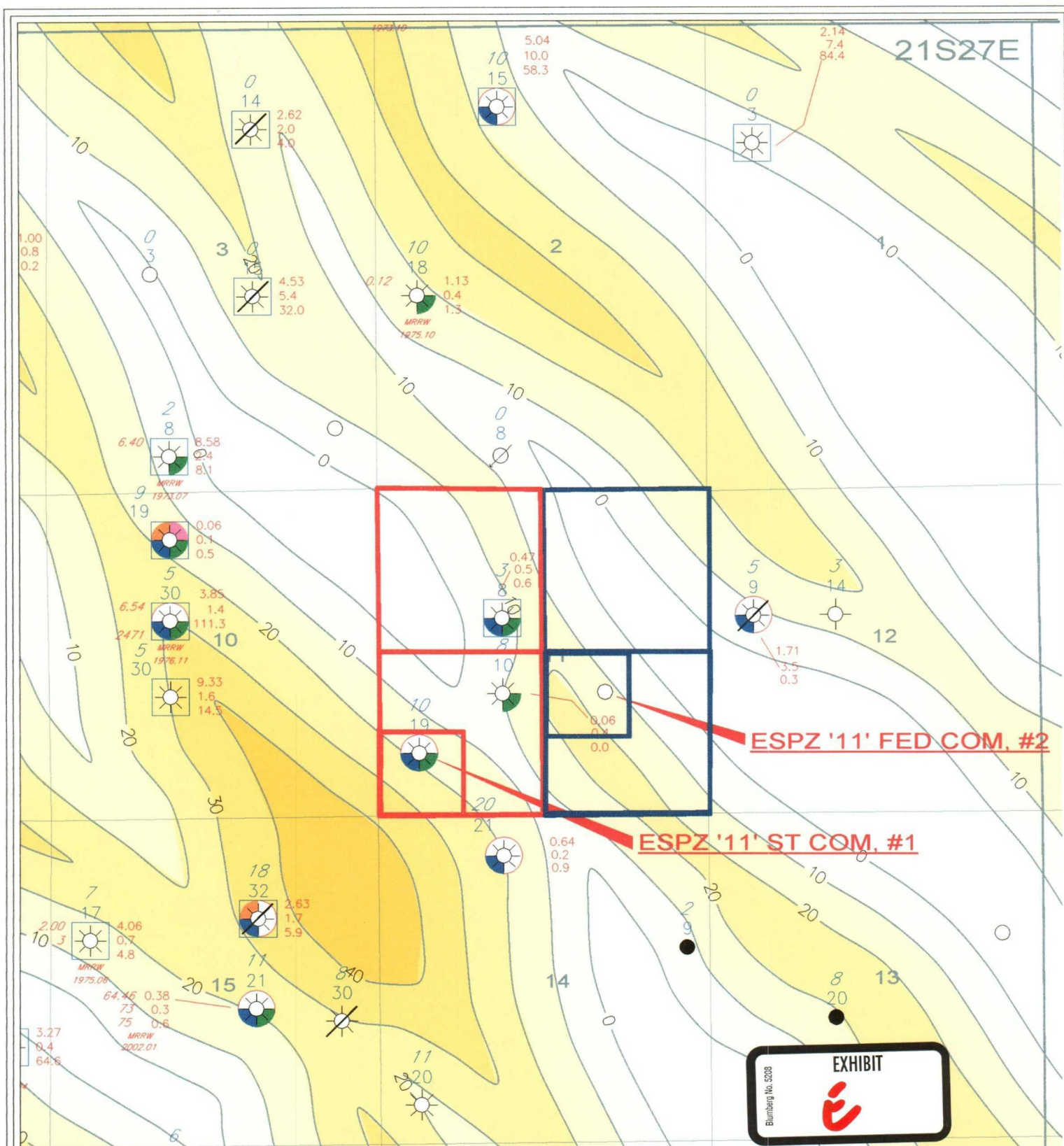
D

Bloomberg No. 5208

M_{OC} Mewbourne Oil Company

T/LOW-MORRW STRUCTURE - W/MORRW PROD.
BURTON FLAT FIELD - S11/T21S/R27E
EDDY CO., NEW MEXICO

MB	C.I. = 50'	MARCH '03
LMRWSTR.GPF	1" = 2000'	WELLS > 10,000'



M_{OC} Mewbourne Oil Company

MID-MORROW 'U/BLUE' SAND ISOPACH
BURTON FLAT FIELD - S11/T21S/R27E
EDDY CO., NEW MEXICO

MB	C.I. = 10'	MARCH '03
MMJISOH.GPF	1" = 2000'	WELLS > 10,000'

MEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE

Prospect:	Esperanza 11	Well Name & No.	Esperanza 11 State Com #2
Field:	Burton Flat Morrow	Location:	1980' FSL & 1950' FEL
Section:	11	Block:	
County:	Eddy	Township:	21N Range: 27E
		State:	NM
		Proposed Depth:	11,900'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$3,000	\$1,000
301	Location, Roads and Damages	\$25,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work (28 days @ \$7500 + 2 days after TD)	\$210,000	\$15,000
304	Fuel, Water and Other	\$50,000	\$5,000
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$30,000	\$1,000
307	Cementing	\$20,000	\$13,000
308	Logging and Wireline (Includes RFT)	\$25,000	\$18,000
309	Casing-Tubing Services	\$5,000	\$8,500
310	Mud Logging 20 Days	\$14,000	
311	Testing		\$1,000
312	Treating		\$75,000
313	Coring		
314	Fishing Services		
320	Transportation (Includes Rig Mobilization)	\$25,000	\$1,000
321	Welding and Construction Labor	\$2,000	\$3,500
322	Contract Supervision	\$3,000	
330	Equipment Rental (H ₂ S, Sep, PVT, Rot Head)	\$17,500	\$5,000
334	Well / Lease Legal / Tax	\$3,000	\$1,000
335	Well / Lease Insurance	\$16,900	
350	Intangible Supplies (1-17 1/2, 1-12 1/4 & 4-7 7/8" bits)	\$40,000	\$1,000
380	Pipeline ROW and Easements		\$1,500
387	Pipeline Interconnect		
375	Company Supervision	\$20,000	\$3,500
380	Overhead Fixed Rate	\$8,000	\$4,000
398	Well Abandonment	\$12,000	-\$12,000
399	Contingencies 10% 5%	\$52,700	\$8,400
	Total Intangibles	\$580,100	\$178,400
TANGIBLE COST 181			
797	Conductor Casing 40' 20" (Included in location cost)		
797	Surface Casing 400' 13 3/8", 48#, H-40, ST&C	\$8,300	
797	Intermediate Casing 2800' 8 5/8", 32#, J-55, ST&C	\$28,000	
797	Production Casing 11,900' 5 1/2" 17# S95/N80 LTC		\$85,000
797	Production Casing		
798	Tubing 11,900' 2 7/8 6.5# P-110 EUE		\$41,700
880	Drilling Head	\$5,000	
885	Tubing Head		\$7,500
870	Upper Section		\$12,000
875	Sucker Rods		
880	Packer, Pump & Other Subsurface		\$4,500
883	Gas Lift Valve & System		
884	Plunger Lift System		
885	Pumping Unit & Prime Mover + Electricity		
886	Pumps		
890	Tanks - Steel		\$5,000
891	Tanks - Other		\$4,000
894	Separation Equipment - Fired		\$12,000
895	Separation Equipment - Non-Fired		
898	Gas Treating Equipment		
898	Metering Equipment		\$2,600
900	Line Pipe - Gas Gathering and Transportation		\$9,000
901	Line Pipe - Production		\$1,500
905	Valves		
908	Miscellaneous Fittings & Accessories		\$10,000
910	Production Equipment Installation		\$15,000
920	Pipeline Construction		\$21,000
Date prepared: 10/29/02		Total Tangibles	\$37,300
Prepared by: N. Young		SUBTOTAL	\$617,400
Company Approval: <i>M. White</i>		TOTAL WELL COST	\$1,024,500
Date Approved: 10/29/02			
Joint Owner Approval:			
Joint Owner Interest:			
Joint Owner Amount:			



PROPOSED ADVERTISEMENT

Case 13031:

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation (except the Atoka formation) underlying the following described acreage in Section 11, Township 21 South, Range 27 East, NMPM, and in the following manner: The E $\frac{1}{2}$ of Section 11 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated East Carlsbad-Wolfcamp Gas Pool, Undesignated Cedar Hills-Upper Pennsylvanian Gas Pool, Undesignated Burton Flat-Strawn Gas Pool, and Burton Flat-Morrow Gas Pool; and the SE $\frac{1}{4}$ of Section 11 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent, including the East Avalon-Bone Spring Gas Pool. The unit is to be dedicated to applicant's Esperanza "11" St. Com. Well No. 2, drilled at an orthodox well location in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 11. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles northeast of Carlsbad, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

RECEIVED

MAR . 4 2003

Oil Conservation Division