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. 13,731

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 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:
 - (a) No opposition is expected because the working interest owners being pooled have been contacted regarding the proposed well, and have simply not decided whether to join in the well or farm out their interests.
 - (b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, 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 W½ of Section 10, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, to form a standard 320 acre gas and spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the East Dagger Draw-Strawn Gas Pool and Cemetery-Morrow Gas Pool.

The unit is to be designated to the proposed Long Draw "10" Fee Com. Well No. 1, to be drilled at an orthodox location in the NW¼SW¼ of Section 10.

(c) The parties being pooled, their working interests in the well unit, and their addresses, are as follows:

Milton F. Kent and Anna P. Kent c/o Steve R. Bengtson 10820 S.W. 74 Court Miami, FL 33156 0.78750%

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

Elizabeth S. Ferguson
Elizabeth Ferguson Blanek and
Stringer Family Interests
P.O. Box 3037
San Angelo, TX 76902

0.49218%

Mark K. Wilson and Mary Lou Wilson 4501 Greentree Boulevard

0.29531%

Midland, TX 79707

1

- (d) Copies of the proposal letters sent to the uncommitted working interest owners are attached hereto as Exhibit B. In addition, several phone calls have been made to the uncommitted working interest owners.
- (e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting 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 \$6500/month for a drilling well, and \$650/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 well of this depth.
- (h) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)	
COUNTY OF MIDLAND) ss.)	
for Mewbourne Oil Compan	y; he is authorized to make the knows the contents thereof;	eposes and states that: He is a landman is verification on its behalf; he has read and the same is true and correct to the
		D. Paul Haden
SUBSCRIBED AND Haden.	SWORN TO before me this	day of June, 2006 by D. Paul
		Notary Public
My Commission Expires: _	1-19-2008	GLENDA BARNETT NOTARY PUBLIC STATE OF TEXAS My Comm. Expires 1-19-2008

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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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.	A. Signature X LI Agent L Addressee B. Received by (Printed Name) C. Date of Delivery
Attach this card to the back of the mailplece, or on the front if space permits.	Menos Box of se 921
1. Article Addressed to:	D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No
Milton F. Kent	
c/o Steve R. Bengtson 10820 SW 74 Court	第一:
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	4. Restricted Delivery? (Extra Fee)
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EXHIBIT B

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

April 18, 2006

Via Certified Mail-Return Receipt No. 1137

Milton F. Kent STURE c/o Steve R. Bengtson 10820 SW 74 Court Miami, FL 33156

Re:

Long Draw "10" Federal Com #1 Well

1980' FSL 7 660' FWL Section 10, T20S, R25E Eddy County, New Mexico

Dear Mr. Bengtson:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the referenced well at the captioned location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 9,800' beneath the surface. The above well will be dedicated to the W/2 of the captioned Section 10 for proration unit purposes. Enclosed for your consideration in connection with the proposed well is our AFE dated March 6, 2006.

In reference to the above, public records indicate Milton F. Kent owns an undivided 2.100% leasehold interest (2.52 net acres) in the rights from the surface to a depth of 9,740' beneath the surface in the N/2NW/4 and SW/4NW/4 of the captioned Section 10 which acreage is subject to Federal Lease Serial No. NM-14758. On an 8/8th basis, apparently Mr. Kent has a 82.5% net revenue interest as to such acreage.

Should you elect to participate in the proposed well, please sign and return the enclosed AFE to me and I will forward you our Operating Agreement for execution.

In the event Mr. Kent elects not to participate in the proposed well, Mewbourne hereby offers to purchase a two (2) year term assignment of the interest referenced above on the basis of \$200.00 per net acre wherein Mewbourne would be delivered a 75% net revenue interest, subject to proportionate reduction. Please indicate your acceptance of our offer by signing and returning this letter to me at your earliest convenience in the enclosed postage paid envelope and I will forward you our check and term assignment for your further handling.

As Mewbourne has a drilling rig available to commence operations on the proposed well within the next 60 days, your earliest response to our proposal would be greatly appreciated. Please call me should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE, OIL COMPANY

D. Paul Haden Senior Landman

Milton F. Kent Long Draw "10" Federal Com #1 Well April 18, 2006 Page 2

Agreed and Accepted this	_day of April, 2006.
MILTON F. KENT	
By: Steve R.Bengston	
SS No	

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•	Mark Wilson945 N/A = .2953/% 432-697-2206 Follow up call 5/4/do - He said he'd get back with us.	·
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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. 	B_Received by (Printed Name) C. Date of Delivery
1. Article Addressed to:	D. Is delivery address different from item 17: Yes If YES, enter delivery address below: No
Mr. & Mrs. Mark D. Wilson 4501 Greentree Blvd. Midland, Texas 79707	•
	3. Service Type DD Certified Mail □ Express Mail □ Registered □ Return Receipt for Merchandise □ Insured Mail □ C.O.D.
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Ap. .

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

April 18, 2006

Via Certified Mail-Return Receipt No. 1045

Mr. & Mrs. Mark D. Wilson 4501 Greentree Blvd. Midland, Texas 79707

Re:

Long Draw "10" Federal Com #1 Well

1980' FSL 7 660' FWL Section 10, T20S, R25E Eddy County, New Mexico

Dear Mr. & Mrs. Wilson:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the referenced well at the captioned location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 9,800' beneath the surface. The above well will be dedicated to the W/2 of the captioned Section 10 for proration unit purposes. Enclosed for your consideration in connection with the proposed well is our AFE dated March 6, 2006.

In reference to the above, public records indicate you own an undivided .7875% leasehold interest (0.945 net acres) in the rights from the surface to a depth of 9,740' beneath the surface in the N/2NW/4 and SW/4NW/4 of the captioned Section 10 which acreage is subject to Federal Lease Serial No. NM-14758. On an 8/8th basis, apparently you have a 82.5% net revenue interest as to such acreage.

Should you elect to participate in the proposed well, please sign and return the enclosed AFE to me and I will forward you our Operating Agreement for execution.

In the event you elect not to participate in the proposed well, Mewbourne hereby offers to purchase a two (2) year term assignment of your interest referenced above on the basis of \$200.00 per net acre wherein Mewbourne would be delivered a 75% net revenue interest, subject to proportionate reduction. Please indicate your acceptance of our offer by signing and returning this letter to me at your earliest convenience in the enclosed postage paid envelope and I will forward you our check and term assignment for your further handling.

As Mewbourne has a drilling rig available to commence operations on the proposed well within the next 60 days, your earliest response to our proposal would be greatly appreciated. Please call me should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL COMPANY

D. Paul Haden Senior Landman

Mr. & Mrs. Mark Wilson Long Draw "10" Federal Com #1 Well April 18, 2006 Page 2

Agreed and Accepted thisday	of April, 2006.
Mark D. Wilson	Mary Lou Wilson
SS No.	

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

May 5, 2006

Stringer Family Interests, LP P.O. Box 3037 San Angelo, Texas 76902 Attn: Mr. J. Frank Stringer, Jr.

Re:

Long Draw "10" Federal Com #1 Well

1980' FSL & 660' FWL Section 10, T20S, R25E Eddy County, New Mexico

Dear Mr. Stringer:

Pursuant to your request, enclosed are two isopach maps for Mewbourne's proposed target zones for the Middle Morrow formation which zones we refer to as the Middle Morrow Blue and Green Sands. The pie shaped shaded areas by each well indicate production from the Middle Morrow Blue and Green Sands as well as the Lower Morrow Yellow and Orange Sands. Cumulative production is indicated at the right of each well symbol with the top number being gas, the middle being oil and the bottom number being water production.

As discussed with you, the average cums in Township 20 South is around ½ BCFG. We are hoping to get a BCF.

In reference to the above, I've also enclosed a land plat of the area and a completion report for our Long Draw "9" Federal Com #1 Well in the NE/4 NE/4 of the adjoining Section 9.

As we plan to commence drilling the proposed Long Draw "10" Federal Com #1 Well soon, we would appreciate receiving a decision from you and Elizabeth Ferguson Blanek and Elizabeth S. Ferguson at the earliest possible date.

Should you have any further questions, please call me.

Sincerely yours,

MEWBOURNE OU COMPANY

D. Paul Haden Senior Landman

Stringer Family Interests, LP . 16406%.

Elizabeth Forguson Blanck . 16406%.

Elizabeth S. Ferguson . 16406%.

Other: J. Frank Stringer, Ja.

325-949-8506

1) Follow up call 5/4/06, left message.
2) Frank Stringer called back 5/4/06, enquired about our prospect interpretation, wanted out about our prospect interpretation, wanted out geology in order to make up his mind. advised from I would send him an asopach of the area with production info to help his decision.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery's 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, 	A. Signature Addressee B. Received by (Printed Name) C. Date of Delivery
or on the front if space permits.	D. Is delivery address different from item 1? Yes
1. Article Addressed to:	D. Is delivery address different from Item 1? U Yes If YES, enter delivery address below: No
Stringer Family Interests, LP P.O. Box 3037 San Angelo, Texas 76902	· ·
San Tangolo, Tollab 70902	3. Sepvice Type G Certified Mail
	4. Restricted Delivery? (Extra Fee)
2. Article Number 7003	3110 0002 5112 1144
PS Form 3811, February 2004 Domestic	Return Receipt 102595-02-M-1540

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

> (432) 682-3715 FAX (432) 685-4170 Jank Stringer 1 Jr.

April 18, 2006

Via Certified Mail-Return Receipt No. 1144

Stringer Family Interests, LP P.O. Box 3037 San Angelo, Texas 76902

Re:

Long Draw "10" Federal Com #1 Well

1980' FSL 7 660' FWL Section 10, T20S, R25E Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the referenced well at the captioned location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 9,800' beneath the surface. The above well will be dedicated to the W/2 of the captioned Section 10 for proration unit purposes. Enclosed for your consideration in connection with the proposed well is our AFE dated March 6, 2006.

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As Mewbourne has a drilling rig available to commence operations on the proposed well within the next 60 days, your earliest response to our proposal would be greatly appreciated. Please call me should you have any questions regarding the above.

Sincerely yours,

MEWBOURNE OIL-COMPANY

D. Paul Haden Senior Landman

Stringer Family Interests, LP Long Draw "10" Federal Com #1 Well April 18, 2006 Page 2

Agreed and Accepted this	_day of April, 2006.
STRINGER FAMILY INTER	ESTS, LP
Ву:	· · · · · · · · · · · · · · · · · · ·
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SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
 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. 	A. Signature Agent X Activated Name C. Date of Delivery Thronk Stringer 4-22-06
1. Article Addressed to:	D. Is delivery address different from item 1? Yes If YES, enter delivery address below: No
Elizabeth Ferguson Blanek c/o Stringer Oil and Gas Company P.O. Box 3037 San Angelo, Texas 76902	
Dan Tingolo, Texas 70702	3. Service Type Certified Mail Registered Registered Insured Mail C.O.D.
	4. Restricted Delivery? (Extra Fee)
2. Article Number (Transfer from service label) 7003	3110 0002 5112 1304
PS Form 3811, February 2004 Domestic Ref	turn Receipt 102595-02 1/-15/10

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

April 18, 2006

Via Certified Mail-Return Receipt No. 1304

Elizabeth Ferguson Blanek c/o Stringer Oil and Gas Company P.O. Box 3037 San Angelo, Texas 76902

Re:

Long Draw "10" Federal Com #1 Well 1980' FSL 7 660' FWL Section 10, T20S, R25E Eddy County, New Mexico

Gentlelmen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the referenced well at the captioned location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 9,800' beneath the surface. The above well will be dedicated to the W/2 of the captioned Section 10 for proration unit purposes. Enclosed for your consideration in connection with the proposed well is our AFE dated March 6, 2006.

In reference to the above, public records indicate you own an undivided .43750% leasehold interest (.525 net acres) in the rights from the surface to a depth of 9,740' beneath the surface in the N/2NW/4 and SW/4NW/4 of the captioned Section 10 which acreage is subject to Federal Lease Serial No. NM-14758. On an 8/8th basis, apparently you have a 82.5% net revenue interest as to such acreage.

Should you elect to participate in the proposed well, please sign and return the enclosed AFE to me and I will forward you our Operating Agreement for execution.

In the event you elect not to participate in the proposed well, Mewbourne hereby offers to purchase a two (2) year term assignment of your interest referenced above on the basis of \$200.00 per net acre wherein Mewbourne would be delivered a 75% net revenue interest, subject to proportionate reduction. Please indicate your acceptance of our offer by signing and returning this letter to me at your earliest convenience in the enclosed postage paid envelope and I will forward you our check and term assignment for your further handling.

As Mewbourne has a drilling rig available to commence operations on the proposed well within the next 60 days, your earliest response to our proposal would be greatly appreciated. Please call me should you have any questions regarding the above.

Sincerely yours,

taut table

URNE OUL COMPANY

D. Paul Haden Senior Landman

Elizabeth Ferguson Blanek Long Draw "10" Federal Com #1 Well April 18, 2006 Page 2

Agreed and Accepted this	day of April, 2006.
Elizabeth Ferguson B	lanek
Tax I. D. No.	

2. Article Number 70 (Transfer from service label) 70 PS Form 3811, February 2004 Domestic R	om rugoro, roams 1000r	1. Article Addressed to: Elizabeth S. Ferguson c/o Stringer Oil and Gas Company P.O. Box 3037 San Angelo Tayas 76007	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 malipiece, or on the front if space permits.
7.00 7.00 7.00	3. Se\(\text{sice Type}\) ☐ Certified Mail ☐ Express Mail ☐ Registered ☐ Return Receipt for Merchandise ☐ insured Mail ☐ C.O.D. 4. Restricted Delivery? (Extra Fee) ☐ Yes	If YES, enter delivery address below:	

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

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

April 18, 2006

Via Certified Mail-Return Receipt No. 1298

Elizabeth S. Ferguson c/o Stringer Oil and Gas Company P.O. Box 3037 San Angelo, Texas 76902

Re:

Long Draw "10" Federal Com #1 Well

1980' FSL 7 660' FWL Section 10, T20S, R25E Eddy County, New Mexico

Gentlelmen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the referenced well at the captioned location to a depth sufficient to adequately evaluate the Morrow formation, estimated total depth being 9,800' beneath the surface. The above well will be dedicated to the W/2 of the captioned Section 10 for proration unit purposes. Enclosed for your consideration in connection with the proposed well is our AFE dated March 6, 2006.

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Sincerely yours,

MEWBOURNE OIL COMPANY

Senior Landman

Elizabeth S. Ferguson Long Draw "10" Federal Com #1 Well April 18, 2006 Page 2

Agreed and Accepted this	_day of April, 2006
Elizabeth S. Ferguson	
Tax I D No	

MEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE

Prospect:	Long Draw		Well Name & No:	Long Draw 10 Fee Com #1		
Field:	Cemetary Morrow		Location:	1980' FSL & 660' FWL		
Section:	10 Block: Survey:	· · · · · · · · · · · · · · · · · · ·	Township	208	Range:	25E
County:	Eddy	ST: NM	Proposed Depth:	9800'		

		Cost To	Completion		
	DESCRIPTION	Casing Point	Cost		
		AFE NO.	AFE NO.		
300	INTANGIBLE COST 180	***			
300	Permits and Surveys Location, Roads and Site Preparation	\$2,000 \$47,000	\$1, \$1,		
302	Footage or Turnkey Drilling	\$47,000	91,		
303	Day Work 24 Days @ 17000/Day + 2 Days @ TD + GRT	\$432,500	\$36,		
304	Fuel 26 Days @ 1000 gal/day @ \$2.00/gal + GRT	\$55,000			
305	Completion / Workover Rig		\$32,		
306	Mud and Chemicals	\$23,000	\$1,		
307	Cementing	\$21,000	\$43,		
308 309	Logging, Wireline and Coring Services	\$30,000	\$12,		
310	Casing, Tubing & Snubbing Services Mud Logging	\$6,000 \$20,000	\$4,		
311	Testing	\$20,000	\$5,		
312	Treating 70Q Binary w/ 100K# HSP	-	\$185,		
313	Water & Other	\$21,000	\$2,		
314	Bits (1 - 14 3/4", 3 - 8 3/4")	\$28,000			
315	Inspection & Repair Services	\$2,500	\$ 6.		
316	Misc. Air and Pumping Services	\$2,000	\$6,		
320	Rig Mobilization & Transportation	\$60,000	\$3,		
321 322	Welding and Construction	\$2,500 \$15,000	\$2,		
330	Engineering & Contract Supervision Equipment Rental	\$13,000	\$1.		
334	Well / Lease Legal	\$15,000	\$1,		
335	Well / Lease Insurance	\$3,000			
360	Intangible Supplies	\$1,000	\$		
365	Damages	\$1,500			
360	Pipeline and Electrical ROW and Easements		\$5,		
367	Pipeline Interconnect				
375	Company Supervision	\$15,000	\$5,		
380	Overhead Fixed Rate	\$6,000	\$4.		
398 399	Well Abandonment Contingencies 10% / 10%	\$12,000 \$84,400	(\$12, \$34,		
399					
	Total Intangibles	\$928,400	\$380,		
·	TANGIBLE COST 181				
797	Conductor Casing 80° 20" (Included in location)	\$24,900			
797 797	Surface Casing 1200' 8 5/8" 32# K55 STC @ \$20.72/ft Intermediate Casing	\$24,500			
797	Intermediate Casing				
797	Production Casing 9,800° 4 1/2" 11.6# HCP-110 LTC @ \$13.19/ft	1.	\$129,		
798	Tubing 9,700' 2 3/8" 4.7# N-80 EUE 8rd @ \$4.60/ft		\$47.		
860	Drilling Head	\$5,500			
870	Tubing Head & Upper Section		\$10,		
875	Sucker Rods				
880	Packer Pump & Subsurface Equipment Artificial Lift Systems Pumping Unit Surface Pumps & Prime Movers Tanke - Steel 1 - 300 bbl Steel Tanke - Steel 1 - 310 bbl Steel	<u></u>			
884	Artificial Lift Systems				
886	Pumping Unit				
886 890	Surface Pumps & Prime Movers Tanks - Steel 1 - 300 bbi Steel	0	\$6,		
891	Tanks - Other 1 - 210 bbl Fiberglass		\$4,		
895	Separation Equipment	 	\$12.		
896	Gas Treating Equipment				
898	Metering Equipment \$5,3				
900	Line Pipe - Gas Gathering and Transportation		\$25.		
901	Line Pipe - Production	<u> </u>	\$1.		
906	Miscellaneous Fittings, Valves & Accessories \$8,0				
909	Electrical Installations Production Equipment Installation \$15,0				
920	Pipeline Construction	 	\$20		
		800.465			
ared by:		\$30,400	\$282,		
pany Ap	proval: 772 2012 Date Approved: 3/7/2006 SUBTOTAL	\$958,800	\$663,		
t Owner I	nterest: Joint Owner Amount: TOTAL WELL COS				

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 <u>not</u> to be covered by this Operator's Extra Expense Insurance only by signing below. The undersigned elects <u>not</u> to be covered by Operator's Extra Expense Insurance for their well.

Bv:	-	Name	o:
			Long Draw 10 Fee Com #1.xls