

**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. 13,798

**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 E $\frac{1}{2}$  of Section 27, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, and in the following manner:

(i) the E $\frac{1}{2}$  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 Undesignated Southeast Carlsbad-Wolfcamp Gas Pool, Undesignated Northeast Sheep Draw-Strawn Gas Pool, Undesignated Happy Valley-Strawn Gas Pool, and Happy Valley-Morrow Gas Pool; and

(ii) the SE $\frac{1}{4}$  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.

The unit is to be designated to the proposed Runaway "27" Fed. Com. Well No. 1, to be drilled at an orthodox location in the SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 27.

Oil Conservation Division  
Case No. 13,798  
Exhibit No. 1

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

Robert G. Bailey	0.78125% (E½ §27)
3215 Tarry Hollow	0.00000% (SE¼ §27)
Austin, Texas 78703	

Great Western Drilling, Ltd.	4.90056% (E½ §27)
P.O. Box 1659	9.80114% (SE¼ §27)
Midland, Texas 79702	

(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.

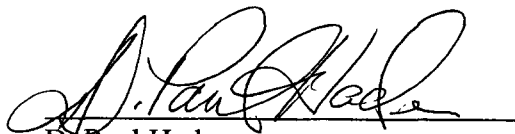
(g) Overhead charges of \$6500/month for a drilling well, and \$650/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that it be designated operator of the well.

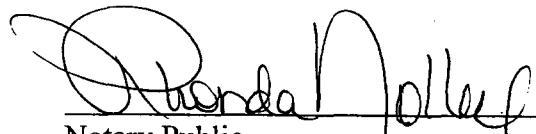
VERIFICATION

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

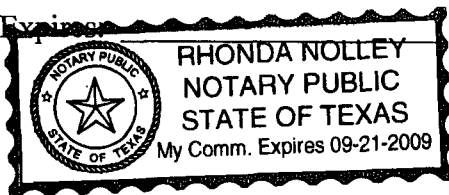
D. Paul Haden, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
D. Paul Haden

SUBSCRIBED AND SWORN TO before me this 24<sup>th</sup> day of October, 2006 by D. Paul Haden.

  
Notary Public

My Commission Expires



## EXHIBIT

Carlsbad  
Airport

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

September 21, 2006

Mr. Robert G. Bailey  
3215 Tarry Hollow  
Austin, Texas 78703

Re: Runway "27" Federal Com #1 Well  
E/2 of Section 27, T22S, R26E  
Eddy County, New Mexico

Dear Mr. Bailey:

To date you have not responded regarding our lease offer or well proposal for the captioned proposed well. We would like to avoid the necessity for having to file an Application For Compulsory Pooling with the New Mexico Oil Conservation Division regarding your unleased mineral interest. However, you apparently are giving us no choice but to do so as we have a drilling rig scheduled to drill the proposed well and we have an Oil and Gas Lease covering the N/2 SE/4 expiring March 1, 2007.

Should you have any questions regarding the above or wish to discuss this matter further, please call me at (432) 682-3715 at your very earliest convenience.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/gb

EXHIBIT B

Runway "27" Federal 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:

**Mr. Robert G. Bailey  
3215 Tarry Hollow  
Austin, Texas 78703**

2. Article Number  
(Transfer from service label)

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

☒ Agent

☐ Addressee

B. Received by (Printed Name)

ROBERT BAILEY

C. Date of Delivery

9/2 13:16

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

7003 3110 0002 5112 0611

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

August 31, 2006

Via Certified Mail-Return Receipt No. 0611

Mr. Robert G. Bailey  
3215 Tarry Hollow  
Austin, Texas 78703

Re: Runway "27" Federal Com #1 Well  
990' FSL & 1650' FEL  
Section 27, T22S, R26E  
Eddy County, New Mexico

Dear Mr. Bailey:

For our behalf, Mr. Jack Madison sent you a lease offer and proposed Oil & Gas Lease to you February 16, 2006. To date, you have not responded to our offer.

In reference to the above, Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to evaluate the Morrow formation estimated total depth being 11,850' beneath the surface. Enclosed for your information and signature should you choose to participate in the referenced well is our Authorization For Expenditure (AFE).

Regarding the above, Eddy County records indicate you own an undivided 1/64<sup>th</sup> mineral interest (2.5 net mineral acres) in the NE/4 of the captioned Section 27 which appears to be unleased. In the event you elect not to participate in the proposed well to the extent of your unleased mineral interest, Mewbourne offers to purchase an Oil and Gas Lease from you covering such unleased mineral interest on the basis of \$200.00 per net acre for a five (5) year primary term with such lease providing a 1/6 royalty interest. Such offer is available for your acceptance for a period ending October 1, 2006. In this regard, I've enclosed our proposed Oil and Gas Lease covering your referenced unleased mineral interest should you elect to accept our offer.

In the event you elect to accept our lease offer, please sign the lease in the presence of a Notary Public and return same to me in the enclosed postage paid envelope. Upon receipt of same, I will forward you our check for \$500.00.

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

Mr. Robert G. Bailey  
Runway "27" Federal Com #1 Well  
August 31, 2006  
Page -2-

Please call me should you have any questions regarding the above or email me at [phaden@mewbourne.com](mailto:phaden@mewbourne.com).

Sincerely yours,

**MEWBOURNE OIL COMPANY**

A handwritten signature in black ink, appearing to read "D. Paul Haden", written in a cursive style.

D. Paul Haden  
Senior Landman

DPH/gb



Great Western Dalg. 4.9006%  
Mike Heathington 19.6023% int N/2SE/4  
682-5241 below 10,600'  
Carter Muir 9.8011% above 10,600'  
Proposed 8/30/06.

- 1) ~~10/4/06~~ Follow up call to Carter Muir this date, left message. He's out today but will be back tomorrow.
- 2) Carter said they'd like to see the geology to ~~see~~ help in their decision. 10/5/06
- 3) Meeting set for Monday, Oct. 9. at 10:30 A.M. to show our geology.
- 4) 10-16-06 - Carter said they'd like up to 10% WI, will get back w/ him.
- 5) 10-23-06 - Advised Carter that we'd have him assignment for their additional interest and LTA to him in the next several days.

Runway "27" Fed 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:

**Great Western Drilling Company  
P.O. Box 1659  
Midland, Texas 79702  
Attn: Mr. Mike Heathington**

**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

2. Article Number  
(Transfer from service label)

7003 3110 0002 5112 0574

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

August 30, 2006

Via Certified Mail-Return Receipt No. 0574

Great Western Drilling Company  
P.O. Box 1659  
Midland, Texas 79702  
Attn: Mike Heathington

Re: Runway "27" Federal Com #1 Well  
990' FSL & 1650' FEL  
Section 27, T22S, R26E  
Eddy County, New Mexico

Gentlemen:

Mewbourne Oil Company (Mewbourne) as Operator hereby proposes to drill the captioned well at the referenced location to a depth sufficient to evaluate the Morrow formation, estimated total depth being 11,850' beneath the surface. The E/2 of the captioned Section 27 will be dedicated to the well. Enclosed for your consideration and execution in this regard is our AFE dated August 23, 2006.

In reference to the above, public records indicate your firm owns a 19.6023% leasehold interest with a 86.25% NRI on an 8/8ths basis as to State Lease No. K-675-2 in the N/2SE/4 of the captioned Section 27. This interest corresponds to a .049006 unit interest.

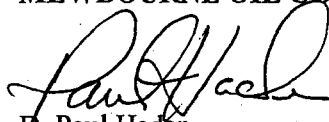
In the event your firm elects to participate in the subject proposed well, please indicate such election by having the enclosed AFE signed on behalf of your firm and returning same to my attention at your earliest convenience. Upon receipt of same, I will forward you our Operating Agreement for execution.

In the event your firm elects not to participate in the proposed well, Mewbourne would be agreeable to acquiring a two (2) year Term Assignment of Operating Rights from your firm on the basis of \$250.00 per net acre with such assignment delivering Mewbourne an 80% NRI on an 8/8ths basis. Such offer is available for your acceptance for a period ending September 30, 2006.

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY

  
D. Paul Haden  
Senior Landman

DPH/gb

# MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020  
MIDLAND, TEXAS 79701

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

April 6, 2006

Great Western Drilling Company  
P.O. Box 1659  
Midland, Texas 79702  
Attn: Mike Heathington

Re: MOC's Runway "26" and "27" Prospects  
W/2 of Section 26 and E/2 of Section 27,  
T22S, R26E  
Eddy County, New Mexico

Dear Mike:

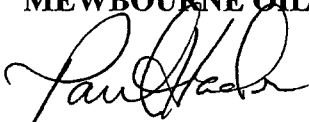
Mewbourne Oil Company (Mewbourne) as Operator is interested in drilling one or more Morrow test wells on the captioned lands. Public records indicate Great Western Drilling Company (Great Western) owns a 9.8011% leasehold interest from the surface to a depth of 10,600' beneath the surface in the N/2 SW/4 of Section 26 and N/2 SE/4 of Section 27. Below 10,600', Great Western owns a 19.6023% leasehold interest in said land. As to such land, Great Western has a 86.25% NRI which lands are subject to State Lease No. K-675-2.

Regarding the above, Mewbourne hereby offers to purchase a two (2) year term assignment on the basis of \$250.00 per net acre wherein Mewbourne would be delivered a 75% net revenue interest.

Should you have any questions regarding the above, please call me.

Sincerely yours,

MEWBOURNE OIL COMPANY



D. Paul Haden  
Senior Landman

DPH/m

# MEWBOURNE OIL COMPANY

## AUTHORIZATION FOR EXPENDITURE

Prospect: Runway 27 Well Name & No: Runway 27 Federal Com #1  
 Field: \_\_\_\_\_ Location: 990' FSL & 1650' FEL  
 Section: 27 Block: \_\_\_\_\_ Survey: \_\_\_\_\_ Township 22S Range: 26E  
 County: Eddy ST: NM Proposed Depth: 11,850'

DESCRIPTION		Cost To Casing Point AFE NO.	Completion Cost AFE NO.
<b>INTANGIBLE COST 180</b>			
300	Permits and Surveys	\$1,500	\$1,500
301	Location, Roads and Site Preparation	\$65,000	\$2,000
302	Footage or Turnkey Drilling		
303	Day Work 34 days @ \$19,000/day + 3 days completion + GRT	\$684,800	\$60,500
304	Fuel	\$82,000	\$1,000
305	Completion / Workover Rig		\$20,000
306	Mud and Chemicals	\$70,000	\$2,000
307	Cementing	\$50,000	\$70,000
308	Logging, Wireline and Coring Services	\$50,000	\$25,000
309	Casing, Tubing & Snubbing Services	\$10,000	\$12,000
310	Mud Logging 30 days @ \$1000/day + setup	\$30,000	
311	Testing	\$1,500	\$5,000
312	Treating 70Q Binary + 70K IP		\$210,000
313	Water & Other	\$40,000	\$1,000
314	Bits 1-17 1/2", 1-12 1/4", 5- 8 3/4"	\$60,000	
315	Inspection & Repair Services	\$6,000	\$1,000
316	Misc. Air and Pumping Services		\$1,500
320	Rig Mobilization & Transportation	\$70,000	\$2,500
321	Welding and Construction	\$4,000	\$5,500
322	Engineering & Contract Supervision	\$30,000	\$2,000
330	Equipment Rental	\$40,000	\$3,500
334	Well / Lease Legal	\$10,000	\$2,500
335	Well / Lease Insurance	\$10,000	
350	Intangible Supplies	\$500	\$500
355	Damages	\$20,000	
360	Pipeline and Electrical ROW and Easements		\$6,000
367	Pipeline Interconnect		
375	Company Supervision	\$20,000	\$15,000
380	Overhead Fixed Rate	\$9,000	\$6,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 10%	\$137,900	\$44,100
Total Intangibles		\$1,517,200	\$485,100
<b>TANGIBLE COST 181</b>			
797	Conductor Casing 40' of 20" (included in location cost)		
797	Surface Casing 650' 13-3/8" 48# H40 ST&C @ \$33.76/ft	\$22,000	
797	Intermediate Casing 2500' 9-5/8" 40# HCK55/K55/N80 LT&C @ \$26.27/ft	\$65,700	
797	Intermediate Casing		
797	Production Casing 11,850' 5-1/2" 17# HCP110/N80 LT&C @ \$15.65/ft		\$185,500
798	Tubing 11,500' 2-7/8" 6.5# P110 EUE 8rd @ 6.51/ft		\$74,900
860	Drilling Head	\$10,000	
870	Tubing Head & Upper Section		\$15,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$10,000
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel		\$12,000
891	Tanks - Other		\$5,000
895	Separation Equipment		\$20,000
896	Gas Treating Equipment		
898	Metering Equipment		\$6,000
900	Line Pipe - Gas Gathering and Transportation		\$25,000
901	Line Pipe - Production		\$1,500
906	Miscellaneous Fittings, Valves & Accessories		\$10,000
909	Electrical Installations		
910	Production Equipment Installation		\$20,000
920	Pipeline Construction		\$25,000
Prepared by: F. Lathan Date Prepared: 8/23/2006 Total Tangibles		\$97,700	\$409,900
Company Approval: <u>M. Whittle</u> Date Approved: 8/24/2006 SUBTOTAL		\$1,614,900	\$895,000
Joint Owner Interest: _____ Joint Owner Amount: _____ TOTAL WELL COST		\$2,509,900	

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: \_\_\_\_\_