

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

May 24, 2012

Certified Mail-Return Receipt No. 9546

Ard Oil, Ltd.  
222 W. 4<sup>th</sup> Street, #313  
Fort Worth, Texas 76102

Due 6-28-12

Re: Proposed Horizontal Bone Spring Test  
Tamano "10" Fed COM #8-H  
N/2S/2 Section 10, T-18-S, R-31-E  
Eddy County, New Mexico  
**Tamano Prospect**

Ladies and Gentlemen:

Pursuant to the terms of that certain Joint Operating Agreement dated November 20, 1967, Mewbourne Oil Company ("Mewbourne") hereby proposes drilling a horizontal 2<sup>nd</sup> Bone Spring Sand test in the N/2S/2 of Section 10, T-18-S, R-31-E, Eddy County, New Mexico to be called the Tamano "10" Fed COM #8-H well. The well will be drilled at a surface location 1,737' FSL & 260' FWL of said Section 10 to a vertical depth of approximately 8,015' where horizontal drilling operations will commence that should turn the well completely horizontal in the 2<sup>nd</sup> Bone Spring Sand at an approximate vertical depth of 8,490'. Horizontal drilling operations will then continue to the east in the 2<sup>nd</sup> Bone Spring Sand formation to the planned bottom hole location 1,800' FSL & 330' FEL of said Section 10. If successful, a 160 acre "Project Area" will be assigned to the well encompassing the N/2S/2 of Section 10. Based upon our most current title information, Ard Oil, Ltd. ("Ard") owns an undivided 2.65625% working interest in the anticipated Project Area.

Enclosed are duplicate originals of the AFE well cost estimate for this well. To make your election to join in the proposed well, execute both enclosed AFEs on behalf of Ard and return one fully executed AFE to the undersigned. Please note Mewbourne's AFEs provide all participants the opportunity to opt out of the "Extra Cost Control Insurance" that Mewbourne purchases for each well. To opt out of this insurance, please be sure to sign the AFE a second time at the bottom of each AFE. If you choose to opt out of this insurance, you will need to provide evidence of your own adequate well control insurance.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No.2  
Submitted by:  
MEWBOURNE OIL COMPANY  
Hearing Date: November 1, 2012

Ard Oil, Ltd.  
Proposed Tamano "10" Fed COM #8-H  
May 24, 2012  
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As an alternative to participation, Mewbourne hereby offers to purchase a Term Assignment covering all Ard's interest in the S/2 of said Section 10, T18S, R31E 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



Steven J. Smith  
Senior Landman

Attachments

*Tamano Prospect*

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	<p>A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>SS Smith</i></p> <p>C. Date of Delivery <i>5/29</i></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>
1. Article Addressed to:  Ard Oil, Ltd. 222 W. 4 <sup>th</sup> Street, #213 Fort Worth, Texas 76102 <i>Phy</i>	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)	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
7010 1870 0001 6456 9546	

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

## MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Well Name:	Tamano 10 Federal Com #8H	Prospect:	Tamano										
Location:	SL: 1737' FSL & 260' FWL BHL: 1800' FSL & 330' FEL	County:	Lea	ST:	NM								
Sec:	10	Blk:		Survey:		TWP:	18S	RNG:	31E	Prop. TVD:	8482'	TMD:	13,000'

INTANGIBLE COSTS 0180	CODE	TCP	CODE	CC
Permits and Surveys	0180-0100	\$10,000	0180-0200	
Location: Roads, Pits & Site Preparation	0180-0105	\$50,000	0180-0205	\$5,000
Location: Site Restoration, Excavation & Other	0180-0106	\$125,000	0180-0206	
Day Work, Footage, Turnkey Drilling 30 days drlg/3 day comp @ \$17000/day + GRT	0180-0110	\$540,600	0180-0210	\$54,000
Fuel	0180-0114	\$130,000		
Mud	0180-0120	\$70,000		
Chemicals and Additives	0180-0121	\$3,000	0180-0221	
Cementing	0180-0125	\$85,000	0180-0225	
Logging, Wireline & Coring Services	0180-0130	\$23,000	0180-0230	
Casing, Tubing & Snubbing Services	0180-0134	\$25,000	0180-0234	\$15,000
Mud Logging	0180-0137	\$18,000		
Stimulation			0180-0241	\$900,000
Stimulation: Rentals & Other			0180-0242	\$135,000
Water & Other	0180-0145	\$49,000		
Bits	0180-0148	\$60,000	0180-0248	
Inspection & Repair Services	0180-0150	\$9,000	0180-0250	\$2,000
Misc. Air & Pumping Services	0180-0154		0180-0254	\$2,500
Testing	0180-0158	\$5,000	0180-0258	\$5,000
Completion / Workover Rig			0180-0260	\$20,000
Rig Mobilization	0180-0164	\$120,000		
Transportation	0180-0165	\$30,000	0180-0265	\$5,000
Welding and Construction	0180-0168	\$1,500	0180-0268	\$7,500
Engineering & Contract Supervision	0180-0170	\$50,000	0180-0270	
Directional Services	0180-0175	\$160,000		
Equipment Rental	0180-0180	\$250,000	0180-0280	\$5,000
Well / Lease Legal	0180-0184	\$8,000	0180-0284	\$1,000
Well / Lease Insurance	0180-0185	\$4,300	0180-0285	\$1,000
Intangible Supplies	0180-0188	\$10,000	0180-0288	\$1,000
Damages	0180-0190		0180-0290	
Pipeline, Road, Electrical ROW & Easements	0180-0192		0180-0292	
Pipeline Interconnect			0180-0293	
Company Supervision	0180-0195	\$75,000	0180-0295	\$30,000
Overhead Fixed Rate	0180-0196	\$10,000	0180-0296	\$7,000
Well Abandonment	0180-0198		0180-0298	
Contingencies 10% (TCP) 5% (CC)	0180-0199	\$192,100	0180-0299	\$59,800
<b>TOTAL</b>		<b>\$2,113,500</b>		<b>\$1,255,800</b>

TANGIBLE COSTS 0181	CODE	TCP	CODE	CC
Casing (19.1" - 30")	0181-0793			
Casing (10.1" - 19.0") 750' 13 3/8" 48# K55 STC @ \$35.99/ft	0181-0794	\$27,000		
Casing (8.1" - 10.0") 2200' 9 5/8" 36# K55 LTC @ \$22.00/ft	0181-0795	\$48,400		
Casing (6.1" - 8.0") 8900' 7" 26# P110 BTC/LTC @ \$29.00/ft	0181-0796	\$258,100		
Casing (4.1" - 6.0") 3900' 4 1/2" 13.5# P110 LTC @ \$13.00/ft			0181-0797	\$50,700
Tubing (2" - 4") 8500' 2 7/8" 6.5# L80 EUE 8rd \$6.60/ft			0181-0798	\$56,100
Drilling Head	0181-0860	\$12,000		
Tubing Head & Upper Section			0181-0870	\$13,000
Downhole Directional Equipment			0181-0871	\$230,000
Sucker Rods			0181-0875	\$25,000
Packer Pump & Subsurface Equipment			0181-0880	\$15,000
Artificial Lift Systems			0181-0884	\$7,500
Pumping Unit			0181-0885	\$100,000
Surface Pumps & Prime Movers			0181-0886	
Tanks - Steel 3,500 bbl ST			0181-0890	\$45,000
Tanks - Others 2,500 bbl WT			0181-0891	\$26,000
Separation & Gas Treating Equipment			0181-0895	\$23,000
Heater Treaters, Line Heaters			0181-0897	\$22,000
Metering Equipment			0181-0898	\$7,500
Line Pipe - Gas Gathering and Transportation			0181-0900	
Misc. Fittings, Valves, Line Pipe and Accessories			0181-0906	\$45,000
Cathodic Protection			0181-0908	
Electrical Installations			0181-0909	\$25,000
Production Equipment Installation			0181-0910	\$40,000
Pipeline Construction			0181-0920	
<b>TOTAL</b>		<b>\$345,500</b>		<b>\$730,800</b>
<b>SUBTOTAL</b>		<b>\$2,459,000</b>		<b>\$1,986,600</b>
<b>TOTAL WELL COST</b>		<b>\$4,445,600</b>		

Prepared by: L Jackson

Date: 5/22/2012

Co. Approval:

*M. Whitte*

Date: 5/23/2012

Joint Owner Interest: 2.65625000% Amount: \$118,086.25

Joint Owner Name: Ard Oil, Ltd.

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 0180-0185. 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.

Joint Owner Name:

Signature:

Form Rev: 4/2012