

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

September 22, 2011

Certified Mail-Return Receipt No. 7429

Mrs. Catherine Ann Foley  
10061 Fieldcrest Drive  
Omaha, Nebraska 68124

Re: Proposed Horizontal Bone Spring Test  
Delaware Ranch "11" Fed COM #2-H  
Section 11, T-26-S, R-28-E  
Eddy County, New Mexico  
**Delaware Ranch Prospect**

Dear Mrs. Foley:

Mewbourne hereby proposes drilling a horizontal Avalon Shale test well to be called the Delaware Ranch "11" Fed COM #2-H at a surface location 450' FNL & 1700' FEL (NW/4NE/4) with a bottom hole location 330' FSL & 1700' FEL (SW/4SE/4) of Section 11, T-26-S, R-28-E, Eddy County, New Mexico. The anticipated project area for this well will be the W/2E/2 of said Section 11.

Based upon available title information, you appear to own an undivided 0.976154% unleased mineral interest all of said Section 11 save and except the N/2NE/4 thereof. Assuming our information is correct, you would have a 0.732116% working and net revenue interest in the anticipated project area for this well. To facilitate the orderly development of said Section 11, Mewbourne also proposes forming a 640 acre working interest unit covering all of said Section 11. Assuming you would be willing to commit your interest to such a unit, you would have a 0.854135% working and net revenue interest in each well drilled in the unit. The controlling JOA for this proposal is the same one provided to you with our September 16, 2011 proposal to drill the Delaware Ranch "11" Fed COM #1-H.

Enclosed are duplicate originals of Mewbourne's AFE well cost estimate for this well. To make your election to participate in the proposed working interest unit and well, please properly execute and return to my attention the previously provided extra set of signature pages to the JOA along with one of the AFEs. You will also need to provide your "Well Information" requirements. Please note that Mewbourne's AFEs provide all participants the opportunity to opt out of the "Extra Expense Well Control Insurance" that Mewbourne purchases for each well it

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 14750 Exhibit No. 2  
Submitted by:  
**MEWBOURNE OIL COMPANY**  
Hearing Date: October 27, 2011

Mrs. Catherine Ann Foley  
Delaware Ranch "11" Fed COM #2-H Well  
September 22, 2011  
Page 2 of 2

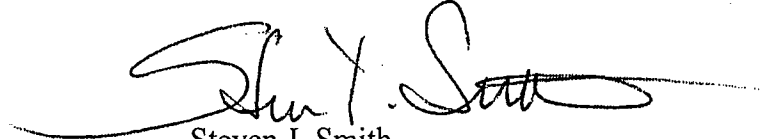
drills. To opt out of this insurance, please be sure to sign the AFE a second time at the bottom of each AFE. If you do opt out, you will need to provide evidence that you have adequate "Well Control Insurance".

As an alternative to participation in this project, Mewbourne would be interested in acquiring an oil and gas leases covering your unleased mineral interest in the area under mutually acceptable terms.

Feel free to contact me if you have any questions or would like to discuss this proposal in greater detail. I can be reached by phone at (432) 682-3715 or via email at [ssmith@mewbourne.com](mailto:ssmith@mewbourne.com).

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in black ink, appearing to read "Steven J. Smith", with a long horizontal flourish extending to the right.

Steven J. Smith  
Senior Landman

Enclosures

*Del Ranch 11#24*

**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:

**Mrs. Catherine Ann Foley  
10061 Fieldcrest Drive  
Omaha, Nebraska 68124**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature ☐ Agent  
*Catherine Ann Foley* ☒ Addressee

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

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)

PS Form 3811, February 2004

Domestic Return Receipt

7009 2250 0000 0618 7429

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## MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Well Name: <b>Delaware Ranch 11 Fed Com #2H</b>	Prospect: <b>Delaware Ranch</b>
Location: <b>SL: 450' FNL &amp; 1700' FEL, BHL: 330' FSL &amp; 1700' FEL Sec.11</b>	County: <b>Eddy</b> State: <b>NM</b>
Section: <b>11</b> Blk: <b></b> Survey: <b></b>	TNP: <b>26S</b> RNG: <b>28E</b> Prop. Dpth: <b>11350'</b>

INTANGIBLE COSTS 180	CODE	TCP	CODE	CC
Permits and Surveys	100	\$10,000	200	\$4,000
Location: Roads, Pits & Site Preparation (Lined Frac pit on completion)	105	\$65,000	205	\$50,000
Location: Excavation & Other	106	\$150,000		
Day Work, Footage, Turnkey Drilling 29 days drlg, 3 comp @ \$17,000/Day + GRT	110	\$493,000	210	\$51,000
Fuel	114	\$120,000		
Mud	120	\$65,000		
Chemicals and Additives	121		221	\$3,000
Cementing (cmt csg, tools)	125	\$100,000	225	
Logging, Wireline & Coring Services (Gyro, open hole logs and processing)	130	\$35,000	230	
Casing, Tubing & Snubbing Services	134	\$30,000	234	\$15,000
Mud Logging	137	\$25,000		
Stimulation			241	\$900,000
Stimulation Rentals & Other (Water & water transportation)			242	\$250,000
Water & Other	145	\$55,000		
Bits	148	\$55,000	248	
Inspection & Repair Services	150	\$18,000	250	\$1,500
Misc. Air & Pumping Services	154		254	
Testing	158	\$5,000	258	
Completion / Workover Rig			260	\$15,000
Rig Mobilization	164	\$140,000		
Transportation	165	\$30,000	265	\$12,000
Welding and Construction	168	\$10,000	268	\$5,000
Engineering & Contract Supervision	170	\$40,000	270	
Directional Services	175	\$175,000		
Equipment Rental (BOP's ,etc)	180	\$140,000	280	\$5,000
Well / Lease Legal	184	\$8,000	284	
Well / Lease Insurance	185	\$4,500	285	
Intangible Supplies	188	\$5,000	288	\$1,000
Damages	190		290	
Pipeline, Road, Electrical ROW & Easements	192		292	\$3,000
Pipeline Interconnect			293	
Company Supervision	195	\$80,000	295	\$35,000
Overhead Fixed Rate	196	\$9,000	296	\$7,000
Well Abandonment	198		298	
Contingencies 10% (TCP) 5% (CC)	199	\$186,800	299	\$67,900
<b>TOTAL</b>		<b>\$2,054,300</b>		<b>\$1,425,400</b>

TANGIBLE COSTS 181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	793			
Casing (10.1" - 19.0") 400' 13 3/8" 48# H40 STC @ \$36.00/ft	794	\$14,500		
Casing (8.1" - 10.0") 2700' 9 5/8" 36#/40# J55/N80 STC @ \$25.25/ft	795	\$69,000		
Casing (6.1" - 8.0") 7350' 7" 26# P110 LTC/BTC @ \$25.50/ft	796	\$190,000		
Casing (4.1" - 6.0") 4600' 4 1/2" 11.6# P110 LTC @ \$12.25/ft			797	\$56,500
Tubing (2" - 4") 6300' 2 7/8" 6.5# L80 EUE 8rd @ \$ 7.75/ft			798	\$49,000
Drilling Head	860	\$8,500		
Tubing Head & Upper Section			870	\$10,000
Sucker Rods			875	
Packer Pump & Subsurface Equipment (17-20 stages & GL packer) + 7" packer			880	\$290,000
Artificial Lift Systems Gas Lift			884	\$10,000
Pumping Unit			885	
Surface Pumps & Prime Movers			886	
Tanks - Steel 4 - 500 bbl steel			890	\$60,000
Tanks - Others 2 - 500 bbl fiberglass			891	\$26,000
Separation Equipment 24"x10"x1000# 3-phase + 6'x20'x125# Free Water Knockout			895	\$50,000
Gas Treating Equipment			896	
Heater Treaters, Line Heaters			897	
Metering Equipment			898	\$6,500
Line Pipe - Gas Gathering and Transportation			900	\$60,000
Misc. Fittings, Valves, Line Pipe and Accessories			906	\$50,000
Cathodic Protection			908	
Electrical Installations			909	
Production Equipment Installation Battery & Rental Compressor hookup			910	\$40,000
Pipeline Construction			920	\$60,000
<b>TOTAL</b>		<b>\$282,000</b>		<b>\$768,000</b>
<b>SUBTOTAL</b>		<b>\$2,336,300</b>		<b>\$2,193,400</b>
<b>TOTAL WELL COST</b>		<b>\$4,529,700</b>		

Prepared by: L. JacksonDate: 9/15/2011Co. Approval: M. Whittall

Date: \_\_\_\_\_

Joint Owner Interest: 0.854135% Amount: \$38,690Joint Owner: Catherine Ann Foley

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 185. 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 thier well.

By: \_\_\_\_\_ Name: \_\_\_\_\_

Form Rev: 8/11/09